

Australian System of Government Finance Statistics

Concepts, Sources and Methods

2005

5514.0

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Statistics**

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Methods**

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AUSTRALIAN BUREAU OF STATISTICS

EMBARGO: 11.30AM (CANBERRA TIME) FRI 2 SEP 2005

ABS Catalogue No. 5514.0

ISBN 0 642 17330 3

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PREFACE

This publication is the second edition of a comprehensive account of the concepts applied in government finance statistics (GFS) published by the Australian Bureau of Statistics (ABS) and the sources of data and methods used to compile the statistics. Its main purpose is to serve as a reference manual for users of the statistics who require a detailed understanding of the concepts, sources and methods in order to analyse and interpret the information that the statistics convey. The manual will also assist compilers of government financial statistics, including those in Commonwealth, state and territory treasuries or Departments of Finance responsible for preparing information on a GFS basis.

The information in this edition of the manual substantially revises much of the information contained in the first edition (released in 1994). Australia's system for producing GFS has been changed because of the following developments:

- introduction of accrual accounting throughout government in Australia to replace the former cash-based systems;
- revision of the international standard for compiling national accounts and the consequent revision of the International Monetary Fund's (IMF's) standard for GFS.

The statistical concepts and classification principles used by the ABS in compiling GFS are based on the IMF standard because it is designed to enable preparation of uniform statistics relating to all IMF member countries and is widely recognised in the international statistical community. Government accounting systems are the main source of data that enter GFS. In revising the system for producing GFS, the ABS worked closely with authorities responsible for developing and administering the accounting standards that are applied by Australian governments. Differences between accounting and statistical concepts are inevitable because they serve different purposes. While steps are being taken to keep these differences to a minimum, some remain. These have been identified and clear links have been established between the accounting and statistical systems. The links are set out in this manual. This will enable users of government financial reports and GFS to reconcile the data recorded in these two sources of information.

At the time of release, the ABS is aware of likely impacts of the harmonisation of the accounting and GFS standards in Australia. Over recent years, a review of the System of National Accounts 1993 has also been occurring internationally. These and other factors will bring about the need for updates to this publication over time. The ABS will work to keep this manual current as the accounting and statistical environments change over coming years.

While this manual provides extensive detail about GFS, coverage of every conceivable aspect is impossible. Therefore, when examples of various types of activities that are covered by particular aspects of GFS are presented, they should be treated as illustrative rather than as definitive.

Dennis Trewin
Australian Statistician

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ASNA	Australian System of National Accounts
CBAs	Central Borrowing Authorities
ETF	Economic Type Framework
GFS	Government Finance Statistics
GPC	Government Purpose Classification
GST	goods and services tax
IMF	International Monetary Fund
LOG	level of government
NOB	net operating balance
NPIs	non-profit institutions
NPISH	non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
SDRs	Special Drawing Rights
SESCA	Standard Economic Sector Classification of Australia
SISCA	Standard Institutional Sector Classification of Australia
SNA93	System of National Accounts 1993
TC	Taxes Classification
UN	United Nations

CHAPTER 1

INTRODUCTION

NATURE OF GOVERNMENT FINANCE STATISTICS

DISTINCTION BETWEEN GFS AND THE GFS SYSTEM

1.1 The term ‘government finance statistics’ refers to statistics that measure the financial activities of governments and reflect the impact of those activities on other sectors of the economy. The acronym ‘GFS’ is used throughout this manual to refer to government finance statistics. The term ‘the GFS system’ is used to refer to the data system that supports GFS. The data system includes the concepts and classifications applied, sometimes called the ‘statistical framework’, and the sources of data and methods used to compile the statistics. The subject of this manual is the GFS system in Australia but the discussion also embraces GFS, the product of that system.

1.2 The GFS system covers all activities of governments that can be measured in money terms. The system focuses on monetary measures of transactions and other economic flows that involve governments, and the money values of assets and liabilities held by governments. Examples of activities covered by GFS include government spending, lending, taxing, and borrowing. As well, the statistics include information about the value of government investments and debt.

1.3 The need for financial measures of government activities in their own right arises from the unique legislative and regulatory authority that governments can exercise over other institutional units in the economy. Australia’s GFS serve to meet the community’s demand for standardised and detailed financial information about the activities of all Australian governments.

UNDERLYING STATISTICAL STANDARDS

1.4 The Australian GFS system is based on two important international statistical standards:

- the system of national accounts embodied in *System of National Accounts 1993* (SNA93), issued jointly by the United Nations (UN), the International Monetary Fund (IMF), the Commission of European Communities, the Organisation for Economic Co-operation and Development (OECD) and the World Bank;
- the international statistical standard for compiling GFS developed, in consultation with member countries, by the IMF. The current version was released in 2001, and it replaced the first version released in 1986. The 2001 version is more compatible with SNA93 and is better able to meet current requirements for fiscal analysis.

1.5 SNA93 can be seen as an ‘umbrella’ standard with which a number of other international statistical standards are ‘harmonised’. The harmonised standards use SNA93 statistical concepts and, to a degree, use common classifications and items, enabling links between the harmonised system and the SNA to be readily established. The IMF standard for GFS is such a harmonised system.

1.6 SNA93 is a statistical framework relating to the whole of an economy and covers government activities only as a component. SNA93 also differs from the GFS system in that its central focus is on economic concepts such as production, whereas the GFS system concentrates mainly on fiscal concepts such as revenues and expenses. Nevertheless, the GFS system is designed to provide data that can be used in compiling the national accounts and the two data systems have many concepts in common. Appendix 1 provides a broad description of relevant elements of the national accounting standards set out in SNA93.

1.7 The IMF GFS standard is widely accepted internationally as an appropriate framework on which to base the preparation and presentation of GFS. A feature of the standard is its attention to the special nature and role of governments and the statistical requirements that their unique features imply. The ABS provides GFS to the IMF for publication with similar statistics for all IMF member countries. Because these statistics are prepared according to the IMF standard, they can be used to compare Australian government finance with the government finance of the other member countries. In publishing GFS for Australia, the ABS includes minor adaptations of the IMF standard to meet local needs. Appendix 2 provides a description of the IMF GFS standard with appropriate references to the SNA discussion where SNA concepts are used in the GFS system.

1.8 Harmonisation of the GFS system with the SNA ensures that users of GFS can relate the statistics to national accounts data for the whole economy and other sectors. International statistical standards relating to balance of payments and monetary and financial statistics are also harmonised with the SNA. Therefore, where these statistics use concepts that are also used in the GFS system, the concepts are defined in the same way as in the GFS system. Harmonisation enables the ABS's use of GFS data as the major source of information about government activities recorded in the Australian national accounts.

SCOPE OF GFS

1.9 Government activities covered by the GFS system include not only the functions of government departments and authorities that are financed primarily from taxation (called 'non-market' units in SNA93) but also the operations of government-owned corporations and authorities, that are described as 'market' units in SNA93. Distinctions are made in the statistics between the operations of such market-oriented units owned by governments and all other government units. Market-oriented units are further sub-divided between those with primarily financial functions, such as government-owned banks and insurance companies, and other market units, such as government-owned utilities. All three levels of government (national, state and local) are covered by the statistics and separate data are compiled for each level of government and for each jurisdiction (i.e. the Commonwealth, each state and territory and the multi-jurisdictional sector which includes public universities).

RELATIONSHIP TO ACCOUNTING STANDARDS

1.10 The main sources of information for compiling GFS in Australia are the data systems that support the public accounts of the Commonwealth, and each state and territory government. These accounts are largely geared towards financial accountability and control and are in a format reflecting accounting standards and legal and administrative imperatives in each jurisdiction. In compiling the statistics, the ABS makes use of the accounts of other government authorities that fall within the scope of the GFS system but are not covered by the public accounts and keep their own particular forms of financial accounts. Also used are local governments' accounts, which are kept in a form dictated by administrative requirements and accounting standards.

1.11 The accounts that are the main sources of information for compiling GFS in Australia generally comply with Australian accounting standards for government entities. The accounting concepts established by these standards are generally consistent with the statistical concepts employed in GFS. In developing Australia's GFS system, the ABS has worked closely with government accountants and the Australian Accounting Standards Board and has endeavoured to identify and document the small number of unavoidable differences between the GFS system and accounting standards.

1.12 Although accounting standards impose a high degree of uniformity on government financial reporting, government financial reports generally do not contain the degree of classificatory detail and the focus on particular economic and fiscal measures that GFS provides. Only the GFS system provides data that can be used for international comparisons and can be related to economic data included in the national accounts. Recognising this fact, the May 1991 Premiers' Conference resolved that the Commonwealth and each state and territory government should compile information on a 'GFS' basis for inclusion in their budget documents as a statistical supplement to the usual financial information. Users of the budget documents can use the supplementary data to compare GFS for the jurisdiction of their interest with GFS released with the budget documentation of other jurisdictions.

BASIS OF RECORDING

1.13 In the past, government accounts were maintained primarily on a cash basis and only cash flows and selected balances were recorded. Similarly, the GFS system was primarily a cash-based system. Accounting standards now require that governments prepare financial statements on an accrual basis and that supplementary information about cash flows be produced. Because the SNA employs an accrual basis of recording, harmonisation of the GFS system with SNA93 has required the transfer of the GFS system to an accrual basis. Under the GFS accrual system, all economic events that create, transform, exchange, transfer or extinguish economic value are recorded, whether or not they are associated with cash flows. All such events are recorded at the time at which they occur rather than when associated cash flows occur. As well, the system records all assets and liabilities of economic value whereas, in the past, only selected financial assets and liabilities were recorded. Cash flows continue to be recorded in a supplementary statement. Australia's GFS system has moved to a basis of accrual recording that reflects considerable alignment with the Australian accounting standards and meets the requirements of the IMF and the SNA.

ANALYTICAL BALANCES

1.14 In broad terms, the primary use of GFS is in fiscal analysis or the analysis of government financial data for the purpose of developing government economic policy. Fiscal analysts focus on measures that are indicative of the financial situation of governments and the impact of government operations on the rest of the economy. While a wide range of financial information is required to meet the needs of fiscal analysts, a prominent feature of fiscal analysis is the use of key indicators that provide a convenient summary of financial outcomes. These indicators are called 'analytical balances' because they are derived as the balance between broad aggregates (e.g. revenue and expense) in the system. In the past, analysts have focused on the cash surplus or deficit generated by government operations. The GFS system now provides a suite of analytical balances that summarise various aspects of government operations. These include accrual and cash measures of the fiscal outcome and measures of governments' financial position.

PURPOSE OF THIS MANUAL

1.15 This manual is intended as a general reference document for users and compilers of GFS. For users, the manual provides a detailed account of the concepts underlying GFS, the sources of data employed and the methods used to compile the statistics. As such, the manual should assist users to obtain a deeper understanding of the nature and content of the statistics than can be obtained from the ABS publications in which the statistics are presented. For compilers, the manual is intended to serve as a training aid and as a working reference on matters of technical detail. Compilers in both the ABS and the Commonwealth, state and territory treasuries should be able to use the manual for these purposes.

ORGANISATION OF THIS MANUAL

1.16 This manual has been structured to provide a logical sequence of discussion of the concepts, sources and methods used in the compilation of GFS. The following structure has been used:

- Chapter 1 (this chapter) discusses the nature of GFS and the purpose and organisation of this manual;
- Chapter 2 describes the ABS analytical framework for GFS, including the adaptations of the IMF framework which have been incorporated.
- Chapter 3 deals with data sources and the collection methodology used in Australia's GFS system;
- Chapter 4 covers methods used in compilation;
- Chapter 5 describes the statistical output of the GFS system;
- Chapter 6 analyses the accuracy, reliability and timeliness of the statistics;
- Chapter 7 outlines in more detail the relationship of Australia's GFS system with the IMF GFS standard, the Australian System of National Accounts and Australian accounting standards relating to government;
- Appendix 1 provides a broad description of relevant elements of the national accounting standard set out in SNA93;
- Appendix 2 provides a description of the IMF GFS standard with appropriate references back to the SNA discussion where SNA concepts are used in the GFS system;
- Appendix 3 presents the classifications used in compiling GFS;
- Appendix 4 includes a technical note and guidelines on treatment of tax, refunds, allowances, rebates and credits in GFS and a description of the treatment of HECS in GFS.

A glossary of terms used in the manual is provided at the end of the publication, together with a list of documents referred to in the manual.

An index of all technical terms is also included.

CHAPTER 2

AUSTRALIAN GFS FRAMEWORK

INTRODUCTION

2.1 The aim of this chapter is to provide a detailed account of the conceptual framework of the GFS system in Australia. The chapter sets out the broad objectives of the system, the institutional units that fall within the scope of the system, the coverage of those units achieved in the statistics, and the classifications that are applied to the units. The chapter also describes the broad nature of the economic flows and stocks that are recorded in the system and the accounting rules that govern that recording. The analytical framework in which flows and stocks are presented is then described, followed by detailed descriptions of the classifications that are applied to flows and stocks.

OVERVIEW OF THE ANALYTICAL FRAMEWORK

2.2 The analytical framework adopted by the ABS for compiling GFS has been structured to provide for:

- aggregation and consolidation of all government economic flows and stocks to provide a financial statement for the whole of the Australian public sector;
- a comprehensive financial view of economic flows (e.g. transactions) and stocks (e.g. assets and liabilities) of the Commonwealth, and each state, territory and local government in Australia;
- analysis of the economic flows and stocks of the three main components of the public sector (general government, public non-financial corporations and public financial corporations) within an integrated classification scheme;
- data recorded on an accrual basis with supplementary data recorded on a cash basis; and
- convenient derivation of data for input into the Australian System of National Accounts.

2.3 To achieve these objectives the analytical framework has been designed to enable integrated recording of government economic flows and stocks. Thus, the framework requires that there be a balance between the opening values of economic stocks, the value of the transactions and other economic flows during the accounting period and the resulting values of the stocks at the end of the accounting period. The balancing requirement relates to the total of all stocks and to totals for individual classes of assets and liabilities.

2.4 In order to provide statistics for each component of the public sector, the framework provides for the identification of the level of government, jurisdiction and economic sector of each statistical unit in the system. The framework includes consolidation rules that govern the aggregation of data for individual units into totals for each level of government, jurisdiction and sector. The rules provide for the consolidation of flows and stocks that occur between units in the same level of government, jurisdiction or sector.

2.5 As well as providing the foregoing classification of units by level of government, jurisdiction and sector, the framework provides for the classification of economic flows by type and function and economic stocks by type. At the broadest level, flows are subdivided between transactions and other economic flows. Transactions are categorised as either revenues, expenses, net acquisition of non-financial assets, net acquisition of financial assets, net incurrence of liabilities or net contributions of capital. Stocks are subdivided by type between non-financial assets, financial assets, liabilities, and shares and other contributed capital. Each of the classifications is hierarchical, such that each of the broad categories is disaggregated into sub-categories, which in turn are further broken down into classes. The degree of disaggregation varies from category to category and is designed to cater for all analytical requirements.

2.6 The classification of stocks and flows by type reflects a set of three financial statements that comprise the basic structure of the analytical framework:

- the **GFS operating statement**, which records GFS revenues, GFS expenses, and net acquisition of non-financial assets;
- the **statement of stocks and flows**, which records the opening values of stocks of assets, liabilities and equity, the values of transactions and other flows in the accounting period, and the resulting values of the stocks at the end of the accounting period;
- the **cash flow statement**, which records cash flows arising from operating, investing and financing activities.

The prefix 'GFS' used in association with analytical balances is used to distinguish system elements that occur in accounting standards but are not defined in the same way as in the accounting standards.

2.7 The framework provides a structure within which very detailed presentations of GFS can be formulated. In theory, the items in each of the basic statements can be disaggregated to the finest levels of each of the stocks and flows classifications and cross-classified according to the level of government, jurisdiction and sector of each unit in the system. In practice, there are practical and quality limits to the degree of detail that can be tabulated. However, the previously discussed objectives of the framework are readily achieved with this design.

STATISTICAL UNITS

2.8 Statistical units are businesses, government agencies etc about which statistics are tabulated, compiled or published. Each statistical unit is classified according to the unit's characteristics of analytical interest so that statistics can be presented for groups of units with common characteristics. The statistical unit is not always the same as the 'collection unit', which is the unit from which information is obtained. A collection unit might provide information relating to several statistical units or it might be necessary to split the information supplied by a collection unit to provide information relating to more than one statistical unit.

2.9 The ABS has developed a hierarchical model of standard statistical units for use in economic statistics. The model is defined according to principles set out in SNA93. Use of standard definitions of units across all economic statistics enables users to compare statistics in different fields knowing that the comparisons are not invalidated by the existence of different units of observation underlying the statistics being compared.

2.10 In the model, there is a 'legal entity' unit that is essentially the same in concept as the SNA93 concept of an 'institutional unit', which is discussed in Appendix 1 and is the recommended statistical unit in the IMF's GFS system. A legal entity is defined as 'a unit covering all the operations in Australia of an entity that possesses some or all of the rights and obligations of individual persons or corporations or that behaves as such in respect of those matters of concern for economic statistics'. However, the unit used in Australia's GFS system is the 'enterprise', which is defined in the model as 'all legal entities within an enterprise group that are classified to the same institutional subsector'. Thus, an enterprise can be a single legal entity or a combination of legal entities within the same 'enterprise group', which is a group of legal entities that are under common ownership or control.

2.11 In Australia's public sector, most enterprises equate with a single legal entity and therefore match the SNA93 concept of an institutional unit. An exception occurs with government-owned corporations that are related as parent and subsidiaries. In that case, related corporations in the same institutional subsector are combined to form an enterprise unit (the concept of institutional subsectors is discussed ahead in the section entitled 'Classification of units'). However, if each corporation prefers to report individually, they can each be treated as individual collection units.

2.12 The ABS concepts of legal entity and enterprise include the SNA93 concept of a quasi-corporation, which is discussed in Appendix 1. Thus, an unincorporated government entity that operates as if it is a separate corporation is treated as a legal entity and as an enterprise. Such an entity is regarded as operating like a separate corporation if it:

- has the same relationship to its government owner as a corporation has to its shareholders; and
- keeps a full set of accounts, including a balance sheet.

2.13 The concept of a 'single legal entity' requires some elaboration when applied to government departments and authorities that are primarily funded from budget allocations and subject to centralised control of their finances through the public accounts. Such entities do not have the degree of independence to meet the SNA93 criteria for recognition as institutional units and similarly do not qualify as single legal entities in the Australian units model. Thus, in concept, each jurisdiction (i.e. the Commonwealth and each state and territory) includes an enterprise that comprises all departments and authorities included in the jurisdiction's public accounts.

2.14 However, individual departments and other budget-funded authorities of the Commonwealth, state and territory governments are separately identified as enterprise units in the computer systems supporting the ABS GFS system and are allocated to the various units classifications discussed ahead under the heading 'Classification of units'. This procedure is adopted to provide the flexibility to compile data available for the lower-level units should such compilation be required. Because the departments and authorities carry the same unit classifications as their parent enterprise, the procedure has no effect on the accuracy of the unit-classified data reflected in GFS.

2.15 The entities that are identified separately in the GFS system are of two main types:

- **Statutory authorities** - these are entities established by the Constitution or by an Act of Parliament of the Commonwealth or one of the states or territories. Statutory authorities include the Governor-General and the Governor of each state, each house of the parliaments of the Commonwealth and each state and territory and each court of law. Statutory entities are not restricted to entities created as 'bodies corporate', but include any other entity which is described in legislation as having been established by the legislation. Included are entities established under legislation which provides for the establishment of a class of entities (e.g. government-owned companies created under corporations law, and local government authorities created under local government legislation) rather than for each entity individually. The concept also includes entities which are created as statutory offices held by individual persons, or as statutory bodies comprising several statutory offices named in the legislation;
- **Departmental entities** - these include entities created as 'Departments of State' by the instrument (e.g. proclamation, Executive Council order) required by legislation in the Commonwealth and each state or territory. However, for statistical purposes, 'departmental entities' exclude any statutory entities which may be named as part of a department in the instrument of creation.

2.16 As previously noted, each statutory authority and departmental entity that is included in the public accounts of a jurisdiction is treated conceptually as part of a wider enterprise unit comprising all such units in the jurisdiction. Conversely, with one exception, each statutory authority and departmental entity that is not included in the public accounts of a jurisdiction is treated as an individual legal entity and therefore as an enterprise. The exception concerns units that operate as an integral part of another unit (e.g. they have no separate accounts and no separate employees); such units are merged with the unit of which they form an integral part.

SCOPE AND COVERAGE

2.17 The term 'scope' is used to denote the group of statistical units that defines the intended boundary of a statistical system. The aim of a statistical system is to record a defined set of information relating to all of the statistical units defined as falling within the scope of that system. The term 'in-scope units' is often used to describe the group of units falling within the scope of a statistical system. The term 'coverage' is used to denote the extent to which the defined scope of a statistical system is actually achieved in practice. Ideally, scope and coverage would be identical but in practice there are many reasons why it may not be feasible to achieve full coverage.

SCOPE OF THE GFS SYSTEM

2.18 The scope of the ABS GFS system is defined as all enterprise units comprising the public sector of Australia. The public sector is defined in the ABS Public/Private classification, which is one of the standard sector classifications defined in *Standard Economic Sector Classifications of Australia* (SESCA) 2002 available in the ABS's Statistical Concepts Library. The SESCOA defines the public sector as comprising:

- all resident units that are classified in the *Standard Institutional Sector Classification of Australia* (SISCA) to the general government sector;
- all resident corporations and quasi-corporations that are classified in the SISCA to the non-financial corporations sector and are controlled by government units — such corporations and quasi-corporations are described in the system as public non-financial corporations; and

- all resident corporations and quasi-corporations that are classified in the SISCAs to the financial corporations sector and are controlled by government units — such corporations and quasi-corporations are described in the system as public financial corporations.

The SISCAs are another of the sector classifications included in the SESA. The institutional sectors included in the SISCAs and the units of which they are comprised are defined in detail in the section below headed 'Classification of units'.

2.19 It will be noted that the scope is defined in terms of 'resident' units. The concept of residence is based on the concept of the economic territory of a country, rather than legal or political concepts. The economic territory of a country is defined in the SNA93 as 'the geographic territory administered by a government within which persons, goods and capital circulate freely' (SNA93, paragraph 14.9). The economic territory of Australia includes the Cocos (Keeling) Islands and Christmas Island. It does not include the external territory of Norfolk Island. The economic territory includes 'territorial enclaves' in the rest of the world (i.e. clearly demarcated areas of land which are located in other countries and which are used by the government which owns or rents them for diplomatic, military, scientific or other purposes). Thus, the scope of the GFS system includes overseas operations at Australia's embassies, consulates, trade offices, etc.

2.20 The criterion for recognising government-controlled corporations and quasi-corporations is based on the SNA93 definition of control, which is '... the ability to determine general corporate policy by appointing appropriate directors, if necessary. Owning more than half the shares of a corporation is evidently a sufficient, but not a necessary, condition for control ...' (SNA93, paragraph 4.30). Thus, a government controls a corporation when a government unit owns more than 50% of the shares in the corporation. However, in some cases, government control can also exist when a government unit owns 50% or less of the shares of a corporation. For example, government control can exist where special legislation or regulations empower a government to determine corporate policy or to appoint the directors of a corporation. Corporations controlled by other government-controlled corporations are considered to be government controlled.

2.21 For the purposes of the Public/Private classification, government control of corporations does not include a government's ability to exercise general legislative or regulatory powers over corporations as a group. Government authority to determine the general policy of a corporation usually comes from legislation that is specific to the individual corporation over which control is exercised.

2.22 In some cases, the existence of government control may not be clear. In Australia, such is the case with universities (see paragraphs 2.35–2.38), and superannuation funds that governments have established for the benefit of their employees. Legislation places responsibility for the day-to-day operation of the superannuation funds with a board of trustees that is created as a separate legal entity. The establishing governments generally receive no monetary benefits from the funds. Although the establishing government has the power, under the legislation, to appoint and dismiss some or all of the trustees, the boards of trustees are typically not under the direction of government and are required to act in the beneficiaries’ interests, and not those of the government. Accordingly, the funds are not considered to be under government control. Although the circumstances of individual funds may vary, in the interest of uniformity, all superannuation funds with arrangements broadly similar to those described are included in the private sector.

2.23 Instances can arise in which the public and private sectors share ownership of a corporation. In such cases, the corporation is allocated to the sector that has effective control over the determination of the activities and policy of the corporation.

COVERAGE

2.24 For practical reasons, the ABS does not attempt to cover all economic activity of the public sector in its GFS system. Undercoverage can arise because units are omitted in their entirety or because some activities of some units are not covered. Units are omitted entirely from coverage only when the economic activity of the units is judged to be relatively insignificant and not worth the cost of collection. Units are omitted partially from coverage only when indirect sources of measuring the major part of the units’ activities are available and it is not worth the cost of collecting the missing information directly.

2.25 Units omitted entirely from coverage are few in number and consist mainly of small commodity marketing boards. Units for which partial coverage is achieved are restricted to units that are entirely or mainly funded from Commonwealth, state or territory budgets. Budget documents provide information about such units’ budget allocations, which can be used to impute measures of the units’ economic activity. However, this methodology does not cover any revenues that the units may raise in addition to their budget allocations and any activity that the units may fund from such revenues. Units for which this type of methodology is currently used include public hospitals and schools and many small statutory authorities with regulatory or advisory roles that are likely to be funded entirely from government budget allocations.

2.26 The ABS takes steps to ensure that undercoverage is not increased by changing circumstances. In particular, care is taken to ensure that there is not an increase in the level of activity of units that are not covered or an increase in the capacity of indirectly covered units to fund economic activity from their own resources. The non-coverage and indirect coverage of units do not affect the overall accuracy of GFS significantly (see Chapter 6).

CLASSIFICATION OF UNITS

2.27 Each GFS in-scope enterprise unit is allocated to a category within each of the following unit classifications:

- institutional sector;
- level of government;
- jurisdiction;
- industry.

2.28 Australia's standards for defining institutional sectors and subsectors are based on the SNA93 standards described in Appendix 1. As previously noted, the Australian standard is the Standard Institutional Sector Classification of Australia (SISCA), which is set out in *Standard Economic Sector Classifications of Australia 1998* (ABS Cat. no. 1218.0) or 'SESCA'. The SISCA standards are applied in the classification of public sector units in the GFS system in Australia.

2.29 As discussed in Appendix 1, SNA93 defines three types of institutional units that can qualify as falling within the public sector:

- **Government units**, which are defined as 'unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area' (SNA93, paragraph 4.104). Government units provide goods and services to individuals and the community at large; they redistribute income and wealth; and they engage in non-market production, which is production made available free or at prices that do not have a significant influence on the amounts that the producers are willing to supply or purchasers wish to buy;
- **Public corporations and quasi-corporations**, which are legal entities, predominantly owned and controlled by government, that are created for the purpose of producing goods and services for the market and may be a source of profit or other financial gain to their owner(s). Corporations are created by a process of law that establishes them as entities independent from their owners. As discussed previously, a quasi-corporation is an unincorporated entity that operates as if it were a corporation.
- **Non-profit institutions (NPIs)**, which are legal or social entities, created for the purpose of producing goods and services, whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control, or finance them. Only non-profit institutions that are controlled and mainly financed by government can be included in the public sector.

2.30 The **institutional sectors** comprising the SISCA are as follows:

- non-financial corporations sector;
- financial corporations sector;
- general government sector;
- NPIs serving households sector;
- households sector.

2.31 Only the first three of these sectors are relevant in the GFS system because, as previously noted, the public sector comprises all units of the general government sector, all public non-financial corporations and quasi-corporations and all public financial corporations and quasi-corporations.

2.32 The composition of the three public sector components in terms of units is discussed below.

GENERAL GOVERNMENT

2.33 General government comprises all government units (as defined in paragraph 2.29) of the Commonwealth Government, each state and territory government, and each local government authority, as well as all resident non-market NPIs that are controlled and mainly financed by those governments.

2.34 Included in the sector are government-controlled unincorporated enterprises that engage in market production but do not qualify as quasi-corporations because their operations are too closely integrated with the operations of other government units and because they do not have a separate full set of accounts.

2.35 All of Australia's public universities are treated as NPIs that are controlled and mainly financed by government and are therefore included in the general government sector. Each university is established by legislation which gives it the capacity to own assets, incur liabilities and engage in economic activity in its own right. Therefore, each university clearly qualifies as a separate institutional unit.

2.36 Although these universities are funded indirectly from taxation, they each have a high degree of independent revenue-raising capacity and authority to decide how funds are expended. For these reasons, they are not considered to be government units as defined in paragraph 2.29. The universities are treated as NPIs because they cannot distribute surpluses. The question of the institutional sector classification of the universities therefore rests on whether they are controlled and mainly financed by government.

2.37 SNA93 defines government control of a NPI as the ability to determine policy by having the authority to appoint officers managing the NPI. Legislation establishing each of the universities vests responsibility for their management in senates or councils, which include appointees of the establishing government but also include elected and non-elected representatives of other stakeholders. The degree of government control exercised through appointment of officers varies from university to university. Also, other forms of government control are exercised. For example, the fact that the universities are mainly financed by the Commonwealth Government gives that government a significant degree of control.

2.38 Taking into account the combined degree of control of universities exercised in various forms by the Commonwealth Government and state governments and the high degree of government financing, the universities are considered to be mainly controlled and financed by government. Strict application of the rules to each public university individually might result in a minority of them falling outside the general government sector. However, uniform sector classification of all public universities is regarded as an overriding consideration and all have been classified as general government units in the multi-jurisdictional sector. The multi-jurisdictional sector contains units where jurisdiction is shared between two or more governments, or classification of a unit to a jurisdiction is otherwise unclear. The main type of units currently falling into this category is the public universities.

PUBLIC NON-FINANCIAL CORPORATIONS

2.39 This category comprises all resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services. Market goods and services are those that are sold at 'economically significant prices', which are prices 'that have a significant influence on the amounts that producers are willing to supply or on the amounts that purchasers wish to buy' (SNA93, paragraph 4.24). Non-financial services are any services that do not qualify as financial intermediation or auxiliary financial services, both of which are defined in the section below relating to financial corporations. Examples of Australian public non-financial corporations include Telstra and Australia Post and the electricity, railway and port authorities of state and territory governments.

2.40 For the purposes of sector classification, ancillary corporations are merged with their parent corporation and are therefore included in the non-financial corporations sector if the parent corporation is mainly engaged in producing market goods and/or non-financial services. Ancillary corporations are wholly owned subsidiary corporations that mainly provide services to their parent corporation or other corporations in the same enterprise group.

PUBLIC FINANCIAL CORPORATIONS

2.41 This category comprises all resident government controlled corporations and quasi-corporations mainly engaged in financial intermediation and provision of auxiliary financial services. Financial intermediation is defined as 'a productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market' (SNA93, paragraph 4.78). Financial intermediaries channel funds from lenders to borrowers by collecting funds from lenders and transforming or repackaging them in ways which suit the requirements of borrowers. Liabilities are incurred by accepting deposits and issuing bills, bonds or other securities. The funds are used to acquire financial assets, principally by making advances or loans to others but also by purchasing bills, bonds or other securities. Auxiliary financial activities are services that are closely related to, and designed to facilitate, financial intermediation. The activities may be performed as secondary activities, by financial intermediaries, or performed on an agency basis by specialists. Examples include securities brokers, flotation companies, loan brokers, agencies that guarantee bills by endorsement, and institutions that arrange hedging instruments such as swaps, options and futures.

2.42 Public financial corporations include institutions that undertake a central bank role, which includes monetary policy development, issuing national currency, acting as custodian of international reserves, providing banking services to government and regulating the financial system. Thus, the Reserve Bank of Australia and the Australian Prudential Regulation Authority (APRA) are both treated as public financial corporations. Also included as public financial corporations are government controlled banks, insurance companies, pension funds, and economic development corporations and financial auxiliaries owned by Australian governments.

2.43 A central borrowing authority (CBA) has been established by each state and territory government primarily to provide finance for public corporations and quasi-corporations, and other units owned or controlled by the government, and to arrange investment of their surplus funds. The CBAs borrow funds, mainly by issuing securities, and on-lend to their public sector clientele. Although the CBAs' lending is confined to the public sector in their jurisdiction, they also engage in other financial intermediation activity for investment purposes, and may participate in the financial management activities of the parent government. Accordingly, the CBAs are treated as public financial corporations. The exception is the Australian Capital Territory's CBA which does not qualify as a separate institutional unit and is treated as part of the general government sector.

2.44 Also treated as public financial corporations are various housing finance schemes established by state Governments to assist first home buyers. Although the schemes are established under a variety of arrangements, some of which indicate that the schemes could be considered part of general government, they are all classified as public financial corporations or quasi-corporations so that there is uniform treatment.

LEVEL OF GOVERNMENT

2.45 The level of government classification used in Australia's GFS system is a standard ABS classification that is included in the SESCA. It is based on the SNA93 subdivision of the general government sector into subsectors representing three levels of government (central, state and local). In Australia, the corresponding levels of government are described as national, state/territory and local. The SNA93 level of government classification is an integral part of the institutional sector classification whereas, in Australia, a separate level of government (LOG) classification is defined which can be applied to public corporations as well as to the general government sector. Having a separate classification enables the public sector and each of its components to be classified by LOG, as shown in the following table.

SECTOR BY LEVEL OF GOVERNMENT

	Sector			Total public sector
	General government	Public non-financial corporations	Public financial corporations	
National				
State/Territory				
Local				

NATIONAL

2.46 All public sector units that have a national role or function are classified to the national LOG. Units are generally considered to have a national role or function if the political authority underlying their functions extends over the entire territory of Australia or the functions involve policies that are primarily of concern at a national level. The fact that a unit is controlled by the Commonwealth Government is *prima facie* (but not necessarily conclusive) evidence that the unit has a national role or function. Currently, all Commonwealth-controlled public sector units are classified to the national LOG. Such units include government units controlled by the Commonwealth Government, non-market NPIs that are controlled and mainly financed by the Commonwealth Government, and public non-financial and financial corporations (including the Reserve Bank) controlled by the Commonwealth Government.

2.47 Units that are not controlled by the Commonwealth Government can also be classified to the national LOG. Currently, the only such cases are 'multi-jurisdictional' units that have a national role or function. Multi-jurisdictional units are public sector units where jurisdiction is shared between two or more governments, or classification of a unit to a jurisdiction is otherwise unclear. The main multi-jurisdictional units currently classified to the national LOG are the public universities which, as described above, are mainly financed and partly controlled by the Commonwealth Government but are subject to a degree of control by the establishing state or territory government. On balance, the public universities are considered to be implementing policy (i.e. tertiary education) that is primarily of concern at a national level.

STATE/TERRITORY

2.48 All public sector units that have a state or territory role or function are classified to the state/territory LOG. Units are generally considered to have a state or territory role or function if the political authority underlying their functions is limited to a state or territory or the functions involve policies that are primarily of concern at a state or territory level. The fact that a unit is controlled by a state or territory government is *prima facie* (but not necessarily conclusive) evidence that the unit has a state or territory role or function. Currently, all state/territory-controlled public sector units are classified to the state/territory LOG. Such units include government units controlled by a state or territory government, non-market NPIs that are controlled and mainly financed by a state or territory government, and all public non-financial and financial corporations that are controlled by a state or territory government.

2.49 Although units that are not controlled by a state or territory government, including multi-jurisdictional units, can be classified to the state/territory LOG, none of them are so classified currently.

LOCAL

2.50 All public sector units that have a local role or function are classified to the local LOG. Units are generally considered to have a local role or function if the political authority underlying their functions is limited to a local government area or other region within a state or territory, or the functions involve policies that are primarily of concern at a local level.

2.51 The fact that a unit is established as, or directly controlled by, a local government authority is prima facie (but not necessarily conclusive) evidence that the unit has a local role or function. Currently, all local government authorities and the units they control are classified to the local LOG. Such units include each local government authority constituted under one of the various Local Government Acts (or the equivalent) in each state and the Northern Territory, County Councils in New South Wales, Land Councils, Aboriginal Community Councils, all non-market NPIs that are controlled and mainly financed by a local government unit, and all public non-financial and financial corporations that are controlled by a local government unit.

2.52 Although units that are not controlled by local government, including multi-jurisdictional units, can be classified to the local LOG, none of them are so classified currently.

JURISDICTION **2.53** GFS are presented for each jurisdiction. In this context, 'jurisdiction' means the public sector units over which the Commonwealth Government or an individual state or territory government has direct control or (in the case of local government authorities) the government which administers the legislation under which the authority was established. Each public sector unit is classified to jurisdiction by reference to the government which exercises such controls over its activities. The categories making up the jurisdiction classification (JUR) are as follows:

- Commonwealth;
- New South Wales;
- Victoria;
- Queensland;
- Western Australia;
- South Australia;
- Tasmania;
- Northern Territory;
- Australian Capital Territory;
- Multi-jurisdiction.

2.54 In most cases, classifying units to JUR is straightforward. Thus, each unit that is controlled by the Commonwealth Government is classified to the Commonwealth jurisdiction and each unit that is controlled by a state or territory government is classified to the jurisdiction of the controlling government. Each local government authority, and all units controlled by local government authorities, are classified to the jurisdiction that administers the local government legislation under which the authority was created. In all cases, this is the state or territory in which the local government unit is located.

2.55 There are units, however, for which jurisdiction is shared between two or more governments, or classification of a unit to a jurisdiction is otherwise unclear. Such units are included in a 'multi-jurisdictional' category, and are excluded from statistics for each of the other jurisdictions.

INDUSTRY 2.56 All enterprise units are classified to an industry based on the predominant industry of establishments comprising the enterprise. In the hierarchy of standard statistical units, establishments are lower-level units that are used to measure production. They are classified to industry based on their predominant activity. The industries to which establishments can be classified are listed in *Australian and New Zealand Standard Industrial Classification 1993* (ABS Cat. no. 1292.0), or 'ANZSIC'. The industry classification is not used for the publication of GFS but is used internally by the ABS to provide industry-classified GFS information for use in the national accounts.

FLows, STOCKS AND ACCOUNTING RULES

2.57 The basic elements of the GFS system are its measures of the economic flows to and from in-scope units and the economic stocks held by those units. The system's accounting rules govern the ways in which these basic elements are measured and recorded. The Australian flow and stock concepts and accounting rules discussed below are based on the IMF GFS standard described in Appendix 2. The discussion therefore repeats some of the Appendix 2 discussion but reflects minor differences in terminology that are applied in Australia.

2.58 Economic flows reflect the creation, transformation, transfer exchange and extinction of economic value. They involve changes in the volume, composition, or value of a unit's economic stocks. A flow can consist of a single event, such as the cash receipt of a tax payment from a tax payer, or can relate to the cumulative value of a set of events over the accounting period, such as the continuous accrual of interest expense on a government bond. Economic stocks are the assets and liabilities held by in-scope units. Stocks also include the government and other owners' equity in public non-financial and financial corporations. The excess of the value of assets over the value of liabilities and owners' equity is defined as a unit's net worth.

2.59 Flows and stocks are integrated in the system, which means that all changes in stocks result from flows. Thus, the value of a stock at the end of the accounting period is equal to its value at the beginning of the accounting period plus the net result of the value of flows affecting that stock during the accounting period.

2.60 Two types of economic flows are recognised in the system:

- transactions; and
- other flows, which are subdivided between revaluations and other changes in the volume of assets.

TRANSACTIONS 2.61 In general, transactions represent changes to stocks that come about as a result of mutually agreed interactions between enterprise units. However, the system also recognises as transactions certain flows that occur within in-scope units where the unit is viewed as operating simultaneously in two different economic capacities. Thus, depreciation is recorded as a transaction because the unit is seen as simultaneously acting as owner of the depreciating asset and as consumer of the service provided by the asset.

2.62 Despite their compulsory nature, tax payments are regarded as 'mutually agreed interactions' between the government and taxpayers and are therefore treated as transactions. This is because there is collective recognition and acceptance by the community of the legal obligation to pay taxes. The types of unit interactions intended to be excluded from the definition of a transaction include events such as illegal seizure or destruction of a unit's property by another unit.

2.63 Transactions can be either exchanges or transfers. Exchanges occur when one unit provides something of value and receives something of value in return. A transfer occurs when a unit provides something of value and receives nothing in return. Examples of exchange transactions include purchases of goods and services, sale of an asset, payment of wages to employees and issuance of a bond. Examples of transfers include grants, subsidies, social security payments and taxes. Taxes have some of the characteristics of exchanges inasmuch as taxpayers expect provision of government services in return for the taxes they pay. However, there is usually no direct link between taxes paid by an individual taxpayer and the government services consumed by that taxpayer. The value of government services consumed by a taxpayer may bear no relation to the amount of taxes paid by the taxpayer.

2.64 The system includes transactions in kind as well as transactions in which the final consideration is cash. Thus, the system includes transfers in which one unit provides goods and/or services free of charge to another unit, and barter transactions in which two units exchange goods and/or services. Examples of transactions in kind include grants of machinery and equipment, provision of services free of charge and provision of vehicles to employees as part of salary packages.

ATTRIBUTION OF TAX
REVENUE TO LEVEL OF
GOVERNMENT

2.65 In relation to the attribution of tax revenues to levels of government, paragraphs 5.24 to 5.28 of the International Monetary Fund's *GFS Manual (2001)* deal with the attribution of a tax where it is collected by one government unit and is then passed on to a second government unit. Depending on the arrangement, the taxes passed onto the second government unit may be reassigned as tax revenue of that unit, or recorded as tax revenue of the collecting unit and a grant recorded from the collecting unit to the second government unit.

2.66 The IMF manual states in paragraph 5.25 that a tax is attributed to the government unit that (a) exercises the authority to impose the tax (either as principal or through the delegated authority of the principal), (b) has final discretion to set and vary the rate of the tax, and (c) has final discretion over the use of the funds.

2.67 In the case of the Goods and Services Tax (GST), which was introduced on 1 July 2000, the tax is levied under the authority of the Commonwealth, the Commonwealth has the final discretion to set and vary the rate of the tax and the Commonwealth has final discretion over the use of the funds. Therefore, in accordance with the IMF Manual, the GST is treated as a Commonwealth tax in GFS.

2.68 In ABS GFS releases, because GST is recorded as a Commonwealth tax, a grant is also recorded from the Commonwealth to the states and territories, consistent with paragraphs 5.24 and 5.25 of the IMF manual.

OTHER ECONOMIC FLOWS

2.69 Other economic flows are changes in the volume or value of assets, liabilities and equity that do not result from transactions. The distinction between transactions and other economic flows is made to align the GFS system with SNA93. In SNA93, other economic flows are not recorded in the production, distribution and capital accounts and are not a determinant of the key analytical balances of saving and net lending/borrowing. Other economic flows are recorded in the capital accumulation accounts of SNA93 and are regarded as determinants of net worth that are not the direct result of production, income distribution or consumption.

2.70 Two main types of other economic flows are recognised: revaluations and other changes in the volume of assets. **Revaluations** are changes in the value of assets, liabilities and equity arising from price changes, including exchange rate movements. As discussed ahead, the system's basis for valuing flows and stocks is market value. Therefore, changes in the market values of stocks should be recorded as revaluations, whether the holding gain or loss is realised or not. In practice it is not possible to always record stocks at market values, in which case revaluations will be under-recorded in any given accounting period. Capital gains and losses made on the sale of assets other than inventories are recorded as revaluations and not as revenues.

2.71 Other changes in the volume of assets are events, other than transactions and revaluations, that bring about an addition of a stock to the balance sheet or the removal or part-removal of a stock from the balance sheet, and thereby result in a change to net worth. Such events that add to net worth include mineral discoveries, and recognition of assets hitherto not included in the balance sheet. Events that result in reductions of net worth include the unilateral writing off of bad debts by creditors, destruction of assets by fire or some other catastrophe and depletion of natural assets (e.g. forest, fisheries) as a result of physical removal or use. Also included in other volume changes are changes to net worth resulting from reclassifications, such as the reclassification of central borrowing authorities that occurred in Australia's GFS system in 1994. When CBAs were transferred from general government and classified as public financial corporations.

ACCOUNTING RULES

2.72 Accounting rules for recording flows and stocks assist the compilation of the statistics on a uniform, standard basis. While there are many similarities between GFS accounting rules and the accounting rules applied by businesses and governments in their financial reports, there are important differences. For example, accounting systems do not always require assets and liabilities to be valued at market value as does the GFS system, and the GFS system values sales at gross value rather than the net of the cost of goods sold. This section describes the various GFS accounting rules.

DOUBLE-ENTRY ACCOUNTING

2.73 The system employs the standard conventions of double-entry accounting. Thus, each flow gives rise to two entries of equal value, a debit and a credit, that maintain the identity:

$$A = L + E + NW, \text{ where } A = \text{assets}; L = \text{liabilities}; E = \text{equity}; \\ \text{and } NW = \text{net worth.}$$

2.74 By convention, debit entries are made for increases in assets and decreases in liabilities, equity or net worth. Credit entries are made for decreases in assets and increases in liabilities, equity or net worth. Changes to net worth arising from transactions are recorded in the system as either revenues or expenses, which are discussed ahead in this chapter. Therefore, transaction entries that increase net worth (revenues) are credits, and transaction entries that decrease net worth (expenses) are debits.

2.75 A few examples will illustrate the nature of the system. Receipt of a grant of cash by a unit would be recorded as a debit to an asset account (say, cash on hand) and a credit to a revenue account. Sale of goods for cash would result in two entry pairs: a debit to the asset account cash on hand and a credit to a revenue account, and a debit to an expenses account and a credit to the asset account for inventories. Some transactions affect only one side of the identity. For example, a purchase of shares would be recorded as a debit to an asset account (say, investments) and a credit to another asset account (cash on hand).

TIME OF RECORDING FLOWS

2.76 Flows are recorded in the system on an accruals basis. Thus, flows are recorded when economic value is created, transformed, exchanged, transferred or extinguished. Therefore, economic events are recorded when they occur, irrespective of whether cash was received or paid or was due to be received or paid. In the time between the moment a flow of cash becomes due for payment and the moment it is paid, an account payable is recorded by the debtor and an account receivable is recorded by the creditor. The use of accrual in lieu of cash recording also ensures that non-cash transactions, such as depreciation and transfers in kind, are included in the system.

2.77 Using the accrual basis of recording in the GFS system brings the system into line with the basis of recording used in SNA93.

2.78 Applying the accrual basis is not always straight-forward. SNA93 provides guidance on the treatment of particular types of transactions. For example, all taxes should be recorded when the activities, transactions, or other events occur that create the liabilities to pay taxes. For example, a tax on the sale of goods and services should be recorded when a sale takes place. Some taxes are imposed on specific transactions or events. Examples include sales taxes, value-added taxes, import duties, and estate and gift taxes. Ideally, these taxes should be recorded at the times the underlying transactions or events occur but, in practice, information based on assessments is all that is readily available and so it is accepted for GFS purposes.

2.79 Income taxes pose particular difficulties. They should be recorded in the period in which the income is earned, but there may be a significant delay between the end of the accounting period and the time at which it is feasible to determine the actual liability. In practice, income taxes deducted at source, such as pay-as-you-earn taxes, may be recorded in the period they are paid as this would approximate closely the period in which the underlying income is generated. Other income taxes have to be recorded when there is documentary evidence of the amount of tax that has accrued. In Australia, such evidence is generally not available until assessments have been made, either by the taxpayer (when self assessment applies) or by the Australian Taxation Office (ATO).

2.80 Grants and other voluntary transfers often have requirements or eligibility conditions attached to them. Examples are the prior incurrence of expenses for a specific purpose, the passage of legislation to authorise participation in a program, or the beginning of a period such as the start of a new financial year. These transfers should be recorded when all requirements and conditions are satisfied. In Australia, recipients of grants generally do not record them until they have control over the funds granted.

2.81 Dividends and withdrawals from income of quasi-corporations should be recorded as of the date on which they are declared payable or, if no prior declaration occurs, on the date they are actually paid.

2.82 Transactions in goods and non-financial assets should be recorded when legal ownership changes. If that time cannot be determined precisely, the time of recording may be when there is a change in physical ownership or control. Change of ownership of goods acquired under finance leases is imputed to have taken place with the physical transfer of the assets.

2.83 Transactions in services should be recorded when the services are provided. Some services and certain types of exchange transactions are supplied or take place on a continuous basis. For example, renting, insurance, and housing services are continuous flows and, in concept, should be recorded continuously for as long as they are being provided. Similarly, interest, compensation of employees, rent, some social benefits, and consumption of fixed capital occur on a continuous basis over a period. In practice, such activities are allocated to periods based on assumptions about the amount of the activities that occurs during each period.

2.84 Transactions in most types of financial assets, such as securities, loans, currency and deposits, should be recorded when legal ownership changes. In some cases, the parties to a transaction may perceive ownership to change on different dates because they acquire the documents evidencing the transaction at different times. For transactions between government units, the date on which the creditor records the transaction should be the date of recording.

2.85 Various payables and receivables, such as accounts payable, interest payable, and wages payable, result from a counterpart transaction, such as the purchase of a good on credit, interest expense, and compensation of employees expense. In these cases, the financial claim is deemed to arise when the counterpart occurs.

2.86 Other economic flows may take place at a point in time or continuously over a period and should be recorded accordingly. For example, the destruction of an asset by fire happens at a specific time and holding gains and losses occur continuously. Changes in structure and classification should be recorded at the moment a unit or an asset is classified into a different category.

2.87 As previously discussed, in Australia the sources of data for the GFS system are the accounting records of the public sector entities covered by the system. Accounting standards require these entities to prepare financial reports on an accrual basis. The standards specify a time for recording economic flows that is expressed differently but appears to be broadly consistent with the time of recording specified in SNA93. However, specific instances have arisen where the ABS has had to adjust the recorded data to reflect a time of recording that is closer to the SNA93 concept. The ABS adopts the approach that time of recording data in source records is accepted as consistent with the SNA93 accrual principles unless information is at hand that suggests otherwise. In that case, the matter is investigated and, if necessary, the source record data are adjusted to more closely reflect the SNA93 principle.

VALUATION

2.88 In keeping with SNA93 and IMF principles, all flows and stocks should be valued in the GFS system at current prices. Flows should be valued at the prices current on the dates for which they are recorded. Stocks should be valued at the prices current on the balance sheet date.

2.89 In practice, the valuation of stocks and flows in Australia's GFS system is heavily dependent on valuations applied in the source data used to compile the statistics. The source data are obtained from the public accounts and the accounts of public sector entities that are not included in the public accounts. These data are valued in accordance with requirements specified in accounting standards, which generally do not require universal or continual application of current values.

2.90 For transactions involving money, SNA93 recommends valuation at the price agreed by the transactors, which is also the valuation to be expected in source documents. Thus, for a high proportion of transactions, valuation will be in accordance with SNA93 principles. However, for transactions in kind, valuation should be made by reference to prices for analogous goods and services. In practice, consistent application of such a valuation method is unlikely to occur in source documents.

2.91 Consistent valuation of stocks at current prices is most unlikely to occur in source documents. At best, accounting standards recommend regular revaluation of assets, but not at intervals sufficiently frequent to guarantee valuation at current prices in every compilation of GFS. Valuation at current prices is most likely for financial assets and liabilities that are traded on financial markets. At the other extreme, current price valuation of public sector assets for which there is no identifiable market is unlikely to ever be possible. In between these two extremes, a mixture of valuations is likely to be present in any particular set of source data. ABS adjustment of the source data to a current value basis is generally not feasible.

2.92 According to SNA93, flows expressed in a foreign currency should be converted to their value in the national currency at the rate prevailing at their time of recording, and stocks should be converted at the rate prevailing on the balance sheet date. In general, this principle of converting foreign values for flows and stocks is applied in source data.

DERIVED MEASURES

2.93 Derived measures are obtained by performing arithmetic operations on values recorded for the flows or stocks of individual units. Derived measures are included in the GFS system because of their utility for fiscal analysis. There are two types of derived measures: aggregates and analytical balances.

2.94 **Aggregates** are summations of individual units' data relating to a class of flows or stocks. For example, tax revenues are the sum of all units' flows that are classified as taxes. Aggregates and classifications are closely linked inasmuch as classifications are designed to produce the aggregates considered to be most useful to users of GFS. In the GFS system, aggregates are produced after consolidation, which eliminates flows and stocks that occur between units contributing to the same aggregate. Consolidation is discussed later in this section.

2.95 Analytical balances are economic constructs that are obtained by differencing aggregates and are of particular utility in fiscal analysis. For example, the GFS net operating balance is an analytical balance obtained by subtracting the expenses aggregate from the revenues aggregate. The various analytical balances in the GFS system are described later in this chapter.

GROSS AND NET RECORDING OF FLOWS AND STOCKS

2.96 Flows and stocks can be presented on a gross or a net basis. The following practices are adopted in the GFS system:

- Categories of revenues are presented gross of expenses for the same or related category. In particular, interest revenues and interest expenses are both presented gross rather than by netting interest revenues against interest expenses. Similarly, grants received and grants paid, and rent income and rent expenses, are presented on a gross basis. Sales of goods and services are presented gross of the expenses incurred in their production;
- Categories of revenues are presented net of refunds of revenues, and expense categories are presented net of inflows of expenses arising from erroneous or unauthorised transactions. For example, refunds of income taxes may be paid when the amount of taxes withheld or otherwise paid in advance of the final determination exceeds the actual tax due. Such refunds are recorded as negative tax revenues. Similarly, if monetary transfers paid in error to households are recovered, then such recoveries are recorded as negative expenses;
- Acquisitions and disposals of non-financial assets other than inventories are presented on a gross basis. For example, acquisitions of land are presented separately from disposals of land;
- Changes in inventories are presented on a net basis. That is, the change in inventories is presented as the value of additions less withdrawals. Acquisitions and disposals of financial assets are also presented on a net basis. For example, only the net change in the holding of cash is presented, not gross receipts and disbursements of cash. Similarly, liquidation of liabilities is netted against incurrence of liabilities;
- Revaluations are presented on a net basis. That is, the net holding gain for each asset and liability is presented, not the gross holding gain and the gross holding loss;
- Stocks of non-financial assets are presented net of depreciation, revaluations, depletion, and other changes since their acquisition;
- Stocks of financial assets and liabilities are presented net of revaluations and other changes since their acquisition;
- Stocks of the same type of financial instrument held both as a financial asset and a liability are presented gross. For example, a unit's holding of bonds as assets is presented separately from its liability for bonds.

AGENCY AND TRUSTEE TRANSACTIONS

2.97 Agency transactions are transactions undertaken by one government on behalf of or as an agent for another. Such transactions are excluded from the transactions of the agent government and are attributed to the government deemed to be the principal in the transaction.

2.98 Governments sometimes operate trust funds as trustees. The governments do not own the assets of such funds but they are sometimes able to use money from the funds to finance government operations. Such government use of trust fund money is recorded as government borrowing from the funds, which are regarded as separate units outside of the public sector.

CONSOLIDATION

2.99 Consolidation is the process of eliminating intra-group flows and stocks from aggregates for a group of units for which statistics are to be presented. In the GFS system, data are consolidated whenever they are presented for a group of units. In the Australian system, data have to be consolidated for many different groups of units, covering the nation as a whole and each jurisdiction individually. For example, each of the cells in the table below represents a grouping for which consolidated data must be produced whenever units fall within the groupings. In addition, separate consolidations represented by the cells in the table below must be done for each of the nine jurisdictions (including multi-jurisdictional units) in the system.

	GFS CONSOLIDATION GROUPINGS				
	Sector				
	General government	Public		Public financial corporations	Public sector
		non-financial corporations	Non-financial public sector		
(1)	(2)	(1) + (2)	(3)	(1) + (2) + (3)	
Level of Government					
National					
State					
Local					
All levels of government					

2.100 Consolidation can be thought of as a particular type of netting that should be considered separately from the gross and net recording described in an earlier section. Consolidation involves the elimination of all transactions and debtor-creditor relationships that occur between two units being consolidated. In other words, a transaction or stock holding of one unit is paired with the corresponding transaction or stock holding recorded for the second unit, and then the paired transactions or stock holdings are eliminated from the aggregates for the group.

2.101 For example, in compiling accounts for the public sector as a whole, if a general government unit owns a bond issued by a public financial corporation, then the stocks of the bond held as assets of the general government unit and the counterpart bond liability of the public financial corporation are eliminated from the aggregates for bond assets and liabilities of the public sector. Similarly, interest revenues and interest expenses related to the bond are also eliminated from the relevant public sector aggregates.

ANALYTIC FRAMEWORK
FOR PRESENTATION OF
STOCKS AND FLOWS

2.102 Full consolidation at all levels in a classification hierarchy is rather demanding in terms of data requirements and processing complexities. Practical considerations often limit the extent to which transactions within groupings can be eliminated through consolidation. Where extensive resources are required to eliminate intra-group transactions and stock holdings of small magnitudes, cost-effectiveness considerations dictate that the aggregates be left on a gross basis. In practice, the consolidation process can produce aggregates that lack absolute precision as a record of a grouping's transactions and debtor-creditor relationships with units outside the grouping.

2.103 The framework for presenting information about flows and stocks is designed to show the balance between opening stocks, flows during the accounting period and closing stocks, and to enable the derivation of key balances of importance in fiscal analysis. Thus, the framework requires that, for each category of stocks, the values at the beginning of an accounting period, plus the value of transactions and other economic flows during the accounting period, are equal to the values of the stocks at the end of the accounting period. The key analytical balances that can be derived from the framework are the **net operating balance**, **net lending(+)/borrowing(-)**, **net worth** and **change in net worth**. Change in net worth can be broken down into change in net worth arising from transactions, revaluations, and other changes in the volume of assets. Table 2.1 below shows the broad structure of the framework and the relationships between items contained therein. The items and relationships are explained in the following paragraphs.

Table 2.1. ANALYTICAL FRAMEWORK FOR PRESENTATION OF FLOWS AND STOCKS

Opening Stocks \$	Flows				Closing Stocks \$
	Transactions \$	Other flows		Total change in value \$	
		Revaluations \$	Other changes in the volume of assets \$		
	Total GFS revenues less Total GFS expenses = GFS net operating balance = Change in net worth due to transactions				
Non-financial assets	Net acquisition of non-financial assets	Revaluations of non-financial assets	Other changes in the volume of non-financial assets	Total change in non-financial assets	Non-financial assets
	GFS net lending/borrowing = GFS net operating balance less Net acquisition of non-financial assets				
Financial assets	Net transactions in financial assets	Revaluations of financial assets	Other changes in the volume of financial assets	Total change in financial assets	Financial assets
Liabilities	Net transactions in liabilities	Revaluations of liabilities	Other changes in the volume of liabilities	Total change in liabilities	Liabilities
Shares and other contributed capital	Net contributions of capital	Revaluations of shares and other contributed capital	Other changes in the volume of shares and other contributed capital	Total change in other contributed capital	Shares and other contributed capital
Opening net worth = Total assets less Total liabilities, shares and other contributed capital	Change in net worth due to transactions = GFS net operating balance	Change in net worth due to revaluations	Change in net worth due to other changes in the volume of assets	Total change in net worth	Closing net worth = Total assets less Total liabilities, shares and other contributed capital

2.104 Table 2.1 is intended to illustrate how the closing value of stocks equals the opening values of stocks plus economic flows during the accounting period. The lightly shaded cells in the ‘transactions’ column show the items covered by the primary financial statement in the system, the operating statement. The operating statement records revenues and expenses, and net acquisition of non-financial assets. Net acquisition of non-financial assets also appears in the statement of stocks and flows, which covers all cells in the table except the cell relating to revenues and expenses. The difference between revenues and expenses, the net operating balance, is equal to the change in net worth arising from transactions, which appears in the last cell of the ‘transactions’ column. These relationships are explained further in later paragraphs.

2.105 In the table cells, analytical balances are shown in bold. The balances that embrace all public sector activities are shown in the bottom row of the table. They are **net worth** (defined as assets minus liabilities, shares and other contributed capital) and **change in net worth** (defined as the closing value of net worth minus the opening value of net worth). As illustrated in the table, **change in net worth** can be broken down into a change in net worth due to transactions, change in net worth due to revaluations, and change in net worth due to other changes in the volume of assets.

2.106 The operating statement includes two balancing items. The first of these is the previously mentioned **net operating balance**, which is derived as total revenues less total expenses. Revenues and expenses are, respectively, inflows and outflows of economic value arising from operational transactions, and usually result in a change to net worth. Certain exchange transactions, such as acquisition of fixed assets for cash, do not change net worth but simply change the composition of assets, liabilities or equity (such transactions cannot be revenues or expenses). As noted, the net operating balance is equal to the change in net worth due to transactions because all changes to net worth arising from transactions are recorded as either revenues or expenses. All other transaction-induced changes to assets, liabilities and equity cancel out and do not affect net worth. For example, acquisition of a financial asset increases one financial asset at the expense of another (cash).

2.107 The second analytical balance in the operating statement, **GFS net lending(+)/borrowing(-)**, is derived as the net operating balance less net acquisition of non-financial assets. GFS net lending(+)/borrowing(-) is also equal to the net change in financial assets, liabilities and equity arising from transactions. Using other relationships shown in Table 2.1, this equality can be demonstrated arithmetically as follows:

$$(1) \text{ NLB} = \text{NOB} - \text{CNFA}$$

$$(2) \text{ NOB} = \text{CNWT}$$

$$(3) \text{ CNWT} = \text{CNFA} + \text{CFA}$$

therefore

$$(4) \text{ NOB} = \text{CNFA} + \text{CFA}$$

and substituting in (1)

$$(5) \text{ NLB} = \text{CNFA} + \text{CFA} - \text{CNFA}$$

$$(6) \text{ NLB} = \text{CFA}$$

where NLB = net lending(+)/borrowing(-), NOB = net operating balance, CNFA = change in non-financial assets due to transactions, CNWT = change in net worth due to transactions, CFA = change in financial assets, liabilities and equity due to transactions.

The relationship is useful inasmuch that GFS net lending(+)/borrowing(-) measures the public sector's financing requirement which, using the relationship, can be related to transaction-induced changes to public sector financial assets, liabilities and equity. As a result, users are able to see how the financing requirement was financed.

2.108 Revenues are defined in the system as transactions that increase net worth. Proceeds of sales of non-financial assets other than inventories are excluded from revenues because receipt of the proceeds is offset by the value of the asset relinquished. Any profit or loss on the sale is treated as a revaluation rather than a transaction and any change to net worth arising from the sale is attributed to the revaluation and not to the transaction. Proceeds from sales of goods from inventories are included as revenues because such sales are recorded on a gross basis (i.e. the cost of the goods sold is treated separately as an expense and not offset against or netted off the related revenue). Thus, even though such sales in the general government sector may be made at cost or less than cost, the sale proceeds are treated as a revenue and the withdrawal of the goods from inventories is treated as an expense. Revenues exclude all receipts (e.g. proceeds of borrowing, repayments of loans) resulting from transactions in financial assets, liabilities and equity because such transactions always create offsetting changes of equal value to other financial assets, liabilities or equity and there is no change in net worth. For example, revenues exclude contributions of capital by the owners of public corporations because such contributions create an equal financial claim on the corporation that is deducted from its assets in deriving its net worth.

2.109 Expenses are defined in the system as transactions that reduce net worth. Expenses exclude purchases of goods and other assets because the monetary outflow is matched by an equally valued inflow of goods so the transaction does not change net worth. Goods purchased for resale or use in production do not enter expenses until they are withdrawn from inventories for sale or use in production. Purchases of services (other than those that are capitalised) are expenses because the services are consumed when provided and net worth is reduced by the cost of the services. Purchases of non-financial assets are excluded from expenses because use of the assets (depreciation) is the appropriate expense measure.

2.110 Assets are defined in the system as instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by holding them, or using them, over a period of time. **Financial assets** are assets that are in the form of financial claims on other economic units. They are the counterparts of liabilities of the units on which the claims are held. All other assets are described as **non-financial assets** and include fixed assets, inventories, valuables (e.g. works of art) and non-produced assets (e.g. natural forests, mineral reserves). Each of these classes of assets is described more fully in the section ahead on classification of flows and stocks.

2.111 Liabilities are defined in the system as obligations to provide economic value to another economic unit. Liabilities are the counterparts of financial assets held by the claimant economic units.

2.112 Shares and other contributed capital of public corporations and quasi-corporations are viewed as financial claims on the corporations and quasi-corporations and the counterpart of financial assets of the owners of the corporations (i.e. the proprietor governments and minority shareholders).

2.113 As previously discussed, the GFS net operating balance (NOB) is equal to change in net worth due to transactions. All changes to net worth arising from transactions are recorded as either revenues or expenses. All transactions other than revenues and expenses do not change net worth. For example, acquisitions of non-financial assets in exchange for cash to the same value do not change net worth. The NOB is equal in concept to the national accounting balance of net saving plus capital transfers but, in Australia, is not the same in value because of measurement differences between the GFS system and the ASNA, as discussed in Chapter 7. When the NOB is positive, it indicates that surplus funds have been generated from current operations and are available to finance capital acquisitions. When the NOB is negative, it indicates that a shortfall has been incurred on current operations and that it has been necessary to liquidate assets, incur liabilities or increase equity in order to finance the operations.

2.114 GFS net lending(+)/borrowing(-) represents the balance remaining after current operations and the net acquisition of non-financial assets. It is equivalent in concept to the national accounting balance of the same name, but may be different in value due to measurement differences. When net lending(+)/borrowing(-) is positive it indicates that, on a net basis, the subject unit or sector had to purchase financial assets and/or repay liabilities in order to defray surplus funds. When net lending(+)/borrowing(-) is negative it indicates that, on a net basis, the subject unit or sector had to liquidate financial assets, incur liabilities and/or increase equity in order to finance current operations and capital acquisition.

2.115 GFS net worth represents the value of an entity's assets at a point in time less the value of financial claims on the entity by other units, including shareholders and owners. Net worth may be positive or negative. For public corporations, for example, net worth will be negative if the market value of the corporation's shares exceeds the value of its net assets (i.e. asset less liabilities) and positive only if the market value of the shares is less than **net assets**. For this reason, net assets may be used in preference to net worth in some presentations involving public non-financial and financial corporations. It should be noted that, net assets and net worth are identical for general government. Change in net worth is a measure of the extent to which the current period's operations, revaluations and other volume changes have added to or subtracted from net worth during the accounting period. It therefore includes the assessed changes in the market value of assets, liabilities and shareholders' funds during the accounting period, which is measured by change in net worth due to revaluations.

THE MAIN FINANCIAL STATEMENTS IN THE SYSTEM

2.116 Three main statements are employed in the GFS system to present information about public sector flows and stocks:

- the GFS operating statement;
- the statement of stocks and flows;
- the cash flow statement.

2.117 The first two statements can be derived directly from the analytical framework. The cash flow statement cannot be derived directly from the analytical framework because the framework is accrual based whereas the cash flow statement reflects flows of cash at a detailed level. However, cash flows are integral to the analytical framework inasmuch that they are part of transactions that result in changes to holdings of cash and deposits, which are included with financial assets in the accrual framework.

THE GFS OPERATING STATEMENT

2.118 A broad outline of the GFS operating statement is given in Table 2.2.

Table 2.2. GFS OPERATING STATEMENT

	\$
(1) GFS revenues	
(2) GFS expenses	
(3) GFS net operating balance (1) - (2)	
(4) Net acquisition of non-financial assets	
(5) GFS net lending(+)/borrowing(-) (3) - (4)	

2.119 The GFS operating statement covers only transactions and therefore excludes revaluations and other changes to the volume of assets, which are recorded in the statement of stocks and flows. It covers all items in the second column of the analytical statement shown in Table 2.1 except net acquisition of financial assets, net incurrence of liabilities and contributions of capital, which are recorded in the statement of stocks and flows. Revenues, expenses and net acquisition of non-financial assets can be recorded in the statement at whatever degree of classification detail is required. The classifications of revenues, expenses and net acquisition of non-financial assets are explained in the next major section dealing with the classification of stocks and flows. Two analytical balances are recorded in the statement: the GFS net operating balance and GFS net lending(+)/borrowing(-).

THE STATEMENT OF STOCKS AND FLOWS

2.120 A broad outline of the statement of stocks and flows is given in Table 2.3.

Table 2.3. STATEMENT OF STOCKS AND FLOWS

	STOCKS		FLOWS		STOCKS
	(Opening balance sheet)	Transactions	Other economic flows		(Closing balance sheet)
			Revaluations	Other changes in the volume of assets	
\$	\$	\$	\$	\$	
(1) Assets					
Non-financial assets					
Financial assets					
(2) Liabilities					
(3) Shares and other contributed capital					
(4) GFS net worth		Change in net	Change in net	Change in net	
(1) - (2) - (3)		worth due to transactions	worth due to revaluations	worth due to other changes in the volume of assets	

2.121 The statement of stocks and flows covers all opening and closing stocks, and the results of all transactions and other economic flows. Shares and other contributed capital apply only to public non-financial and financial corporations (because, by definition, general government units cannot issue shares or acquire other forms of equity). The opening value of stocks in each category, plus the value of transactions and other economic flows relating to each category must equal the closing value of stocks in each category. Assets, liabilities, and shares and other contributed capital can be recorded in the statement at whatever degree of classification detail is required. The analytical balances shown in the statement are GFS net worth, change in net worth due to transactions, change in net worth due to revaluations and change in net worth due to other changes in the volume of assets. The latter three balances are the derived entries in the second, third and fourth cells of the bottom row of the table.

THE CASH FLOW STATEMENT

2.122 A broad outline of the cash flow statement is given in Table 2.4.

Table 2.4. CASH FLOW STATEMENT

\$

(1) Cash flows from operating activities
(2) Cash flows from investments in non-financial assets
(3) Cash flows from investments in financial assets for policy purposes
(4) Cash flows from investments in financial assets for liquidity management purposes
(5) Cash flows from financing activities
(6) Net increase/decrease in cash held (1) + (2) + (3) + (4) + (5)

2.123 All items in the cash flow statement are recorded on a net basis (i.e. cash payments are netted from cash receipts). The net cash flow from operating activities represents cash receipts arising from operating activities (the activities recorded in the operating statement) less cash payments for operating activities. Net cash flow from investments in non-financial assets represents cash received from the sale of non-financial assets less cash paid for the acquisition of such assets. The distinction between investments in financial assets for policy and liquidity management purposes is based on the government's motivation for acquiring the assets. Where the assets are acquired for the purpose of implementing or promoting government policy (e.g. loans to assist industry development), the acquisition of the assets is treated as being for policy purposes. Where the assets are acquired for the purposes of managing the government's cash reserves (e.g. investment in shares with the aim of maximising returns), the acquisition is treated as being for liquidity management purposes. Net cash flows from acquiring financial assets for both these purposes represents cash received from liquidating such assets, including repayments by debtors, less cash outlaid for acquiring the assets. Net cash flows from financing represents cash receipts from borrowing, share issues and capital injections (public corporations only) less cash repayments of borrowing, and cash payments of dividends and other distributions.

2.124 A close approximation of the surplus/deficit concept that was used in the former (cash) version of the GFS system can be derived using the identity shown below. However, methodological differences between the present and former systems prevent a precise reconciliation between items in the cash flow statement and the surplus/deficit.

Net cash flows from operating activities

plus

Net cash flows from acquisition and disposal of non-financial assets

less

Distributions paid

less

Value of assets acquired under finance leases and similar arrangements

equals

Surplus(+)/deficit(-)

The cash surplus/deficit is a measure of a sector's cash flow requirements and if positive (i.e. a surplus), it reflects cash available to governments to either increase financial assets or decrease liabilities. When this measure is negative (i.e. a deficit), it identifies the extent to which a government needs to run down its financial assets in order to finance the cash shortfall.

Distributions paid are dividends and other returns to owners and shareholders made by public corporations. In the cash flow statement these distributions are included in the net cash flows from financing activities. However, such payments impact on the cash surplus/deficit so they must be included in the surplus/deficit formula. Assets acquired under finance leases are not included in the cash flow statement but, like distributions, these payments are considered to be cash outlays and, as such, must form part of the surplus/deficit calculation.

CLASSIFICATION OF FLOWS AND STOCKS

2.125 Flows and stocks classifications are applied to all flows and stocks of in-scope enterprise units. Certain classifications apply exclusively to general government units and others apply exclusively to non-financial and financial corporations but most are common to both types of units.

2.126 The main classification, the **economic type classification** (ETF), is used to classify flows and stocks according to their economic nature (e.g. revenues, expenses, assets, liabilities). The **government purpose classification** (GPC) is used to classify expense transactions according to the government purpose (e.g. health, education, defence) of the expenditure.

2.127 Flows and stocks classifications can be viewed from two perspectives, an input perspective and an output perspective. The input perspective takes into account the nature and structure of the data that enter the system. The main sources of GFS data are government accounts and they provide accounting data that have to be reclassified and reorganised on an economic basis to be suitable for conversion to statistical output. As well, the input perspective identifies flows and stocks (e.g. those subject to elimination in consolidated aggregates) that do not enter final output as such. The output perspective views the classifications almost entirely as the lists of items that appear in published statistics. The classifications which are set out in Appendix 3 are input classifications and are designed for use in classifying data from government accounts. In this chapter, an output perspective of the classifications is used as a basis for discussing the concepts underlying published GFS.

ECONOMIC TYPE CLASSIFICATION

2.128 The economic type classification of stocks and flows is organised in sections that, in part, reflect the financial statements discussed in the previous section. However, the statement of stocks and flows is not reflected directly as a separate statement because the relevant items appear in different statements. The structure and broad content of the classification from an output perspective are set out in Table 2.5 below. The table indicates (with 'xx') whether the listed items apply to general government and public corporations.

TABLE 2.5. ECONOMIC TRANSACTIONS FRAMEWORK: OUTPUT ITEMS AT BROAD LEVEL

	GENERAL GOVERNMENT	PUBLIC CORPORATIONS
OPERATING STATEMENT		
Revenues		
Taxation revenue	xx	
Sales of goods and services	xx	xx
Property income	xx	xx
Other current revenues	xx	xx
Capital revenues	xx	xx
Expenses		
Employee expenses (uncapitalised)	xx	xx
Non-employee expenses	xx	xx
Depreciation	xx	xx
Current transfer payments	xx	xx
Capital transfer payments	xx	xx
Property expense	xx	xx
Net acquisition of non-financial assets		
Gross fixed capital formation	xx	xx
Depreciation	xx	xx
Changes in inventories	xx	xx
Other transactions in non-financial assets	xx	xx
CASH FLOW STATEMENT		
Cash flows from operating activities	xx	xx
Cash flows from investments in non-financial assets	xx	xx
Cash flows from investments in financial assets for policy purposes	xx	
Cash flows from investments in financial assets for liquidity management purposes	xx	xx
Cash flows from financing activities	xx	xx
Net increase/(decrease) in cash held	xx	xx
BALANCE SHEET		
Assets		
Financial assets		
Cash and deposits	xx	xx
Investments, loans and placements	xx	xx
Accounts receivable	xx	xx
Advances outstanding	xx	xx
Equity	xx	xx

Non-financial assets		
Produced assets	xx	xx
Non-produced assets	xx	xx
Other non-financial assets	xx	xx
Liabilities		
Deposits held	xx	xx
Proceeds from advances	xx	xx
Borrowing	xx	xx
Accounts payable	xx	xx
Provisions that are in the nature of liabilities	xx	xx
Other liabilities	xx	xx
Shares and other contributed capital		
Equity of public enterprises		xx
Other capital, retained earnings and reserves		xx

2.129 Each of the classification categories in Table 2.5 is discussed in the following paragraphs. The discussion of the balance sheet items includes, where appropriate, discussion of transactions and other economic flows relating to the balance sheet items.

Operating statement items

Revenues

2.130 As previously noted, revenues are defined as inflows of economic value arising from operational transactions.

2.131 Taxation revenue is revenue arising from compulsory levies imposed by government. There is usually no clear and direct link between payment of taxes and the provision of goods and services. Taxes are levied, inter alia, on incomes, wealth, production, sale and use of goods and services, and the performance of activities. The amount of tax revenue accruing in a period is the amount generated when the underlying transactions or events which give rise to the government's right to collect the taxes occur in that period.

2.132 Governments may regulate certain activities by issuing licences for which fees are payable. If the issue of such licences involves little or no work by the government then the revenues raised are deemed to be taxation revenue. However, if the government uses the issue of licences to exercise some regulatory function, such as checking the competency or qualifications of a would-be licensee, then the revenues raised are deemed to be revenues from the sale of services by government unless they are clearly out of all proportion to the costs of providing the services.

2.133 Taxes that are levied on a regular or periodic basis are deemed to be current taxes. Taxes that are levied infrequently and at irregular intervals or under exceptional circumstances are deemed to be capital taxes.

2.134 The different types of taxes are broken down into the following broad categories on the operating statement:

- **Taxes on income** - this category refers to taxes on income, profits and capital gains, including income and capital gains taxes levied on individuals and enterprises. Income taxes levied on non-residents are included in the category;

- **Other current taxes** - this category refers to current taxes other than 'taxes on income', 'taxes on products' and 'other taxes on production'. The category includes current taxes on capital, which consist of those taxes that are periodically payable on property or net wealth that is not used for production. Also included in the category are miscellaneous current taxes payable regularly such as vehicle registration fees and taxes, and stamp duty on vehicle registrations payable by persons or households. The category excludes revenues from drivers' licences and the now discontinued broadcasting listeners' licences and television viewers' licences, both of which are treated as sales of goods and services;
- **Taxes on products** - taxes on products are levied per unit of quantity or per the unit price of goods and services produced, sold, imported, exported, transferred, leased or delivered. The category includes general taxes on the provision of goods and services, goods and services taxes, excises, taxes on international trade, taxes on gambling and taxes on insurance;
- **Other taxes on production** - this category consists of all taxes on production, except taxes on products, that: (i) are levied as a result of enterprises engaging in the production of goods and services; and (ii) are payable irrespective of the profitability of the production. They may be payable on labour, fixed assets and land used in the production process. The category includes payroll taxes and other employer's labour force taxes, taxes on immovable property, taxes on financial and capital transactions, registration taxes on vehicles used by producers, road transport and maintenance taxes, franchise taxes, broadcasting station licences and television station licences. Betterment levies are not included here and are treated as capital taxes;
- **Capital taxes** - this category covers capital levies and taxes on capital transfers. Capital levies are imposed at irregular and infrequent intervals on the value of assets or net worth owned by institutional units. Taxes on capital transfers are imposed at irregular and infrequent intervals on the value of assets transferred between institutional units as a result of legacies, gifts or other transfers. The category includes betterment levies, stamp duty on property transfers, estate duties, probate and succession duties, and gift duties.

2.135 Sales of goods and services refers to revenues from the direct provision of goods and services by general government and public corporations, excluding GST. The item includes:

- fees and charges for services rendered and sales of goods and services by general government and public corporations;
- fees from regulatory services;
- revenues of general government enterprises for work done acting as an agent for other government and private enterprises;
- rental income under operating leases.

2.136 As previously noted, fees from regulatory services are treated as revenues from sales if the government exercises some proper regulatory function, such as checking the competency or qualifications of a would-be licensee. If there is little or no work involved or if the revenues raised are clearly out of all proportion to the cost of providing the service then the fees are treated as taxation revenue.

2.137 Operating leases are leases in which most of the risks and benefits of ownership rest with the lessor. Rental income recorded under sales of goods and services is confined to income from leases of produced assets such as buildings, ships, aircraft, vehicles, buildings, copyrights, patents, trademarks, etc. Income from leases of land and other non-produced assets is recorded as property income.

2.138 Property income refers to income accrued from the ownership of financial assets or tangible non-produced assets (mainly land and sub-soil assets). Property incomes accrue when the owners of such assets put them at the disposal of other entities. Property income on financial assets is in the form of interest, dividends, etc. Property income on land and sub-soil assets is in the form of land rent.

2.139 Interest income refers to income accrued by owners of financial assets such as deposits, securities other than shares, loans and accounts receivable in return for providing funds to other entities. Interest income can accrue on advances to the private sector, public corporations, building societies and foreign governments, and on bank account balances, fixed deposits held with banks, government securities, intra-sector deposits and short-term money market balances. Interest excludes cash settlements of interest swap contracts, which are treated as financial transactions in keeping with the revised SNA93 treatment (see SNA93, paragraph 2.76).

2.140 Property income includes general government returns on their equity in public corporations in the form of dividends and other transfers of income, and dividends received by public corporations from subsidiaries. Dividends are a form of property income to which shareholders are entitled as a result of their ownership of equity in other entities. Also included as property income are dividends from shares held as investments in private and public corporations and income from the IMF (except revenues from the IMF's gold disbursements). Dividend income is distinguished from the sale or other divestment of equity holdings, which are sales of financial assets and not revenues.

2.141 Property income also includes general government income received from public corporations as income tax and wholesale sales tax equivalents. These revenues are treated as property income rather than tax revenue in the GFS system because they are levied by state and territory governments (which do not levy income taxes) on their public corporations rather than by the Commonwealth Government on all corporations under income tax legislation.

2.142 Land rent is a form of property income that refers to rent for the use of land and other non-produced assets. It includes rent on leasehold land in the territories and other leasing of crown lands. Rentals on buildings or other produced assets are not land rent and are recorded with sales of goods and services.

2.143 Royalties are included as property income. They are a form of land rent relating to the use of non-produced assets such as deposits of minerals or fossil fuels. Royalties are mainly paid for off-shore petroleum, minerals and timber that is not from plantation and regrowth forests.

2.144 Seigniorage is the profit earned by the Commonwealth Treasury and the Reserve Bank of Australia (RBA) on the issue of coins and notes (i.e. the difference between the face value of coins and notes and the costs of their production). Because notes and coin on issue are liabilities of the issuer, the face value of note and coin issues, including any seigniorage, is recorded as a financial transaction (i.e. incurring a liability). The costs of minting coin and printing notes are treated as expenses. However, the difference between the face and sale value of commemorative coins sold at greater than face value is recorded as sales of goods and services.

2.145 Other current revenues refers to current revenue other than current revenue from taxes, sales of goods and services, and property income. It includes grants and subsidies received for current (rather than capital) purposes. Other current revenue also includes revenue from fines, which are defined as civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities. Penalties imposed by tax authorities are classified as tax revenue. This item also includes all revenue received by local governments in lieu of municipal rates, items such as gifts and conscience moneys, and unclaimed moneys such as unclaimed lottery prizes, and unclaimed moneys in bank accounts.

2.146 Capital revenues refers to revenues from grants and other unrequited transfers for capital purposes, including in-kind receipts of non-financial assets. The item includes grants received from other (including foreign) governments or international organisations with the requirement that they be used for capital purposes. Acquisitions of non-financial assets free or at a price below fair value are recorded as capital revenues when they are of an economic nature and where valuations are realistically obtainable. Such transfers are valued on the basis of equivalent money transactions. Also included as capital revenues are transfers to sinking funds, capital levies from local government, and transfers from private bodies to government for capital works, e.g. donations for road construction.

Expenses

2.147 As previously noted expenses are defined as outflows of economic value arising from operational transactions. Expenses are recorded net of recoverable GST.

2.148 Employee expenses relate to uncapitalised compensation of employees for services provided in the current period. They include the costs of wages and salaries, and the accrued costs of annual leave, long service leave and superannuation.

2.149 Employee expenses include amounts payable by employers to superannuation schemes, in respect of services provided by employees in the current period, to finance future superannuation benefits. Superannuation schemes to which employers pay contributions are described as 'funded' schemes. A funded scheme is usually a separately constituted legal entity into which an employer contributes, on a regular basis, an amount actuarially determined to fully fund future superannuation liabilities. Except for relatively small amounts which may be in the nature of working balances, the employer does not carry the superannuation liability on its balance sheet. Technically, a funded scheme may include a defined benefit plan or an accumulation plan or both as its components.

2.150 Also included as employee expenses are unfunded superannuation expenses, which are superannuation expenses accrued under an unfunded scheme for services provided by employees in the current period. In an unfunded scheme the employer does not make contributions to a separately constituted legal entity and pays benefits to employees as payment of the benefits falls due. In the GFS system, the accruing cost of the future benefits payments rather than the cash payment of benefits has to be recorded as expenses. The employer is regarded as compulsorily borrowing from employees the increase in superannuation liability each period. The amount of the liability accruing during the accounting period is split between employee expenses and the interest cost of the notional borrowing, which is classified as property expense. Pensions and lump sums paid to former employees are recorded as financial transactions in the statement of stocks and flows (i.e. repayment of the money 'borrowed' from employees).

2.151 Amounts payable or accrued as a result of actuarial reviews and reassessments of funded and unfunded superannuation schemes will generally not relate to services provided by employees in the current period. Such amounts are either treated as revaluations if they are due to price changes or reallocated to appropriate time periods.

2.152 The major part of employee expenses is made up of wages, salaries and supplements. Allowances for overtime, shift-work, living away from home and travel are included, as are in-kind payments such as accommodation, vehicles and clothing provided by employers. Employee expenses also include accrued expenses for the period relating to accident compensation premiums, sick leave, annual leave, long service leave, retirement and redundancy.

2.153 Importantly, employee expenses charged to capital works (e.g. on own-account construction) are excluded from this category and are recorded directly as acquisition of non-financial assets. Taxes paid on employers' payroll and labour force are not included as employee expenses but are recorded as current transfer expenses. Expenses relating to usage of labour hire agencies are classified as non-employee expenses.

2.154 **Non-employee expenses** are operating expenses that are not included elsewhere in the classification of expenses. They include expenditure by government on goods and services that are provided directly to households as social transfers in kind, for example medical and pharmaceutical benefits, telephone rental concessions, concessional railway fares, rental subsidies, reduced utility charges, etc. Non-employee expenses also includes usage or 'intermediate consumption' of goods and services by public sector units in the accounting period. Usage of goods can be derived as the opening value of inventories plus purchases less the closing value of inventories. Also included as non-employee expenses are rentals for the use of buildings or the right to use copyrights, patents, trademarks, etc.

2.155 In keeping with national accounting concepts, non-employee expenses also include purchases of certain types of defence equipment that, in conventional accounting, would be regarded as purchases of non-financial assets. As well as treating expenditure on destructive weapons (e.g. missiles, rockets, bombs) as current expenditure, SNA93 also treats expenditure on the platforms (e.g. warships, submarines, missile carriers and launchers, etc.) from which the weapons can be launched as current expenditure. Consequently, non-employee expenses includes expenditures on such weapon platforms, which are effectively treated as fully consumed during the accounting period in which they are acquired.

2.156 As is the case for employee expenses, non-employee expenses that are charged directly to capital works (e.g. own-account construction) are not included in this category but are recorded directly as acquisition of non-financial assets.

2.157 Depreciation refers to the estimated consumption of non-financial assets during the accounting period. In Australia's GFS system, depreciation is recorded in lieu of the national accounting concept of consumption of fixed capital because only depreciation information is available from government accounts. The estimates of consumption of fixed capital in the ASNA are derived independently by the ABS and are in insufficient detail to be used in the GFS system. In keeping with the treatment of purchases of defence weapon platforms as current expenses, depreciation of such platforms is not recorded as an expense.

2.158 Current transfers are amounts payable for current purposes for which no economic benefits are receivable in return. The distinction between current and capital transfers is based on the nature of the activities or assets for which the transfers are made. If the activities or assets relate to the acquisition of assets, other than inventories, that will be used in production for one year or more, the transfers are treated as capital transfers. Otherwise they are treated as current transfers.

2.159 Current transfers include grants for current purposes to private non-profit institutions serving households, grants made to foreign governments and organisations including grants made for aid projects, and current grants from one level of government to another (e.g. Commonwealth to state). Current transfers also include subsidies, which are transfers made by general government to public and private corporations and unincorporated enterprises. Subsidies include transfers to public corporations to offset recurring losses that are a consequence of government policy to maintain the corporations' prices at a level that does not cover the cost of production.

2.160 An important component of current transfers is monetary transfers (e.g. old age pensions and unemployment benefits) to individuals or households, who are not required to provide any significant amount of goods or services in return. 'Work for the dole' schemes are treated as transfers as the main purpose of such schemes is the transfer of monetary benefits and acquisition of employment skills.

2.161 Current transfers also include the direct tax expenses (taxes on income) of government units. All indirect tax expenses (taxes on production) are treated as non-employee expenses.

2.162 Capital transfers are unrequited payments of a capital nature (i.e. they relate to the acquisition of assets, other than inventories, that will be used in production for one year or more). Capital transfers are usually non-recurrent and irregular for donor or recipient. Capital transfers include government grants for capital purposes to private non-profit institutions serving households, capital grants made to foreign governments and organisations (including grants made for aid projects), and capital grants from one level of government to another (e.g. Commonwealth to state). Included are transfers for the purpose of compensating the recipient for damage or destruction of non-financial assets, or to increase the financial capital of the recipient. Compensation to primary industry marketing authorities for losses on overseas debts resulting from devaluations is included. Home savings grants are included as are grants to science laboratories and libraries in private schools, university residential colleges, etc.

2.163 Donations of non-financial assets are included as capital transfers by imputing the value of the assets from equivalent transactions. Such transfers are also recorded as the acquisition of non-financial assets.

2.164 Payments made to finance the debt redemption of other bodies are included in capital transfers. In SNA93 and in GFS, bad debts written off by mutual agreement between debtor and creditor are treated as capital transfers and bad debts written off unilaterally are treated as other changes in the volume of assets. Such bad debts may be written off from provisions for bad and doubtful debt accounts or directly without prior provisioning.

2.165 **Property expenses** are required current transfers involving payment for the use of property rights. Included in property expenses are interest payable, dividends and other income transfers payable by public corporations, land rent payable and royalties.

2.166 Interest included in property expenses includes interest on advances, loans, overdrafts, bonds and bills, deposits and the interest component of finance lease repayments. Also included is the nominal interest on unfunded superannuation liabilities (see paragraph 2.150). Interest excludes cash settlements of interest swap contracts, which are treated as financial transactions in keeping with the revised SNA93 treatment (see SNA93, paragraph 2.76).

2.167 As indicated, property expenses include income transferred by public corporations as dividends, transfer of profits or other transfers of income. The income transfers include those payable by public corporations to the parent governments, by subsidiary corporations to their parent corporation, and by parent and subsidiary corporations to minority shareholders. Also included are transfers, to their parent governments by state and territory public corporations, of income tax and wholesale sales tax equivalents. These are amounts levied by parent governments on their corporations to place the corporations on an equivalent tax basis to private corporations. However, the transfers are recorded as property rather than tax expenses, because the taxes to which the payments are equivalent are Commonwealth Government taxes but the payments are made to state and territory governments.

2.168 Land rent and royalty expenses refer to the use of non-produced assets such as land and subsoil assets. Royalty payments are made for the right to exploit natural resources. Rentals on produced assets such as buildings, copyrights, patents, trademarks, etc. are included with non-employee expenses.

Net acquisition of non-financial assets

2.169 **Net acquisition of non-financial assets** is defined as gross fixed capital formation less depreciation plus changes in inventories plus other transactions in non-financial assets. Any recoverable or deductible GST is excluded. As previously explained, GFS net operating balance plus net acquisition of non-financial assets is equal to GFS net lending(+)/borrowing(-).

2.170 Gross fixed capital formation is a national accounting concept and is defined as the value of acquisitions less disposals of new and existing produced assets that can be used in production, other than inventories. Acquisition and disposal of valuables are excluded because, although they may be produced assets, valuables are not used in production. Gross fixed capital formation also excludes the acquisition and disposal of non-produced assets such as land, sub-soil assets, virgin forests, etc. (see the discussion ahead under 'Balance sheet items' for further explanation of produced and non-produced assets). In practice, for transactions involving land and structures located on the land, separation of the value of land from the value of the structures may be difficult and the transactions are classified to the category (gross fixed capital formation or other transactions in non-financial assets) accounting for the major part of the value of the transaction. Acquisition of produced assets includes own-account capital works. Disposal of produced assets excludes their consumption through depreciation.

2.171 Depreciation is recorded as an expense and as a negative component of net acquisition of non-financial assets. This ensures its exclusion from GFS net lending(+)/borrowing(-), which is derived as the GFS net operating result plus net acquisition of non-financial assets. As a non-cash item, depreciation cannot determine net lending/borrowing, which measures the public sector's net requirement for finance.

2.172 Changes in inventories refers to the change in the value of inventories arising from transactions over the accounting period. It is recorded as part of net acquisition of non-financial assets because it represents a change to the public sector's assets during the accounting period. As previously discussed, usage rather than purchases of inventories is included as an expense and a component of the GFS net operating balance. Adding changes in inventories to net acquisition of non-financial assets ensures that GFS net lending(+)/borrowing(-) reflects the net purchases (purchases less sales) of inventories in the accounting period.

Cash flow statement items

2.173 As shown in Table 2.4, the cash flow statement identifies the cash flows from the operating, investing and financing activities of government. 'Cash' refers to cash on hand and cash equivalents. Cash on hand includes notes and coins held, and deposits held at call by a bank or financial institution. Cash equivalents are highly liquid investments which are readily convertible to cash on hand at the investor's option.

2.174 Cash flows from operating activities is a net measure representing cash receipts arising from operating activities less cash payments arising from operating activities. 'Operating activities' are the types of activities recorded in the operating statement. Cash flows from operating activities include cash receipts from taxation, sales of goods and services, grants and subsidies, property income, and all other revenue earning activities recorded in the operating statement. The item also includes cash payments for employee expenses, including cash contributions to superannuation schemes, purchases of goods and services, and payment of subsidies and grants, current and capital transfers, property expenses and all other expense-incurring activities recorded in the operating statement. Cash flows related to acquisition and disposal of non-financial assets (other than inventories), financial assets, liabilities and equity, are excluded.

2.175 Cash flows from investments in non-financial assets is a net measure representing cash receipts from sales of non-financial assets less cash payments for acquisition of non-financial assets. Non-financial assets are defined in the section ahead relating to the balance sheet. Receipts from sales of non-financial assets include disposal of previously rented dwellings, non-residential buildings, used plant and equipment, and sales of land (including the sale of residential leases in the ACT). Payments for the acquisition of non-financial assets include payments for the acquisition of new and second-hand assets, non-produced assets such as land, mineral deposits, timber tracts, and patents and copyrights. Included are capitalised payments for employee and non-employee expenses associated with capital works. The item includes reimbursements received by public authorities, for amounts spent on capital works, while acting as an agent for other government and private bodies.

2.176 Cash flows from investments in financial assets for policy purposes refers to cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster. On the other hand, investments are motivated by a desire to maximise returns on surplus funds.

2.177 Acquisitions of financial assets, other than equity, for policy purposes are called 'advances'. Advances can be made by public authorities to persons, private schools, religious organisations, etc. (e.g. for housing, school building). They include loans for the purchase of homes (e.g. Commissioner for Housing loans in the ACT), war service land settlement and, occasionally, for the purchase of assets sold to persons and non-profit institutions. Advances are often made by public sector units to other public sector units, for example one level of government to another and between units at the same level of government (e.g. general government to public corporations). Included also is the provision of funds to public financial corporations for re-lending. Advances can also be made to foreign governments and organisations, such as when subscriptions are made to the International Bank for Reconstruction and Development and the International Development Association.

2.178 In addition to advances, net acquisition of financial assets for policy purposes includes the acquisition and disposal by government of shares and other equity in public and private enterprises. Disposal of financial assets acquired for policy purposes includes proceeds from sales of equity in public and private corporations, including privatisations and sale of subsidiaries by public corporations.

2.179 Cash flows from investments in financial assets for liquidity management purposes refers to cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

2.180 Cash flows from financing activities refers to cash receipts from borrowing by public sector units less cash repayments or redemption of such borrowing in the past. Borrowing is the creation of liabilities through, for example, sale of bonds and bills in the capital market, raising loans through direct agreements with lenders or issuing shares and other equities (public corporations only). Borrowing includes the receipt of advances from other government units and receipt of deposits. Also included are borrowing from the International Bank for Reconstruction and Development, borrowing under credit arrangements with foreign governments and authorities, and the issue of stocks and bonds abroad.

2.181 Borrowing also includes the receipt of deposits. Deposits include cash held in public accounts by treasuries on behalf of other government units (e.g. public non-financial corporations) that operate through a trust account held in the public accounts. Deposits lodged by public non-financial corporations and other public sector units with Central Borrowing Authorities are included, as are deposits lodged by private sector entities with public financial corporations.

2.182 This item does not include the increase in liability or borrowing related to the initial entry into a finance lease or similar arrangement since, at that point, no cash flows have actually occurred. When cash flows associated with a finance lease or similar arrangement do occur they are reflected in the cash flow statement for that period. The reduction in liability from subsequent lease repayments is split into a principal and an interest component. Repayments of lease principal are included here. Interest repayments in cash are classified as cash flows from operating activities.

Balance sheet items (including items in the statement of stocks and flows)

2.183 The discussion in this section refers to the classification of balance sheet items and includes discussion, where appropriate, of transactions and other economic flows that relate to the balance sheet items and are recorded in the statement of stocks and flows.

Assets

2.184 As previously noted, assets are defined as instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by holding them, or using them, over a period of time.

Financial assets are assets that are in the form of financial claims on other economic units. In the system, financial assets are classified to the following instrument categories:

- **Cash and deposits** - this includes: (i) notes and coins on hand; (ii) cheques held but not yet deposited; (iii) cash and deposits in both Australian currency and foreign currency, which are recoverable or transferable on demand and are held at all banks, non-bank financiers and other deposit taking institutions; (iv) deposits placed in the Short Term Money Market (for example grants received from the Commonwealth and deposited overnight); and (v) units issued by cash management trusts and withdrawable share capital of building societies. The item excludes bank certificates of deposit and fixed deposits held with banks;

- **Investments, loans and placements** - this includes: (i) non-negotiable, non-transferable loans, other than advances; (ii) credit foncier loans; (iii) deferred payment schemes (re-purchase agreements); (iv) securities such as promissory notes; (v) bills of exchange; (vi) certificates of deposit; (vii) fixed term deposits; (viii) Treasury notes and bonds; (ix) redeemable preference shares; (x) debentures; (xi) long term notes; and (xii) net value of swaps and other derivatives that are in a net asset position;
- **Accounts receivable** - this includes short and long term trade credit and accounts receivable, accounts and interest receivable, and prepayments made;
- **Advances outstanding** - this category refers to loans and other non-equity financial assets acquired for policy rather than liquidity management purposes. As a general rule, all loans made by general government to other government bodies, except loans made by central borrowing authorities, are deemed to be for policy purposes. Included are long and short term loans, non-marketable debentures, and long and short term promissory agreements (bonds and bills) issued to public sector units for the purpose of achieving government policy objectives. Excluded are government equity in public corporations (see next item), grants and non-repayable funds, and investments for liquidity management and income generation purposes;
- **Equity** - this category refers to claims on other entities entitling the holder to a share of the income of the entity and a right to a share of the residual assets of the entity should it be wound up. The item includes the market value of shares on issue in listed corporations and preference shares and convertible notes after conversion. It excludes convertible notes before conversion. The item also includes the book value of assets (real and financial) less liabilities of unlisted public corporations.

2.185 The statement of stocks and flows records the results of transactions, revaluations and other volume changes on the value of each of the categories of financial assets described above at the end of the accounting period. Transactions in financial assets represent acquisitions of financial assets less liquidation of such assets (e.g. debtors' repayment of the financial claims represented by the assets). Acquisition of financial assets includes making deposits of cash with financial institutions, making advances to other units of the public sector or to private sector entities, making investments in other units, and purchasing shares or making other forms of capital contribution to public and private sector corporations for policy or liquidity management purposes. Revaluations occur most often for financial assets, such as shares and securities, that are traded on financial markets or are subject to exchange rate fluctuations. Other volume changes that may have an effect on financial assets include the writing off of bad debts by a creditor. Only write-offs that are not made by mutual agreement between creditor and debtor are treated as other volume changes (those made with mutual agreement are treated as capital transfer expenses).

2.186 Non-financial assets, which are all assets other than financial assets, are classified in the following categories:

- **Non-financial produced assets** - refers to assets created by a production process and held by producers mainly for the purposes of production; includes produced assets, such as buildings (including dwellings), infrastructure (e.g. railways, roads, bridges, tunnels, airports, harbours, pipelines, dams), plant and equipment, cultivated assets (e.g. livestock, vineyards, orchards, plantations), intangible assets (e.g. capitalised mineral exploration, computer software, artistic originals), inventories (including materials, supplies, defence weapon platforms, work in progress, finished goods and goods for resale), and valuables (e.g. precious metals and stones, antiques and works of art);
- **Non-financial non-produced assets** - are assets held by producers mainly for the purposes of production that have not themselves been produced. They include land and subsoil assets such as mineral deposits; non-cultivated biological resources and water resources such as virgin forests, fishing grounds and natural water resources; and intangible non-produced assets such as patents, copyrights and goodwill;
- **Other non-financial assets** - assets not elsewhere classifiable.

2.187 The statement of stocks and flows records the results of transactions, revaluations, and other volume changes on the value of each of the categories of non-financial assets described above at the end of the accounting period. Transactions that change the stock of non-financial assets are also recorded in the operating statement and have already been discussed above under the sub-heading 'Net acquisition of non-financial assets'. Revaluations of non-financial assets reflect changes in the market price of the assets over the accounting period. In practice, revaluation of assets at market prices may only occur when the assets are sold. In that case, any profit or loss from the sale is recorded as a revaluation and only the book value of the asset is recorded as the transaction value. Other volume changes that can affect non-financial assets include additions to the stock of such assets resulting from mineral discoveries or addition of previously unrecorded assets, and destruction or depletion of assets through natural disasters, degradation or exploitation (of natural assets).

Liabilities

2.188 As previously noted, **liabilities** are obligations to provide economic value to another economic unit and are the counterparts of financial assets held by the claimant economic units. Liabilities are classified to the following categories:

- **Deposits held** - this category includes currency on issue (i.e. coins on issue from the Commonwealth Treasury and notes on issue from the Reserve Bank of Australia), which are liabilities of the government. Also included are holdings of cash balances or deposits from other public sector or private sector bodies, including trust accounts held on behalf of other public sector or private bodies. Excluded are employee superannuation trust fund balances or any trust balances held to reduce employee entitlement liability;
- **Proceeds from advances** - this item includes loans and other repayable funds received from government authorities for policy purposes rather than income generation or liquidity management purposes. The item excludes loans from non-government sources and grants and non-repayable funds received;

- **Borrowing** - this item refers to liabilities, other than advances, created through direct agreements with lenders, the sale of securities and acquisition of finance leases. The item includes: (i) finance leases, which are lease arrangements in which most of the risks and benefits of ownership rest with the lessee; (ii) loans, including bank overdrafts; long and short term loans in both Australian currency and foreign currency; credit foncier loans; and deferred payment schemes (re-purchase agreements); and (iii) securities, including promissory notes; bills of exchange; certificates of deposit; fixed term deposits; Treasury notes and bonds; debentures; long term notes; net value of swaps and other derivatives in a net liability position;
- **Accounts payable** - this item includes short and long term trade debt and accounts payable, accounts and interest payable, and prepayments received;
- **Provisions that are in the nature of liabilities** - this item excludes provisions which are in the nature of reserves (e.g. provision for future losses and provision for self-insurance) and which do not meet the definition of liabilities. The item includes: (i) provisions for unfunded superannuation; (ii) provisions for other employee entitlements such as sick leave paid on resignation or retirement, recreation leave, long service leave, workers' compensation (where benefits are paid by an employer and not a separate insurer), and accrued wages and salaries; and (iii) provisions other than those for employee entitlements, such as provisions for income tax and dividends if the underlying amounts are liabilities of the entity. The item excludes provisions for bad debts;
- **Other liabilities** - this item covers all liabilities not elsewhere classifiable.

2.189 The statement of stocks and flows records the results of transactions, revaluations and other volume changes on the value of each of the categories of liabilities described above at the end of the accounting period. Transactions in liabilities include contracting of new liabilities and repayment of past liabilities. Contracting of liabilities includes acceptance of deposits, receipt of advances from other government units, borrowing on financial markets and issuing securities such as bonds and notes. Revaluations of liabilities occur most often for instruments, such as securities, that are traded on financial markets or are subject to exchange rate fluctuations. Changes to liabilities from events other than transactions and revaluations are rare. It should be noted that cancellation of debt by mutual agreement between creditor and debtor is treated as a capital transfer between creditor and debtor and is not recorded as an other volume change in liabilities.

Shares and other contributed capital

2.190 The shares and other contributed capital item is relevant only for public corporations because general government units are not owned by other units and cannot have any form of equity. The item represents the market value of shares and other contributed capital and is grouped with liabilities in the analytical framework because it represents a financial claim on the assets of public corporations. Together with the value of liabilities, it is deducted from assets in the derivation of net worth. The statement of stocks and flows records changes in shares and other contributed capital arising from transactions, revaluations, and other volume changes. Transactions that increase shares and other capital include share issues and other receipts of capital contributions from owners. Transactions that decrease shares and other contributed capital include share redemptions in which a corporation buys back shares from shareholders (payments of dividends and other income transfers are recorded as expenses). The main instances of revaluations that affect shares and other contributed capital are changes in the market value of listed public corporation's shares on the share market. Other volume changes that affect shares and other contributed capital are rare and are likely to be restricted to reclassifications.

GOVERNMENT PURPOSE CLASSIFICATION

2.191 The Government Purpose Classification (GPC) is used to classify revenues, expenses, and net acquisition of non-financial assets of the public sector in terms of the purposes for which the transactions are made. The GPC is based on the SNA93 Classification of the Functions of Government (COFOG), which is also applied in the IMF GFS system.

2.192 The structure of the GPC is hierarchical and consists of a 2-digit level (major group), a 3-digit level (group) and a 4-digit level (subgroup). The major groups reflect the broad objectives of government and the groups and subgroups detail the means by which these broad objectives are achieved.

2.193 The GPC is grouped according to type of government function or purpose. General services are those government activities that cannot be associated with services to persons or to business. They are collective services that cannot be allocated to particular groups of beneficiaries. They include general public services, defence, and public order and safety.

2.194 Community and social services are services supplied directly to the community, and to households and persons. They include education, health, social security and welfare, housing and community amenities, and recreation and culture.

2.195 Economic services are government activities associated with the regulation and more efficient operation of business. These services include fuel and energy, agriculture, forestry, fishing, hunting, mining and mineral resources, manufacturing, construction, transport, and communications.

2.196 Other functions included in the classification relate to public debt transactions, general purpose transactions and natural disaster relief.

2.197 In principle, the unit of classification for the GPC is the individual transaction. However, it is often difficult to identify individual transactions with the headings in the GPC. In these circumstances classifications are assigned to departments, agencies, programs, and similar units within government that can be more readily identified with categories in the GPC. When units have more than one function, transactions are classified to the dominant purpose category.

2.198 Some government transactions are not related to current activities and are not regarded as being in respect of a particular type of service. Interest payments reflect the fact that past expenses were financed by borrowing rather than by taxation. This type of expense is not related to current activities. Interest payments are included under public debt transactions in the GPC.

2.199 Administrative expenses are included in the functional grouping of the activities being administered. Research is distinguished in the GPC only where it is considered to be of particular significance. Otherwise it is included with the function to which it relates.

2.200 The major groups of the GPC are shown in Table 2.6 below. The full classification is presented in Appendix 3.

**Table 2.6. GOVERNMENT PURPOSE CLASSIFICATION:
MAJOR GROUPS**

Major Group	Description
21	General public services
22	Defence
23	Public order and safety
24	Education
25	Health
26	Social security and welfare
27	Housing and community amenities
28	Recreation and culture
29	Fuel and energy
30	Agriculture, forestry, fishing and hunting
31	Mining and mineral resources, other than fuels; manufacturing; and construction
32	Transport and communications
33	Other economic affairs
34	Other purposes

2.201 General public services (GPC 21) include legislative and executive affairs, financial and fiscal affairs, external affairs, foreign economic aid, general research, general economic and social services, general statistical services, and government superannuation benefits.

2.202 Defence (GPC 22) includes military and civil defence affairs, foreign military aid and defence research.

2.203 Public order and safety (GPC 23) includes police and fire protection services, law courts and legal services, prisons and corrective services, and control of domestic animals and livestock.

2.204 Education (GPC 24) includes primary and secondary education, university and other higher education, technical and further education, preschool and special education, and transportation of students.

2.205 Health (GPC 25) includes general hospitals, repatriation hospitals, mental health institutions, nursing homes, special hospitals, hospital benefits, medical clinics and practitioners, dental clinics and practitioners, maternal and infant health, ambulance services, medical benefits, school and other public health services, pharmaceuticals, medical aids and appliances, and health research.

2.206 Social security and welfare (GPC 26) includes sickness benefits; benefits to ex-servicemen and their dependants; invalid and other permanent disablement benefits; old age benefits, widows, deserted wives, divorcees and orphans benefits; unemployment benefits; family and child benefits; sole parents benefits; family and child welfare; and aged and handicapped welfare.

2.207 Housing and community amenities (GPC 27) includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment, and street lighting.

2.208 Recreation and culture (GPC 28) includes public halls and civic centres, swimming pools and beaches, national parks and wildlife, libraries, creative and performing arts, museums, art galleries, broadcasting, and film production.

2.209 Fuel and energy (GPC 29) includes coal, petroleum, gas, nuclear affairs, and electricity.

2.210 Agriculture, forestry, fishing and hunting (GPC 30) includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry, fishing, and hunting.

2.211 Mining and mineral resources, other than fuels; manufacturing; and construction (GPC 31) includes activities relating to prospecting, mining and mineral resources development; manufacturing activities and research into manufacturing methods, materials and industrial management; and activities associated with the building and construction industry.

2.212 Transport and communications (GPC 32) includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems, and communications.

2.213 Other economic affairs (GPC 33) includes storage, saleyards, markets, tourism and area promotion, and labour and employment affairs.

2.214 Other purposes (GPC 34) includes public debt transactions, general purpose inter-government transactions, and natural disaster relief.

CHAPTER 3

DATA SOURCES AND COLLECTION METHODS

INTRODUCTION

3.1 The underlying data sources for the compilation of GFS in Australia are the accounting systems supporting the financial accounts maintained by public sector entities. This accounting information is analysed, classified and rearranged on a GFS basis using the input classifications set out in Appendix 3.

3.2 In the past, the ABS compiled GFS by analysing the published accounts of public sector entities, classifying the data on a GFS basis and entering the data directly into its computer processing systems. This methodology was supplemented in some cases by directly collecting data using ABS questionnaires. The methodology began to change after the May 1991 Premiers' Conference agreed that all jurisdictions would include uniform data classified on a GFS basis in their budget documents. From that time, the Commonwealth Department of Finance and Administration and each of the state and territory treasuries, with ABS guidance and assistance, compiled GFS for their jurisdiction's non-financial public sector (then the scope of the GFS system) for incorporation in their budget documents. The ABS was able to use these data to compile GFS on an annual basis for the national and state levels of government.

3.3 More recently, jurisdictions have been compiling financial reports in compliance with the Australian Accounting Standard AAS 31, 'Financial Reporting by Governments', which requires reporting for the 'whole of government'. In GFS terms, whole of government covers general government, public non-financial corporations and public financial corporations (i.e. the public sector). Thus with ABS assistance on conversion of AAS 31 data to the GFS standard, jurisdictions are now able to regularly provide public sector data on a GFS basis.

3.4 With these developments the opportunities for the ABS to obtain GFS-classified data in electronic form have increased considerably. Now, for the major part of the national and state levels of government, accounting data at unit level are converted to a GFS basis by each jurisdiction and the converted data are supplied to the ABS as electronic data files. The ABS role is evolving to one of assisting these departments with the GFS conversion, coordinating the provision of data files, and editing the data before they are aggregated as GFS. The amount of information received in this way is expected to increase. At present, only some quarterly data, and other data for some local governments and public corporations, are obtained by other means (e.g. dispatch of questionnaires, analysis of financial statements). For these data, the ABS performs the GFS conversion before incorporating the data in national statistics.

COLLECTION CYCLE

3.5 GFS are collected and compiled in three phases: quarterly, forward annual estimates and final annual data. The phases are determined by the ABS publication programme for GFS, which is discussed in Chapter 5, and the national accounting requirement for quarterly data. The phasing also enables progressive refinement of the data over the cycle.

3.6 The first phase in the cycle is the collection of quarterly data to produce quarterly estimates of public sector activity for incorporation in the Australian national accounts. The quarterly collection is confined to general government units and public non-financial corporations. Other ABS sources are used to produce national accounts data for public financial corporations. The quarterly collection is not a full enumeration in as much as smaller units are omitted and less than the full range of annual data are collected from units included in the collection. Specifically, balance sheet data and some cash flow data are not collected. Estimates are made for missing quarterly data.

3.7 The collection and compilation of forward estimates for the coming financial year is the next phase in the cycle. They are currently published by the ABS as a single electronic release in *Government Financial Estimates* (ABS Cat. no. 5501.0.55.001), which is known as the 'GFE'. This release presents statistics for the general government sector only.

3.8 The final phase of the cycle is the collection and production of final annual statistics. These represent the most detailed and complete set of statistics for a financial year. They are based, wherever possible, on final audited data. The final statistics are published in *Government Finance Statistics* (ABS Cat. no. 5512.0), which is also known as the 'GFS'. This release presents statistics for both the general government sector, as well as for the non-financial public sector and the total public sector.

DATA SOURCES AND COLLECTION METHODS

DATA SOURCES

3.9 The source records for the GFS system are increasingly becoming available in centralised computer systems that maintain records for all units forming the major part of the public sector in each jurisdiction. In such circumstances the ABS no longer has to obtain data from individual units but can use data, relating to individual units, collected by central agencies in each jurisdiction. In most cases, these data have been converted to a GFS basis before being received by the ABS. However, at the present stage of development there are variations between jurisdictions, levels of government and collection phases in the availability of unit data from central agencies. Table 3.1 summarises the current situation regarding the use of central and individual data sources.

COLLECTION METHODS

3.10 In conjunction with the evolution of centralised data sources there has also been a continuing change towards collection of data in electronic form. The most common and preferred method is electronic transfer of computer files. Electronic transfer also occurs in the form of spreadsheet files and some data are transferred on floppy disks. It should be noted that, particularly for final annual data, the data received electronically are checked against published accounting statements, preferably those that have been subject to official final audit. Where data are not available from central agencies (e.g. some quarterly data and most data for local government), the collection methods range from electronic transfer in various forms, through use of questionnaires, to ABS analysis of published accounting statements.

3.11 Table 3.1 summarises the current situation regarding use of the various collection methods. It should be noted that the table refers only to primary data sources and collection methods and does not reflect supplementary use of published accounting statements for editing and verification purposes.

Table 3.1. SUMMARY OF CURRENT(a) GFS DATA SOURCES AND COLLECTION METHODS

Sources	Phase	Sector	Data Sources		Collection Methods			
			Central	Individual	Electronic transfer	Forms	Statements	
Commonwealth	Quarterly	GG	Yes		Yes			
		PNFC		Yes		Yes		
	GFE	GG	Yes		Yes			
	GFS	GG	Yes		Yes			
		PNFC	Yes		Yes			
		PFC	Yes		Yes			
State	Quarterly	GG	all others(b)	SA	all others(b)	SA		
		PNFC	Q, WA, NT, ACT	NSW, V, SA, T	Q, WA, NT, ACT	NSW, V, SA, T		
	GFE	GG	All		All			
		PNFC	All		All			
		PFC	All		All			
	GFS	GG	All		All			
		PNFC	All		All			
		PFC	All		All			
	Local (c)	Quarterly	GG		All	All	All	
			PNFC		All	All	All	
		GFE	GG	All				
		GFS	GG	All		All		All
PNFC				All			All	

(a) As at 30 June 2005.

(b) 'all others' refers to all states with the exception of SA.

(c) The local level of government does not exist in the Australian Capital Territory.

Key: GFE = Government Financial Estimates (ABS Cat. no. 5501.0.55.001) forward estimates; GFS = Government Finance Statistics (Cat. no.5512.0), final annual data; GG = general government; PNFC = public non-financial corporations; PFC = public financial corporations; NSW = New South Wales; V = Victoria; Q = Queensland; WA = Western Australia; SA = South Australia; T = Tasmania; NT = Northern Territory; ACT = Australian Capital Territory.

3.12 In Table 3.1 there are no entries under the quarterly collection for public financial corporations because, as previously noted, these corporations are not included in the quarterly collection.

3.13 Table 3.1 indicates that quarterly Commonwealth data are supplied electronically for general government units and the ABS collects quarterly data from public non-financial corporations via forms. DOFA currently transfers GFE data electronically to the ABS for all Commonwealth general government units. For GFS, DOFA supplies data for general government, public non-financial corporations and public financial corporations within the one electronic file.

3.14 At the state and territory level, quarterly general government data are currently collected via electronic transfer from all treasuries except SA . For public non-financial corporations, quarterly data are available centrally from the Queensland, Western Australia, Australian Capital Territory and Northern Territory treasuries. All other quarterly state public non-financial corporations data are collected from individual units either electronically or via standard forms.

3.15 In all jurisdictions, GFE data for general government are currently available electronically from the treasuries. For GFS treasuries supply data for general government, public non-financial corporations and public financial corporations electronically.

3.16 The ABS works in partnership with Local Government Grants Commissions and Departments of Local Government (and their equivalents) to collect local government finance data.

3.17 GFE data for local government are estimated by means of 'shell estimation', which is explained in Chapter 4.

CHAPTER 4

METHODS OF COMPILATION

INTRODUCTION

4.1 Chapter 3 described the sources of GFS data and the data collection methods used. This chapter describes the next step in data processing, namely the processes of classifying, editing and consolidating the collected data to create the statistics.

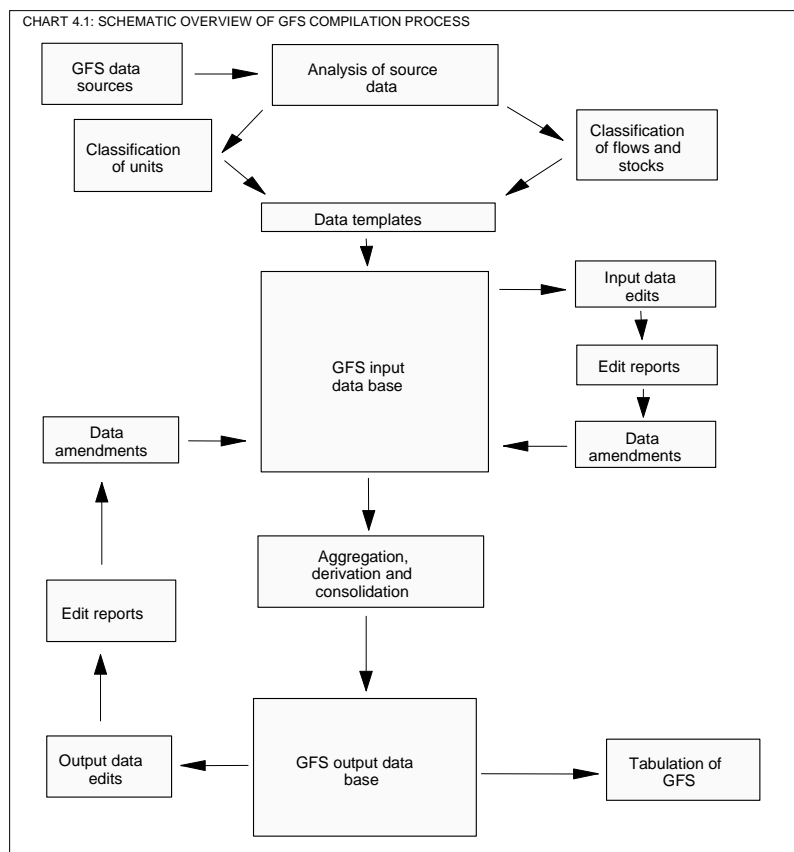
4.2 The description of the compilation methodology in this chapter is targeted more towards users of the statistics than compilers. It provides a broad overview rather than a detailed description of particular procedural or operational steps. Processes are described in logical terms that do not necessarily reflect the physical structure of the computer systems underlying the processes.

GENERAL COMPILATION METHODOLOGY

4.3 GFS compilation involves transforming the accounting data of public sector units into economic statistics. This is achieved through identification and classification of the units and analysis, classification and consolidation of economic flows and stocks recorded in the units' accounting records. The following sequence of processes is involved:

- GFS classification of units;
- GFS classification of flows and stocks;
- creating an input data base containing unit level data;
- input editing unit level data;
- data aggregation, consolidation and derivation;
- estimation on a quarterly basis only;
- output editing the data;
- creating an output data base containing aggregated data (used for dissemination of the statistics).

4.4 These processes are shown in Chart 4.1.



4.5 The compilation processes apply to all GFS data phases described in Chapter 3 (i.e. quarterly estimates, forward annual estimates, final annual data). However, estimation applies only to quarterly data. Quarterly statistics are compiled using a mixture of full enumeration and sampling, which requires an additional process of expanding the sample data to provide estimates for the component not covered by the sample.

DATA ANALYSIS

4.6 The first process in compilation involves transforming accounting data into GFS data. This begins with identifying the unit for which data are recorded, verifying that the unit qualifies as an enterprise unit (as described in Chapter 2) and applying the relevant GFS units classifications to the unit. The second major step is analysing the source data for the unit, which essentially amounts to linking the accounting records of flows and stocks of the unit to GFS flows and stocks classifications.

APPLICATION OF GFS UNIT CLASSIFICATIONS

4.7 As described in Chapter 2, the main GFS unit classifications are Level of government (LOG), Jurisdiction (JUR), and Institutional sector (INST).

4.8 Unit classifications are first applied at the time a unit comes into the coverage of GFS. This usually happens when a unit is created by a government in Australia, or when an existing unit is split to form more than one unit or is combined with another unit to form a new unit. Once determined, units classifications are reviewed only when major changes occur to the functions of the unit.

APPLICATION OF GFS
FLOWS AND STOCKS
CLASSIFICATIONS

4.9 The classification process involves examining Acts of Parliaments (where applicable) and the unit's financial statements (i.e. the income and expenditure (profit and loss) statement, balance sheet and cash flow statement). This process is intended to disclose the range of activities in which the unit engages and the legislative background to its creation. Such information is used to determine whether the unit qualifies as an enterprise unit and whether the enterprise falls within the scope of GFS. The information, supplemented where necessary by information obtained directly from the unit, is used to determine the classification(s) applicable to the unit.

4.10 As discussed in Chapter 2, from an output perspective, the main GFS flows and stocks classifications are the economic type framework (ETF) and the government purpose classification (GPC). However, for input processing purposes, the following additional classifications are applied:

- **Type of asset classification (TAC)** - input items required to derive output items for stocks of non-financial assets in the statement of stocks and flows;
- **Source/destination classification (SDC)** - a classification that identifies: (i) for each transaction, the institutional sector and level of government (where applicable) of the unit (including non-government units) from which revenues are receivable (the source) or to which expenses are payable (the destination); and (ii) for each financial asset, the institutional sector and level of government of the unit against which the financial claim represented by the asset is held. The codes are used in the consolidation process and for producing output (e.g. grants to public non-financial corporations) that requires identification of the sector of the counterparties to transactions and stocks;
- **Taxes classification (TC)** - input items required to produce taxation revenue data classified by type.

4.11 For the purpose of applying the classifications, input items are grouped in the following categories:

- **Operating statement items** - input items required to derive output items in the operating statement;
- **Cash flow statement items** - input items required to derive output items in the cash flow statement;
- **Reconciliation statement items** - items required to reconcile items in the operating statement with items in the cash flow statement;
- **Supplementary statement items** - items of statistical interest that are not within the scope of the cash flow statement (e.g. acquisitions of non-financial assets);
- **Intra-unit transfers other than revaluations and accrued transactions** - input items identifying flows within a unit (e.g. transfers to reserves, certain provisions) other than revaluations and accrued transactions such as depreciation. Flows within a unit appear in accounting records and must be recorded in the system to ensure that a balance of debits and credits is maintained in the unit's data. The flows cancel out in output. Revaluations and accrued transactions within units are required in output and so are not identified as intra-unit transfers;

- **Revaluations and other changes in the volume of assets** - input items required to derive revaluations (i.e. changes to asset values arising from price changes, including exchange rate changes) and other changes in the volume of assets in the statement of stocks and flows;
- **Balance sheet items** - input items required to derive output items for stocks of financial assets, liabilities and equity in the balance sheet and statement of stocks and flows.

The items included in each of the above classification components are listed in Appendix 3 and are not discussed in detail here.

4.12 Application of the flows and stocks classifications involves examining flow and stock items recorded in a unit's accounting records and entering against each item the appropriate classification code(s) from each of the relevant classifications. A single item may have several codes entered against it. For example, an expense item will carry (at least) an ETF code to indicate the type of expense, a source/destination code to indicate the destination code of the expense outflow, and a GPC code to indicate the government purpose of the expense.

4.13 The classification process is applied initially to all flows and stocks of new units and to new flows and stock items of existing units. The process may also be re-applied to existing items that have changed description from the previous period or have changed in value significantly and are suspected to have changed content.

INPUT OF DATA TO GFS PROCESSING SYSTEM

4.14 The next step in compiling the statistics is loading and editing the analysed data into the GFS processing system. Data are loaded by electronic processes or by manual intervention and are edited directly on the ABS GFS input database. The electronic file supplied by each Treasury contains accounting data for each unit and contains data item descriptions as they appear in source records, the data (values) for each item in each period, and the GFS classifications for each item.

4.15 The purposes of the input data base are to:

- store up-to-date unit-level data;
- serve as the source for the output data base.

INPUT EDITING

4.16 Input editing involves applying pre-specified edits to unit level data. The edits performed are unit edits, intra-sector edits and aggregate edits, each of which is described below. The process involves passing the unit data through editing programs, producing error reports, and making amendments to obtain a 'clean' data file.

EDITS ON UNITS

4.17 Three main types of unit edits are applied in the system: classification edits, account balance edits, and subtotalling edits.

4.18 **Classification edits** are edits designed to check the validity of the GFS classification codes assigned to flows and stocks. Four types of classification edits are applied:

- **legality edits**, which check that the unit and flows and stocks classification codes allocated actually exist in the classifications concerned;

- **code combination edits**, which check whether the combination of classification codes applied to each flow and stock item is valid within the GFS system;
- **code existence edits**, which check that where a given classification code has been allocated to a flow or stock item, codes from all of the relevant other classifications that are associated with that item have also been allocated;
- **level of coding edits**, which check that the prescribed minimum level of coding has been observed (see Chapter 5 for an explanation of the minimum level of coding).

4.19 Account balance edits are edits to check that the values for data items have been correctly entered, that data are not duplicated, and that data items entered into the system for each unit account for all items in that unit's source records.

4.20 As discussed previously, under the double-entry convention used in the system revenues, decreases in assets, and increase in liabilities and equity are treated as credits (Cr), and expenses, increases in assets, and decreases in liabilities and equity are treated as debits (Dr). Credits are stored in the system with a negative sign and debits with a positive sign. The account balance edit checks that the total of debits for a unit equals the total of credits.

4.21 To help locate account balance errors within a unit, data items are divided into balance groups for assets, liabilities and equity, revenues and expenses. The system checks that the accounting identity, $\text{Assets} = \text{Liabilities} + \text{Equity} + \text{Net Worth}$, is satisfied.

4.22 Subtotalling edits are used with account balance edits to pinpoint balancing errors within a unit. These edits are used whenever a set of data items should sum to a subtotal and where a set of subtotals should add to a control total.

INTRA-SECTOR EDITS

4.23 Intra-sector edits are performed in order to identify flow (and stock) imbalances, using the Source/Destination Code (SDC) assigned to most GFS items. The SDC identifies the source of the funds if a transaction is an operating revenue or a cash receipt, and the destination of the funds if the transaction is an operating expense or a cash payment. For Balance Sheet items the asset SDC identifies the sector in which the asset is held and the liability SDC identifies the sector to which the liability is owed.

4.24 Identifying and reconciling flow imbalances is necessary in order to achieve reasonably accurate consolidated results. However, not all flow imbalances can be resolved within GFS publication deadlines which means that the remaining imbalances contribute to the non-additivity of GFS measures across sectors and levels of government. A different approach is taken for other users of GFS. For example, because the national accounts and international bodies such as the IMF and the OECD require 'balanced' GFS output, adjustments are made to force both sides to align based on an accepted order of precedence, e.g. Commonwealth figures take precedence over lower levels of government, state figures take precedence over local etc.

AGGREGATE EDITS

4.25 Aggregate edits are applied after unit and intra-sector edits have been completed and resultant amendments made. These edits generally involve checking period to period changes in aggregates relating to the main GFS classifications.

4.26 The purpose of the edits is to identify any significant or unusual movements in important aggregates (e.g. expenses, net acquisition of non-financial assets, revenues, debt) so as to provide a check on the consistency of coding.

4.27 When input editing has been completed, aggregation, derivation and consolidation processes are undertaken. During this phase, the unit information is no longer relevant and so is removed. The resulting data are classification and sector based.

4.28 These processes are summarised below:

- the **aggregation** of records with identical classification combinations;
- the **derivation** of items not collected, e.g. SDCs for liabilities - these are derived from the asset side for each instrument;
- **consolidation**, i.e. the elimination of flows within and between sectors;
- **estimation** for uncollected or missing data;
- the **creation** of a classification and sector-based output data store.

4.29 The **aggregation step** involves summing records with identical classifications within each of the output sectors (listed in Table 5.1). This step results in the generation of unique aggregated lines, i.e. there are no duplicates in the final data store.

4.30 **Deriving special output data items** involves creating, in unit records of general government and public non-financial corporations, those items required specifically for the Australian national accounts. Because no direct sources of data exist for these items, they are derived by applying selected ratios to the relevant aggregates. The ratios are obtained from external data (e.g. Commonwealth employment by state).

4.31 **The consolidation process** eliminates the flows and stock holdings that occur between units for each unique aggregate. It is the process whereby the two sides of the same transaction or stock holding are matched and eliminated to avoid double counting.

4.32 However, the system procedure used for consolidation is different from the logical process described above. Instead of matching and eliminating flows and stocks of individual units, the system omits from a given aggregate the flows and stocks that carry the source and destination codes (see paragraph 4.10) relevant to that aggregate. For example, in an aggregation relating to Commonwealth general government, all flows and stocks with a Commonwealth general government source or destination code would be omitted from the aggregate. This process has the same effect as matching and eliminating the flows and stocks of individual units.

4.33 **Estimation** is the process of generating data not collected and is relevant only for quarterly GFS where, due to time and cost constraints, some items are not collected and smaller units are not approached. At the beginning of the financial year forward estimates become available and these are used, together with other information, to estimate the missing data.

OUTPUT EDITING

4.34 The **creation** of the output data store is the process of moving the disaggregated data from the unit-based input store to an aggregated and consolidated output store, formatted to enable the efficient production of GFS outputs.

4.35 While unit and intra-sector edits (the input edits) check that (i) the classifications applied are legal, (ii) the accounts balance and (iii) flows between units are reconciled, these edits cannot establish that the correct values have been recorded. For this reason, another level of editing (output editing) is carried out prior to releasing the statistics. Output editing involves looking at the final results of the above processes to see if they are consistent with expectations given current government policies and economic conditions.

4.36 The first step in output editing involves examining trend, revision and relationship edits to identify and correct errors. GFS tables are then examined to compare data trends and movements in GFS aggregates and GFS bottom-line measures with data published in Budget documents and other public sector financial reports.

4.37 Significant variations in trend, identified in percentage and/or in dollar value terms, are the main triggers for suspecting errors in output. However, the type of transaction must be taken into account. For example, because of their volatility, large or unusual movements in capital expenditures might be less likely to indicate a possible error than movements of similar magnitude in current expenditures. Nevertheless, significant movements are investigated to determine their cause and validity. Investigation involves retrieval of the unit record data and, if necessary, raising a query with the authorities responsible for supplying the data.

4.38 Relationships between aggregates are also examined. For example, increased borrowings generally lead to increased interest payments in subsequent periods. Thus, if marked increases in borrowings are not followed by commensurate increases in interest expenses, both the borrowings and the interest data are investigated.

4.39 Output editing also aims to ensure that the statistics reflect the impact of changes in governments' policies and overall trends in public sector finances. Current knowledge of changes in government policy, economic conditions and public sector finance issues is obtained from budget papers and press releases.

4.40 Where incorrect data are identified as a result of output editing, the input data are corrected and a revised output store created to ensure that both stores remain consistent at the aggregate level.

4.41 Before aggregate data can be published or released outside the ABS in any form, they must be checked to ensure that they do not disclose any information that is confidential under the provisions of the Census and Statistics Act 1905.

CHAPTER 5

OUTPUT

INTRODUCTION

5.1 ABS GFS are disseminated from the output data base, which is edited and updated after each collection phase, as discussed in Chapter 4. Dissemination is undertaken in the form of publications and provision of data from the data base on request (subject to ABS confidentiality provisions), by telephone, on paper or in electronic form. These non-publication forms of dissemination are described collectively as 'special data services'.

5.2 This chapter describes the statistical output of the GFS system and the methods by which it is disseminated.

5.3 As discussed in Chapter 4, the main types of output available from the ABS GFS system are referred to as 'forward' and 'final' GFS. These terms are used to denote the nature of the data for any given year over successive collection phases. For any given financial year, the GFS cycle progresses through forward estimates, and the replacement of forward estimates with final statistics of 'actual' data.

TYPES OF OUTPUT

FORWARD ESTIMATES

5.4 Each Australian government's Treasury (or Department of Finance), as part of the government's budget formulation process, produces financial information which reflects the expectations of the government in regard to public sector flows and stocks for the forthcoming or budget year. This information covers general government and the public non-financial corporations of the national and state/territory levels of government. Forward estimates are not compiled for public financial corporations.

5.5 The ABS compiles and releases its GFS forward estimates (which are the first ABS-released estimates for any given year) from these data. Because these statistics are based on the expected rather than actual budget outcomes, they can be subject to large revisions (see Chapter 6). The forward estimates published by the ABS in its Government Finance Estimates publications are based on information provided by the various jurisdictions, presented within the GFS framework. The advice provided by the ABS with regard to jurisdictions' preparation of forward estimates is limited to advice on the application of the GFS framework to the estimates.

5.6 At the same time as treasuries compile budget information for the forward year, they also complete accounts for the year just past. These accounts record flows which have actually occurred in the previous fiscal year and stocks at the end of that year. However, given the budget time frame, the accounts are usually not final or audited at the stage they are used by ABS. Nonetheless, they fulfil their purpose of providing preliminary data against which budgetary measures may be gauged. The ABS however ceased publishing these preliminary estimates in 2003, because of the confusion caused by ABS releasing 'preliminary estimates' when a number of jurisdictions had already released updated mid-year forecasts, as well a concern about the validity of valuation issues on the balance sheets of various jurisdictions.

FINAL DATA

5.7 These statistics are the final data for a given year and are compiled from audited data sources.

QUARTERLY GFS

5.8 Quarterly statistics are primarily compiled to provide data about general government and public non-financial corporations for inclusion in the quarterly national accounts. The quarterly statistics are published in *Government Finance Statistics, Australia, Quarterly* (ABS Cat.no. 5519.0.55.001).

SPECIALISED TOPIC OUTPUT **5.9** Specialised topic output refers to statistics presented in single-topic publications. At the present time there are two specialised-topic GFS publications, which relate to taxation revenue and education. Information formerly published in a special publication relating to public sector financial assets and liabilities is now published as part of balance sheet data in the main GFS publications.

TIME SERIES **5.10** The ABS GFS system's outputs (including specialised output) are generally stored as annual time series. As of 2005, time series spreadsheets are released on an annual basis on the ABS website. Some GFS data are available back to 1961–62. However, due to different compilation and data sources, cash flow data from 1998–99 onwards are not directly comparable with earlier cash data. Data on an accrual basis are only available from 1998–99.

5.11 The main GFS aggregates (on a national accounts basis) are available as a quarterly time series back to 1959-60.

AVAILABILITY OF DATA **5.12** The number of detailed cross-classifications that could be provided from the GFS output data base is potentially large but, in practice, is limited because input data are not always coded to the finest level in the classifications. Lack of information in source documents often makes coding to finer levels unachievable.

5.13 However, there is a specified minimum level in each classification to which all data are coded. Consistent maintenance of coding at this minimum level ensures that the most commonly sought output is always available. In the output data base, this level is termed the 'maximum level of output' and is the finest level of detail available for all of the 'output sectors' (see paragraph 5.16 below). Application of a minimum level of coding represents a compromise between the availability of data and the level to which GFS classifications can be applied consistently across the various sectors.

5.14 Despite source-data limitations, a very large amount of data are potentially available from the output data base. ABS GFS publications therefore include only a subset of the data potentially available. Data not published may be obtained for a fee (see paragraphs 5.36–5.38).

5.15 As indicated in Chapter 4, the GFS output data base contains data aggregated into over 150 output sectors. No data for individual units are held. Table 5.1 shows the output sectors. Each output sector is a combination of one or more of the level of government, institutional sector and jurisdiction classifications (e.g. Commonwealth general government). Each sector has a code, as shown in Table 5.1 (e.g. Commonwealth general government is code 130). From the table it will be noted that the multi-jurisdiction category predominantly applies to the general government sector. The national level of government comprises the Commonwealth jurisdiction and all multi-jurisdiction units.

Table 5.1. ABS GOVERNMENT FINANCE STATISTICS OUTPUT SERIES

Level of Government by Jurisdiction	Sector				
	General government	Public non- financial corporations	Public financial corporations	Non- financial public sector	Public sector
Commonwealth	130	110	120	140	190
State government					
New South Wales	231	211	221	241	291
Victoria	232	212	222	242	292
Queensland	233	213	223	243	293
South Australia	234	214	224	244	294
Western Australia	235	215	225	245	295
Tasmania	236	216	226	246	296
Northern Territory	237	217	227	247	297
Australian Capital Territory	238	218	228	248	298
Total all states	239	219	229	249	299
Local government					
New South Wales	331	311	321	341	391
Victoria	332	312	322	342	392
Queensland	333	313	323	343	393
South Australia	334	314	324	344	394
Western Australia	335	315	325	345	395
Tasmania	336	316	326	346	396
Northern Territory	337	317	327	347	397
Total all states	339	319	329	349	399
Multi-jurisdiction					
Total all jurisdictions	439	419	n.a.	449	499
State and local government					
New South Wales	531	511	521	541	591
Victoria	532	512	522	542	592
Queensland	533	513	523	543	593
South Australia	534	514	524	544	594
Western Australia	535	515	525	545	595
Tasmania	536	516	526	546	596
Northern Territory	537	517	527	547	597
Australian Capital Territory	538	518	528	548	598
Total all states	539	519	529	549	599
National	739	719	729	749	799
Australia	939	919	929	949	999

n.a. Not available.

5.16 Each output sector holds aggregated GFS flow and stocks data classified to the economic type framework (ETF) and the government purpose classification (GPC), and a cross-classification of the ETF and GPC.

5.17 The main aggregates held in the output data base are set out in Tables 5.2.1–5.2.4. Each cell in the tables (apart from those marked ‘n.a.’) represents an aggregate for which data are available in the output data base (provided they are not subject to closure for confidentiality reasons). Because of space limitations, the tables do not record every available aggregate; they show mainly aggregates that are included in ABS GFS publications. The content of the publications can vary and the tables should not be taken as a precise statement of the information included in the publications. Finer dissections of many of the ETF items are available – the classifications set out in Appendix 3 should be used as a guide as to the level of detail that might be available. For a detailed discussion of the nature and composition of the items in the statistics, see Chapter 2.

5.18 Tables 5.2.1–5.2.4 do not include the level of government and jurisdiction dimensions of GFS data because of space limitations. A complete picture of the available output would repeat Tables 5.2.1–5.2.4 for each jurisdiction and for each level of government output sector (national, state, state and local) applicable within each jurisdiction. Similarly, a column could be added to the tables for the non-financial public sector (i.e. the consolidation of general government and public non-financial corporations).

5.19 It should be noted that the forward estimates are compiled only for items in the operating statement classified by the ETF, and the cash flow statement. Forward estimates are not compiled for the statement of stocks and flows and the AAS 31 reconciliation.

5.20 GPC-classified data are available only for items in the operating statement. Only GPC-classified expenses and components of net acquisition of non-financial assets are published; revenue items classified by GPC are not published but are available on request.

5.21 Table 5.2.3 covers items in the opening and closing balance sheet and Table 5.2.4 covers the items in the remaining parts of the statement of stocks and flows, namely the **net result of transactions and revaluations and other changes in the volume of assets**.

**Table 5.2.1. SUMMARY OF MAIN GFS AGGREGATES AVAILABLE IN THE OUTPUT DATA BASE:
OPERATING STATEMENT**

Items	Sector							
	General government		Public non-financial corporations		Public financial corporations		Public sector	
	ETF	GPC	ETF	GPC	ETF	GPC	ETF	GPC
GFS Revenue								
Taxation revenue			n.a.	n.a.	n.a.	n.a.		
Current grants and subsidies								
Sales of goods and services								
Interest income								
GFS Expenses								
Gross operating expenses								
Depreciation								
Employee expenses								
Other operating expenses								
Total gross operating expenses								
Property expenses								
Dividend expenses	n.a.	n.a.						
Income tax equivalent expenses	n.a.	n.a.						
Interest expenses								
Nominal superannuation interest expenses			n.a.	n.a.	n.a.	n.a.		
Other interest expenses								
Other property expenses								
Current transfers								
Grant expenses			n.a.	n.a.	n.a.	n.a.		
Subsidy expenses								
Tax expenses	n.a.	n.a.						
Other current transfers								
Capital transfers								
Grants to local governments			n.a.	n.a.	n.a.	n.a.		
Other capital transfers								
GFS net operating balance		n.a.		n.a.		n.a.		n.a.
Net acquisition of non-financial assets								
Gross fixed capital formation								
Depreciation		n.a.		n.a.		n.a.		n.a.
Change in inventories		n.a.		n.a.		n.a.		n.a.
Other movements in non-financial assets								
GFS net lending(+)/borrowing(-)		n.a.		n.a.		n.a.		n.a.

n.a. Not applicable.

Table 5.2.2. SUMMARY OF MAIN GFS AGGREGATES AVAILABLE IN THE OUTPUT DATA BASE: CASH FLOW STATEMENT

Items	Sector			Public sector
	General government	Public non-financial corporations	Public financial corporations	
Cash receipts from operating activities				
Taxes received		n.a.	n.a.	
Receipts from sales of goods and services				
Grants and subsidies received				
Other receipts				
Cash payments for operating activities				
Payments for goods and services				
Grants and subsidies paid		n.a.	n.a.	
Interest paid				
Other payments				
Net cash flows from operating activities				
Net cash flow from investments in non-financial assets				
Sales of non-financial assets				
Purchases of new non-financial assets				
Purchases of second-hand non-financial assets				
Net cash flows from investments in financial assets for policy purposes		n.a.	n.a.	
Net cash flows from investments in financial assets for liquidity purposes				
Net cash flows from financing activities				
Advances received (net)				
Borrowing (net)				
Deposits received				
Other financing (net)				
Net increase(+)/decrease(-) in cash held				
Net cash flows from operating activities and net cash flows from investments in non-financial assets				
Value of non-financial assets acquired under finance leases				
Surplus(+)/deficit(-)				

n.a. Not applicable.

**Table 5.2.3. SUMMARY OF MAIN GFS AGGREGATES AVAILABLE IN THE OUTPUT DATA BASE:
BALANCE SHEET**

Items	Sector			Public sector
	General government	Public non-financial corporations	Public financial corporations	
Assets				
Financial assets				
Cash and deposits				
Advances paid		n.a.	n.a.	
Investments, loans and placements				
Other non-equity assets				
Equity				
Non-financial assets				
Land and fixed assets				
Other non-financial assets				
Total assets				
Liabilities				
Deposits held				
Advances received				
Borrowing				
Unfunded superannuation liability				
Other employee entitlements and provisions				
Other non-equity liabilities				
Total liabilities				
Shares and other contributed capital	n.a.			
Net worth				
Net debt				

n.a. Not applicable.

**Table 5.2.4. SUMMARY OF MAIN GFS AGGREGATES AVAILABLE IN THE OUTPUT DATA BASE:
FLOW COMPONENTS OF THE STATEMENT OF STOCKS AND FLOWS**

Items	Sector			
	General government	Public non- financial corporations	Public financial corporations	Public sector
Net result of transactions				
Assets				
Financial assets				
Cash and deposits				
Advances paid		n.a.	n.a.	
Investments, loans and placements				
Other non-equity assets				
Equity				
Non-financial assets				
Land and fixed assets				
Other non-financial assets				
Liabilities				
Deposits paid				
Advances received				
Borrowing				
Unfunded superannuation liability				
Other employee entitlements and provisions				
Other non-equity liabilities				
Shares and other contributed capital	n.a.			
Change to net worth arising from transactions				
Change to net debt arising from transactions				
Revaluations and other volume changes				
Assets				
Financial assets				
Cash and deposits				
Advances paid		n.a.	n.a.	
Investments, loans and placements				
Other non-equity assets				
Equity				
Non-financial assets				
Land and fixed assets				
Other non-financial assets				
Liabilities				
Deposits paid				
Advances received				
Borrowing				
Unfunded superannuation liability				
Other employee entitlements and provisions				
Other non-equity liabilities				
Shares and other contributed capital	n.a.			
Change to net worth arising from revaluations and other volume changes				
Change to net debt arising from revaluations and other volume changes				

n.a. Not applicable.

5.22 As indicated in the introduction, GFS output is disseminated through various media. The best-known medium is the ABS suite of GFS publications and the ABS website for some publications released electronically. Other media are used to disseminate data on request that are more detailed than the published data or are tailored to the user's particular requirements. These media include computer print-outs, electronic data transfer, and CDs. Generally, a charge is made by the ABS for data supplied through these media.

5.23 Descriptions of the main GFS publications and the means of dissemination of data other than publications are provided in the following section.

GFS PUBLICATIONS

NATIONAL PUBLICATIONS

5.24 The outputs included in ABS GFS publications are varied from time to time but are generally at the ETF level shown in Table 5.2.1 to Table 5.2.4. Information relating to general government is always published, whereas information relating to public non-financial corporations, public financial corporations and the public sector as a whole is often (but not always) included in publications. The institutional breakdowns most commonly published relate to national government, state and territory government and local government. Data for state and local government combined are also published. Available information that is not published can always be obtained via special data services.

5.25 The four main ABS GFS publications are:

- *Government Financial Estimates, Australia* (ABS Cat. no. 5501.0.55.001);
- *Government Finance Statistics, Australia* (ABS Cat. no. 5512.0);
- *Taxation Revenue, Australia* (ABS Cat. no. 5506.0);
- *Government Finance Statistics, Australia, Quarterly* (ABS Cat. no. 5519.0.55.001).

5.26 The electronic release (ABS Cat. no. 5501.0.55.001) contains forward estimates for the general government sector only. Publication 5512.0 includes final data for the completed year and the ABS aims to release it by April of the budget year. In addition to ETF data, the publication includes data cross-classified by the GPC.

5.27 Taxation statistics are released in the annual ABS publication *Taxation Revenue, Australia* (ABS Cat. no. 5506.0), which focuses on revenues of the general government sector in the form of taxes. The statistics are published for the Commonwealth Government, for each state and territory government, for local government in total in each state and territory, for state and local government combined in each state and territory, and for all levels of government combined. Some figures relating to taxes per capita are also included. The statistics are generally classified at the 2-digit of the taxes classification, which is as follows:

TAXES CLASSIFICATION

Group	Subgroup
1. Taxes on income, profits and capital gains	11. Income and capital gains taxes levied on individuals 12. Income and capital gains taxes levied on enterprises
2. Taxes on employers' payroll and labour force	21. General payroll taxes 22. Other employers' labour force taxes
3. Taxes on property	31. Taxes on immovable property 32. Estate, inheritance and gift taxes 33. Taxes on financial and capital transactions
4. Taxes on provision of goods and services	41. General taxes on provision of goods and services 42. Excises 43. Taxes on international trade 44. Taxes on gambling 45. Taxes on insurance
5. Taxes on the use of goods and performance of activities	51. Motor vehicle taxes 52. Franchise taxes 53. Other taxes on use of goods and performance of activities

5.28 The *Government Finance Statistics, Australia, Quarterly* (ABS Cat. no. 5519.0.55.001) is available electronically on the ABS website. This release presents quarterly GFS on an accrual accounting basis. The data are presented in the GFS operating statement format and are presented for the general government sector, and public non-financial corporations.

5.29 As noted previously, the former annual publication *Expenditure on Education, Australia* is now available electronically on the ABS website as ABS Cat. no. 5518.0.55.001. The data include expenditure on education classified by economic type (total expenses and net acquisition of non-financial assets) by all levels of Australian government and the private sector. The statistics relating to private expenditure on education are derived from the national accounts. The statistics are also broken down by each of the GPC sub-categories (e.g. primary, secondary, tertiary education) applicable to expenditure on education.

LOCAL GOVERNMENT DATA

5.30 Users interested in detailed GFS data for local governments should contact the Local Government Statistical Unit (LGSU) in Brisbane on telephone (07) 3222 6404.

OTHER GFS-RELATED ABS PUBLICATIONS

5.31 ABS publications which also disseminate statistics on the government sector are:

- *Australian System of National Accounts* (ABS Cat. no. 5204.0) — this annual publication includes income, capital, financial and balance sheet accounts for general government; income and capital accounts for public non-financial corporations; and data on gross fixed capital formation, by level of government and purpose, for public financial and non-financial corporations. All of these statistics are recorded at current prices;

- *Australian National Accounts: National Income, Expenditure and Product* (ABS Cat. no. 5206.0) — this quarterly publication includes seasonally adjusted and trend estimates of the quarterly income account for general government recorded at current prices. Additional data available electronically (on Ausstats) include the original data for the general government income account (current prices) in total and for state and local government combined (original, current prices);
- *Australian National Accounts: State Accounts* (ABS Cat. no. 5220.0) — this annual publication includes current price information on general government final consumption expenditure for the national jurisdiction and the combined state and local levels of government of each state; public gross fixed capital formation for public corporations and general government for the national jurisdiction and the combined state and local levels of government in each state; and general government gross operating surplus in each jurisdiction..

SPECIAL DATA SERVICES

5.32 Special data services are provided for users who require more detailed or specialised data than can be efficiently provided in publications. They usually take the form of special hard-copy tables (clerical or computer tabulations), input or output data listings, and data supplied on CDs or by electronic transfer. Special data services are tailored to the user's specific requirements and are made available for a fee.

5.33 An indication of the maximum level of output detail that may be available can be obtained from Appendix 3 which outlines GFS classification codes and the associated classification descriptors. This information is provided to assist users who require access to the statistical coding structure in order to frame requests for data beyond those contained in regular ABS publications.

5.34 When using the information in Appendix 3, readers should note that not all GFS classifications apply to all institutional sectors and that subsidiary classifications only apply to some ETF codes. In particular:

- the following ETF categories apply exclusively to general government: 111, 1133, 1134, 1146, 1212, 1223, 1242, 1243, 1261, 2111;
- the following ETF categories apply exclusively to public non-financial and financial corporations: 1263, 1264, 1265, 1267, 2591;
- certain GPC subgroups are only applicable to particular transactions — for example, GPC 341 'Public debt transactions' only applies to ETF 1262 'Interest expense other than nominal interest on unfunded superannuation';
- there are restrictions on the applicability of tax codes according to level of government — for example, personal income taxes only applies to the Commonwealth Government, while local government taxation revenue is restricted to taxes on immovable property.

INTERNATIONAL STATISTICS

5.35 In addition to meeting domestic needs, the ABS also provides Australian GFS data to the IMF and the OECD on an annual basis. These organisations request data for inclusion in their own publications and for use in their operations. The publications of these organisations enable comparisons of the financial performance of the Australian general government sector with that of foreign governments.

GFS OUTPUT DATA REQUESTS

5.36 Users of ABS GFS are encouraged to follow the steps below when framing requests for GFS output data:

- select the output sector for which data are required, e.g. NSW state general government sector;
- select the ETF category required (see Appendix 3);
- select any non-ETF classification (e.g. GPC) categories required, again referring to Appendix 3; and,
- send the data request to the ABS contact officer.

5.37 On receipt of such requests, the ABS usually reconfirms the client requirements, especially where they are large and involved. A charge is made to cover the costs of extracting data to meet users' requests. For complex requests, the client must accept the quote for the ABS work before it proceeds.

5.38 GFS output data requests can be directed to the Public Finance Section in Canberra on telephone (02) 6252 7589. As well, inquiries can be directed by mail to Client Services, ABS, Locked Bag 10, Belconnen, ACT 2616 or by email to <client.services@abs.gov.au>.

CHAPTER 6

ACCURACY, RELIABILITY AND TIMELINESS

INTRODUCTION

6.1 This chapter discusses the accuracy, reliability and timeliness of ABS GFS output and makes an assessment of the overall quality of the statistics included in each release of data for a given period.

6.2 In any statistical undertaking, there is usually some trade-off between accuracy, reliability and timeliness. The trade-off involves balancing users' requirements for timely statistics against the time and cost (of the ABS and data suppliers) required to collect and compile statistics of a given degree of accuracy and reliability. Generally, any increase in timeliness comes at the expense of accuracy and reliability.

6.3 In this discussion, **accuracy** is defined as the closeness of an estimate to the 'true' value. **Reliability** is defined as the stability of an estimate as measured by the size and frequency of revisions made to the estimate over time. These two attributes should always be considered together, as it is possible to have a statistic that is reliable (because it is revised infrequently) but always inaccurate. In general, timeliness refers to the amount of time between the end of the period to which the statistics refer and the date of first release of the statistics to users. However, this definition is not applicable to forward estimates, which users would probably prefer to have before the reference year begins. Because GFS forward estimates are usually not available to the ABS until the end of the current year, timeliness for the forward estimates is defined as the length of time between the beginning of the forward year and the date of release of the statistics.

FACTORS AFFECTING ACCURACY AND RELIABILITY

6.4 There are a number of factors which affect the accuracy and reliability of ABS GFS. They include:

- the nature of source data;
- data collection timetables;
- coverage;
- estimation errors;
- data processing errors;
- consolidation;
- data revision policies.

These factors are discussed below.

SOURCE DATA

6.5 The quality of output is influenced by the nature of the source data available during the different phases of the GFS statistical cycle. The use of different 'versions' of annual source data (forward estimates, and final data) and quarterly data affects the quality of output at each stage. The factors affecting quality of data at each stage are discussed in the following paragraphs.

FORWARD ESTIMATES

6.6 Forward estimates are derived as part of government budget formulation processes. Because the data are based upon expectations relating to government policies (and the measures by which they will be funded), the accuracy of the data are subject to the course taken by subsequent events. For example, unforeseen trends in the economy could mean that levels of government expenditure, revenue and financing will run at higher or lower levels than anticipated during the budget year.

6.7 In general, because governments have direct control over much of their expenditure, they can anticipate final expenditure outcomes fairly well. While governments set revenue targets for the budget year, the extent of control they have over final revenue outcomes is not as strong as that for expenditures. For example, the level of major revenue items such as taxation depends upon the level of economic activity, which is not under the direct control of governments.

6.8 Furthermore, the forward GFS data are not as complete or as detailed as final annual data. This lack of detail in the forward data means that errors and omissions are less likely to be detected.

6.9 It should be noted that the forward estimates are not statistical projections or extrapolations generated by the ABS. The estimates are made by government budget offices based on planned or anticipated government policies. In a small number of cases the ABS may have to rely on estimates reported by individual entities. In a smaller number of cases where the supply of estimates is delayed, the ABS may use its own indicative estimates rather than jeopardise publication deadlines.

FINAL DATA

6.10 Final data are the complete audited data for any jurisdiction for any given year, and replace the forward estimates for that year. These data generally satisfy the level of detail required. However, some dissections required for national accounting purposes are not normally available in financial statements and audited accounts and these have to be estimated. For example, State-level estimates of Commonwealth Government final consumption expenditure, personal benefit payments and gross fixed capital formation are derived for publication in *Australian National Accounts: State Accounts* (ABS Cat. no. 5220.0). The estimates are made using distributive factors that are based on data series which vary in terms of quality and timeliness.

QUARTERLY DATA

6.11 The accuracy and reliability of quarterly data are affected by the use of a degree of sampling in their compilation (see Chapter 4). Consequently, quarterly data include a higher proportion of estimated data than preliminary and final data (see 'Estimation errors' below). They are also subject to revision when benchmarks are revised (see 'Revisions' below).

DATA COLLECTION TIMETABLES

6.12 Timetables for the collection and processing of GFS quarterly and annual data are necessarily very tight because users require the data as input to their own time-constrained programs. Quarterly production target dates are set mainly to meet the quarterly national accounts timetable, which requires the supply of quarterly GFS data six weeks after the end of the reference period.

6.13 These deadlines affect the accuracy and reliability of GFS through their impact on:

- the quality of data supplied by data providers;
- the amount of data analysis that can be done;
- the quality of data classification;
- the checking and editing of input and output data;
- the amount of estimation and imputation required;
- the number of revisions processed.

6.14 While some of these processes can be carried out concurrently, only a limited amount of time can be allocated in total to all the tasks involved in order to meet fixed deadlines, so trade-offs between accuracy and timeliness have to be made.

6.15 Timeliness of GFS output differs for the different streams of data. Forward and quarterly estimates are the most timely. The final data are usually released within 9 months of the reference period.

COVERAGE

6.16 As noted in Chapter 2, not all in-scope enterprises are individually covered in GFS because the cost of collecting data from small units outweighs gains in accuracy and reliability. The way in which individual units are covered in GFS dictates the level of data estimation, which affects the quality of GFS. Most units are 'directly' covered while other units are 'indirectly' covered. A directly covered unit is one for which data from the unit's accounts are included in GFS. An indirectly covered unit is one for which economic flows and stocks are deduced from data recorded by the directly covered units with which the indirectly covered unit undertakes transactions.

6.17 Indirect coverage of units is employed where the data of individual units are not readily available, are not available in sufficient time or are of insufficient statistical significance to warrant the cost of direct coverage. The most common example of units which are indirectly covered are public hospitals. Most of the data for the public hospitals in each state and territory can be deduced from data in the records of the relevant jurisdiction's health department.

6.18 While the detrimental impact of the indirect (partial) coverage of in-scope units on the accuracy and reliability of GFS has not been quantified, the amount of information missed by use of the procedure is considered to be small.

6.19 A small number of in-scope units are deliberately excluded from coverage because the cost of their inclusion outweighs the marginal increase in the accuracy of GFS. No statistical expansion is made to account for this undercoverage.

ESTIMATION ERRORS

6.20 The quarterly data are compiled using a mix of full enumeration of larger units and some sampling of smaller units. Non-probability samples of local government authorities are used to produce quarterly estimates for the local government sector. As well, some dissections of quarterly data for other levels of government are estimated using previously recorded ratios. Overall, the use of sampling in Australia's GFS is relatively minor.

6.21 Estimation errors for individual levels of government arising from the adjustments made for undercoverage built into the quarterly collection cannot be quantified readily. The estimation techniques involve assuming that the relationships between the collected and uncollected data that existed in the last annual benchmark census remain the same in the current quarter. The estimates made represent only a very small proportion of the value recorded for the data items concerned.

DATA PROCESSING ERRORS

6.22 The ABS GFS processing system has been designed to incorporate a series of data checks and edits (see Chapter 4) with the purpose of minimising or eliminating data processing errors. However, data processing errors can go undetected either because there is insufficient time to undertake all the checks and edits, or because there is not a check or edit covering a particular error. Such occurrences affect the accuracy and reliability of GFS output. Undetected errors arising from incomplete editing are part of the tradeoff between accuracy and timeliness. The errors in question are usually small and are usually detected when more complete editing can be undertaken. Errors that are not detected by input editing may be detected in output editing, which is an essential complement to the input editing process.

6.23 Errors may occur when a data supplier either provides an incorrect figure or has to provide an estimate for data that are not readily available from accounting records. Errors can also occur because analysts may misclassify transactions in such a way that the errors are not detected in the editing process.

6.24 It is impossible to quantify the effect of undetected data processing errors. However, the effect of such errors that go undetected for a time but are eventually detected is reflected in revisions, which are quantifiable (see discussion ahead under 'Assessment of accuracy, reliability and timeliness').

CONSOLIDATION

6.25 Inaccuracies and imbalances may arise during the process of consolidating data. Inaccuracies can arise because accounting records do not enable identification of intrasector flows and stocks or because errors and omissions are made in the allocation of source and destination codes. Such errors will usually give rise to imbalances that will be detected in the consolidation process. As discussed in Chapter 4, every effort is made to resolve such imbalances that are material. When imbalances cannot be resolved in time for publication the data are forced into a balance by adopting a convention (e.g. the record of the 'higher' level of government prevails) or making a judgement as to which of the two values should be accepted. Forced balancing does not necessarily give the 'right' answer. However, because the data to which forced balancing is applied should not be material, errors arising from this source should not be significant.

REVISIONS

6.26 Revisions are amendments made to previously released data. They can occur for a number of reasons. As previously discussed, in GFS a major reason for revisions is the progressive replacement of data over the processing cycle (i.e. the replacement of forward estimates with final audited data). Revisions are also required because errors are detected in data after their initial release. Conceptual and methodological changes also give rise to revisions.

6.27 Revisions to GFS data are not applied immediately, but are applied at specified times that coincide with the release of publications. This means that, at any point of time, the data include estimates that will not be updated until revisions are applied. However, restriction of the application of revisions to particular times is preferable to having a data set that is continually subject to change.

6.28 The times of application of revisions to GFS data are currently dictated by the revisions policy for the Australian System of National Accounts. The policy allows revisions to be applied in the releases for various quarters as required by National Accounts Branch.

INTRODUCTION

7.1 This chapter describes the relationships between the GFS system in Australia and the following three information systems with which it is closely linked:

- The international standard for GFS established by the International Monetary Fund (IMF), which provides the conceptual basis for Australia's GFS system;
- The Australian System of National Accounts (ASNA), which is based on international standards for national accounts set out in *System of National Accounts, 1993* (SNA93). The IMF's GFS system is closely harmonised with SNA93. 'Harmonised' means that common statistical concepts are used and, to a degree, common classifications and items are also used, enabling links between the systems to be established. Consequently, there are close links between the ASNA and Australia's GFS system, which is the main source of ASNA statistics about the general government sector and public non-financial corporations;
- AAS31 'Financial Reporting by Governments', which is the principal Australian Accounting Standard underlying the financial statements issued by Australian governments and most of the source data used by the ABS in compiling GFS.

7.2 The main aim of the chapter is to provide a broad understanding of the relationships between the GFS system and the other statistical and accounting systems with which it can be linked.

RELATIONSHIP TO THE IMF
GFS STANDARD

INTRODUCTION

7.3 The IMF GFS standard is described in Appendix 2 and the System of National Accounts (SNA93), with which the IMF system is harmonised, in Appendix 1. As noted in Chapter 1, the current IMF system is a revised version of the initial (1986) cash-based system and was published in December 2001. Australia's GFS system follows the conceptual basis of the revised IMF standard but includes minor variations in the way the statistics are presented. Nevertheless the system can be used by the ABS to provide the IMF with statistics that are in full accordance with the revised IMF standard.

SCOPE

7.4 The IMF manual provides detailed guidance for compiling data for the general government sector, whereas Australia's GFS system covers the entire public sector. The IMF manual describes the components of the public sector and notes that analysts may wish to compile statistics for the public sector and/or its components, but does not provide very detailed sector-specific guidance on such compilations. Australia has opted to compile statistics for the widest possible coverage of government operations recommended by the IMF.

7.5 The 1986 IMF standard related mainly to general government, but additional guidance was provided on compiling statistics for the non-financial public sector (i.e. the combination of general government and public non-financial corporations). The previous ABS system, which was based on the 1986 standard, initially covered the non-financial public sector and was later extended to cover the public sector by the introduction of public financial corporations to the analysis. The principles that applied to public non-financial corporations were readily extended to public financial corporations.

7.6 In the absence of a detailed IMF standard for the public sector at the time the ABS implemented accrual GFS, the ABS used (with essential adaptations) the IMF's revised general government standard, taking into account the principles underlying SNA93 and those previously applied in compiling data for the non-financial public sector. The specific requirements of users, including the ASNA, influenced the design. The discussion in this chapter takes into account the IMF GFS manual release of 2001.

7.7 The IMF standard provides for compiling statistics about 'quasi-fiscal activities' (QFAs) and 'non-government activities' (NGAs) to supplement statistics for the general government sector. QFAs are government-type functions carried out by units outside the general government. NGAs are non-government activities carried out by units of the general government sector. Compiling statistics on QFAs and NGAs is intended to enable the derivation of data relating to all government activities and excluding all non-government activities (i.e. 'government' defined on a functional rather than a unit basis). Data for QFAs and NGAs are not compiled in Australia because they are not considered of sufficient importance here to warrant it. In any case, because Australia's GFS system covers the whole of the public sector, it effectively covers most QFAs (i.e. those performed by public corporations) that might occur. Furthermore, most potential NGAs have been included in quasi corporations (see paragraph 7.9), which are treated as public corporations outside the general government sector.

UNITS AND UNITS CLASSIFICATIONS

7.8 The basic unit in the IMF GFS standard is the institutional unit, which is defined in the same way as the unit of the same name in SNA93 (i.e. as an entity capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other units). As noted in Chapter 2, the enterprise unit used in Australia's GFS system is effectively equivalent to the institutional unit. Although an enterprise can consist of a group of related legal entities, grouping legal entities generally does not occur in the general government sector.

7.9 The concept of quasi corporations applied in SNA93 is also applied in the IMF GFS standard. The concept effectively reduces the scope of the general government sector by excluding government market entities that operate like corporations. In Australia's GFS system, the same concept is applied, resulting in the classification of the quasi-corporations as non-financial or financial corporations rather than as government units.

7.10 The IMF manual recommends that GFS be presented for subsectors of the general government sector. A maximum of four subsectors is recommended: central government, state government, local government, social security funds. With the exception of social security funds, which do not exist in Australia, the subsectors coincide with Australia's level of government classification. Social security funds are institutional units which provide social benefits to the entire community, or large sections of it, through a social insurance scheme which generally involves compulsory contributions by participants. The IMF standard does not include the concepts of jurisdictions and of multi-jurisdictional units that are applied in Australia and therefore does not have a concept of national government, which is the combination of the central government and multi-jurisdictional units.

7.11 The definition of the general government sector applied in the IMF standard is the same as in SNA93. The same definition is also applied in Australia's GFS system.

FLows, STOCKS AND ACCOUNTING RULES

7.12 The IMF standard includes the same definitions of economic stocks and flows, and of transactions and other economic flows, as are applied in SNA93. Australia's GFS system applies identical concepts. The double-entry accounting model followed in the IMF standard is also applied in the Australian system. The IMF recommends full consolidation of flows and stock holdings between units contributing to the same aggregates, which is the practice followed in Australia's GFS system.

7.13 The Australian system employs an accrual basis of recording that is defined in much the same way as the accrual system employed in the IMF standard. The IMF standard provides guidelines on accrual recording of specific types of transactions, including taxes, grants, dividends, transactions in non-financial assets, inventories and financial assets. In Australia's GFS system, the accrual practices adopted in government accounting systems are the starting point of recording GFS on an accrual basis. These practices may depart from the IMF guidelines in matters of detail but generally follow the principles underlying the IMF guidelines. The ABS adjusts the accounting data where material departures from the IMF principles come to notice.

7.14 In accordance with SNA93, the IMF standard states that, in general, all flows and stocks should be valued at market prices. The standard provides guidelines on how market values of flows and stocks might be estimated if not directly available from accounting records. In Australia's GFS system, for practical reasons, valuations recorded in government accounts are generally accepted without any attempt to convert non-market values to market values. Market values are recorded for most transactions, but for many types of stocks the recorded values are not market values. As a result, recording revaluations is effectively delayed until reviews of asset and liability values are undertaken.

7.15 Contingencies are defined by the IMF as conditions that may affect the financial performance or position of the government depending on the occurrence or non-occurrence of future events specified in the contingency contract. A government guarantee of a loan is quoted as an example. The IMF standard requires that contingencies be excluded from recorded stocks and flows but states that important contingencies should be reported in memorandum items. Contingencies, as defined by the IMF, are excluded from recorded stocks and flows but, to date, the ABS has not adopted the IMF recommendation that important contingencies should be reported in memorandum items.

ANALYTICAL FRAMEWORK

7.16 Given the pace at which accrual accounting was being adopted by Australian governments in the second half of the 1990s, the ABS had to develop its accrual GFS framework ahead of the IMF, using SNA93 and the 1986 version of the IMF manual as references. The ABS GFS framework is the same as the IMF framework in all conceptual respects, but differs slightly in terms of structure, presentation and level of classificatory detail. It incorporates the recommended integration of economic stocks and flows that is achieved by applying the following identity:

(1) Value of opening stocks

plus

(2) Value of transactions

plus

(3) Value of other economic flows

equals

(4) Value of closing stocks.

7.17 The financial statements recommended in the IMF standard and the corresponding statements in Australia's GFS system are set out in Table 7.1 below.

Table 7.1. COMPARISON OF FINANCIAL STATEMENTS IN IMF STANDARD AND AUSTRALIA'S GFS SYSTEM

IMF Standard Statement	Corresponding Statement in Australia's GFS System
Statement of government operations	Operating statement
Statement of sources and uses of cash	Cash flow statement
Statement of other economic flows	Statement of stocks and flows (part)
Balance sheet	Balance sheet

7.18 The statements in the IMF and Australian GFS systems cover the same economic flows and stocks and there are only the minor differences in terminology and arrangement of the statements evident in Table 7.1. The Australian system includes a statement of stocks and flows that is not included in the IMF system and includes, among other things, the information that is recorded in the IMF statement of other economic flows which therefore is not required in the Australian system. There are also differences between the degrees of detail presented in the statements in the two systems. In the following tables, items in the various IMF GFS statements are listed in the left-hand column and items in Australia's GFS system that correspond to the listed IMF items are listed in the right-hand column, irrespective of the Australian GFS statement from whence they come.

IMF STATEMENT OF GOVERNMENT OPERATIONS

7.19 Of the basic elements included in the IMF Statement of Government Operations (i.e. revenue, expense, transactions in non-financial assets, transactions in financial assets and liabilities) the Australian operating statement covers all except transactions in financial assets and liabilities. In the Australian system, details of transactions in financial assets and liabilities are included in the statement of stocks and flows. The broad items covered in the IMF government operations table and the corresponding items in the Australian system are shown in Table 7.2.

Table 7.2. COMPARISON OF ITEMS IN IMF STATEMENT OF GOVERNMENT OPERATIONS AND AUSTRALIA'S GFS SYSTEM

Items in IMF Statement of Government Operations	Corresponding item in Australia's GFS System
TRANSACTIONS AFFECTING NETWORTH	
Revenue	GFS Revenues
Taxes	Taxation revenue
Social contributions	Current grants and subsidies, sales of goods and services,
Grants	interest income, other revenue
Other revenue	
Expense	GFS Expenses
Compensation of employees	Employee expenses
Use of goods and services	Other operating expenses (part)
Consumption of fixed capital	Depreciation
Interest	Other interest expenses
Subsidies	Subsidy expense
Grants	Current grant expenses, other current, transfers, capital grants
Social benefits	Other property expenses, other operating expenses (part)
Other expenses	
Net operating balance	GFS net operating balance
TRANSACTIONS IN NON-FINANCIAL ASSETS	
Net acquisition of non-financial assets	Net acquisition of non-financial assets
Fixed assets	Gross fixed capital formation less depreciation
Change in inventories	Change in inventories
Valuables	Other movements in non-financial assets
Non-produced assets	
Net lending/borrowing	GFS net lending(+)/borrowing(-)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING)	
Net acquisition of financial assets	Total net results of transactions in financial assets less advances paid
Domestic	Not recorded separately
Foreign	
Net incurrence of liabilities	Total net result of transactions in liabilities
Domestic	Not recorded separately
Foreign	

7.20 The table does not show an expense item that is included in the Australia's GFS system but has no equivalent in the IMF system. The item, 'nominal superannuation interest expenses' arises because actuarially determined changes to unfunded superannuation liabilities are split into an interest component as well as compensation of employees. The IMF standard does not call for estimation of nominal interest on unfunded superannuation liabilities.

7.21 In the Australian system the accounting measure of depreciation is used, whereas the IMF system uses the national accounting measure of consumption of fixed capital. Depreciation as recorded in government financial records may deviate considerably from consumption of fixed capital as depreciation is normally calculated using the original costs of fixed assets, whereas consumption of fixed capital is calculated at current replacement cost.

7.22 The gross operating balance in the IMF system is equal to total revenue less all expenses other than consumption of fixed capital. It is not recorded in the Australian system, but can be derived as the GFS net operating balance plus depreciation.

IMF STATEMENT OF SOURCES AND USES OF CASH

7.23 Table 7.3 lists the items in the IMF statement of sources and uses of cash and shows the items in the Australian system that correspond to the IMF items. All of the Australian GFS items which correspond to items in the IMF statement of sources and uses of cash are recorded in the Australian GFS cash flow statement.

Table 7.3. COMPARISON OF ITEMS IN IMF STATEMENT OF SOURCES AND USES OF CASH AND AUSTRALIA'S GFS SYSTEM

Items in IMF Statement of Sources and Uses of Cash	Corresponding items in Australia's GFS System
Cash flows from operating activities	Cash flows from operating activities
Cash receipts from operating activities	Cash receipts from operating activities
Cash payments from operating activities	Cash payments for operating activities
Net cash inflows from operating activities	Net cash flows from operating activities
Cash flows from investments in non-financial assets	Net cash flows from investments in non-financial assets
Purchases of non-financial assets	Purchases of new non-financial assets
Sales of non-financial assets	Purchases of second-hand non-financial assets
Net cash outflows from transactions in non-financial assets	Sales of non-financial assets
Cash surplus/deficit	Not derived
Cash flows from financing activities	Cash surplus/deficit (a)
Net acquisition of financial assets other than cash	} Net cash flows from investments in financial assets for policy purposes, Net cash flows from investments in financial assets for liquidity management purposes, other financing (net)
- Domestic	
- Foreign	
Net incurrence of liabilities	
- Domestic	
- Foreign	Not derived
Net cash inflow from financing activities	
Net change in the stock of cash	Net increase/decrease in cash held

(a) In the Australian GFS system, this item includes the acquisition of non-financial assets through finance leases. This treatment maintains continuity with the cash surplus/deficit measure previously compiled in the cash environment, where it is not possible to separately identify finance leases.

7.24 Table 7.3 indicates that Australia's GFS system covers essentially the same categories that are included in the IMF statement of sources and use of cash, but many of the items are arranged, named and classified differently.

7.25 Not reflected in this table is the fact that the Australian system disaggregates cash receipts and payments relating to operating activities as follows:

- Cash receipts from operating activities:
 - Taxes received;
 - Receipts from the sale of goods and services;

Grants and subsidies received;

Other receipts.

▪ Cash payments for operating activities:

Payments for goods and services;

Grants and subsidies paid;

Interest paid;

Other payments.

7.26 In the Australian system, the term 'financing' is used to denote cash receipts from liabilities incurred, whereas in the IMF system 'financing' refers to all transactions in financial assets and liabilities.

7.27 In the Australian GFS system, cash and accrual items are reconciled at the input level, but the reconciliation items are not included in the cash flow statement as in the IMF system.

IMF STATEMENT OF OTHER ECONOMIC FLOWS

7.28 As previously noted, the IMF system includes a statement of other economic flows which is not required in the Australian system because the items are recorded in the columns for revaluations and other changes in the volume of assets in the Australian statement of stocks and flows. The Australian GFS items corresponding to items in the IMF statement of other economic flows are shown in Table 7.4.

TABLE 7.4. COMPARISON OF ITEMS IN IMF STATEMENT OF OTHER ECONOMIC FLOWS AND AUSTRALIA'S GFS SYSTEM

ITEMS in IMF Statement of Other Economic Flows	Corresponding items in Australia's GFS System
Change in net worth from other economic flows	Changes in net worth from revaluations and other changes in volumes of assets
Changes in non-financial assets	Changes in non-financial assets
Holding gains	Revaluations
Other volume changes	Other changes in volume of assets
Changes in financial assets	Changes in financial assets
Holding gains	Revaluations
Other volume changes	Other changes in volume of assets
Changes in liabilities	Changes in liabilities
Holding gains	Revaluations
Other volume changes	Other changes in volume of assets

7.29 As can be seen from Table 7.4, all of the items in the IMF statement of other economic flows have a corresponding item in Australia's GFS system, although some of the items are named a little differently. In both systems, information in each of the asset categories and the liabilities categories can be further disaggregated according to types of assets and liabilities.

IMF BALANCE SHEET

7.30 Items in the balance sheet of the IMF GFS system are listed in Table 7.5 together with corresponding items from Australia's GFS system, all of which come from the balance sheet and the statement of stocks and flows.

Table 7.5. ITEMS IN IMF BALANCE SHEET AND CORRESPONDING ITEMS IN AUSTRALIA'S GFS SYSTEM

Items in the IMF Balance Sheet	Corresponding items in Australia's GFS System
Non-financial assets	Non-financial assets
Fixed assets	Land and other fixed assets
Inventories	} Other non-financial assets
Valuables	
Non-produced assets	
Financial assets	Financial assets
Domestic	} Cash and deposits, investments loans and placements, other non-equity assets, equity, advances paid.
Currency and deposits	
Securities other than shares	
Loans	
Shares and other equity	
Insurance technical reserves	
Financial derivatives	
Other accounts receivable	
Foreign	
Currency and deposits	
Securities other than shares	
Loans	
Shares and other equity	
Insurance technical reserves	
Financial derivatives	
Other accounts receivable	
Monetary gold and SDRs	
Liabilities	Liabilities
Domestic	} Deposits held, advances received, borrowing, unfunded superannuation liability, other employee entitlements and provisions, other non-equity liabilities.
Currency and deposits	
Securities other than shares	
Loans	
Shares and other equity	
Insurance technical reserves	
Financial derivatives	
Other accounts payable	
Foreign	
Currency and deposits	
Securities other than shares	
Loans	
Shares and other equity	
Insurance technical reserves	
Financial derivatives	
Other accounts payable	
Net financial worth	Net financial worth
Net worth	Net worth

7.31 The IMF also provides for an alternative classification of financial assets and liabilities by the ratio of debts (in the case of financial assets) and credits (in the case of liabilities).

7.32 Among the financial instruments in the Australian system are two which have no equivalent in the IMF system. These are the liabilities entitled 'unfunded superannuation liability' and 'other employee entitlements and provisions'. The IMF Manual and SNA93 (see SNA93, paragraph 13.88) do not treat these obligations to pay future benefits as liabilities because there is not a pool of assets accumulated from which to pay the benefits. Both manuals recommend that estimates of the liabilities should be reported in memorandum items, rather than recorded in the balance sheet. However, in Australia, such obligations are deemed to be liabilities and information on the value of the liabilities is readily available in public sector accounts. Accordingly, the liabilities are included in the balance sheet in Australia's GFS system and the ASNA.

RELATIONSHIP TO THE AUSTRALIAN SYSTEM OF NATIONAL ACCOUNTS

7.33 As noted in the introduction, the conceptual framework of the Australian System of National Accounts (ASNA) is based on SNA93. In the previous section, it was noted that the IMF standard for GFS is closely 'harmonised' with SNA93. It follows that Australia's GFS system is harmonised with the ASNA. Indeed, the use of common concepts, items and classifications in ASNA and Australia's GFS system is essential because the GFS system is the main provider of data for compiling ASNA information about the general government sector and public non-financial corporations.

BROAD LINKS BETWEEN THE SYSTEMS

7.34 The following section provides a broad analysis of the links between the ASNA and the GFS system.

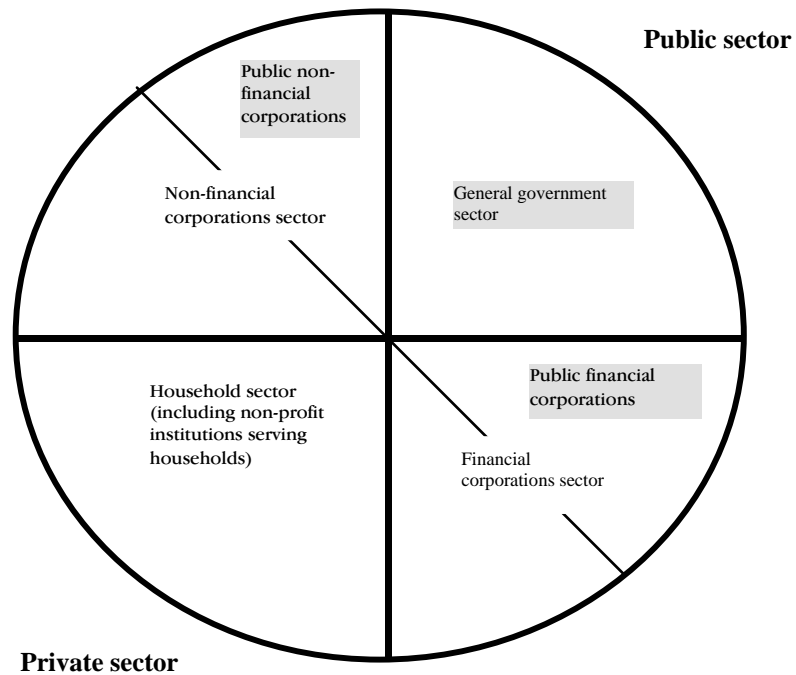
SCOPE AND INSTITUTIONAL SECTORS

7.35 The ASNA is designed to provide information about the Australian economy in total and similar supporting information about individual institutional sectors within the economy. The scope of the ASNA is the whole of the Australian economy. The scope of Australia's GFS system is the public sector, which comprises the general government sector and the public non-financial and financial corporations. Although the ASNA does not provide consolidated information about the public sector as such, it provides information about the following institutional sectors:

- non-financial corporations sector;
- financial corporations sector;
- general government sector;
- households (incorporating non-profit institutions serving households).

7.36 The scope of the general government sector in the ASNA is exactly the same as in the GFS system. In the ASNA, public non-financial corporations form part of the non-financial corporations sector and public financial corporations form part of the financial corporations sector. These relationships between the GFS institutional components and the ASNA institutional sectors are illustrated in the diagram below.

Relationships between GFS components and ASNA sectors



7.37 The diagram represents the whole economy, which is the scope of the ASNA. The heavy lines in the diagram subdivide the circle representing the economy into the four ASNA institutional sectors: households (including non-profit institutions serving households), non-financial corporations, general government and financial corporations. The lighter line subdivides each of the two corporate sectors between public and private corporations and subdivides the economy into the public sector (the upper right component) with the shadowed text, and the private sector (the lower left component) with the unshadowed text. As previously discussed, the public sector defines the scope of the GFS system, which consists of the general government sector, the public non-financial corporations and the public financial corporations.

7.38 The ASNA distinguishes between the public and private corporations within the non-financial and financial corporations sectors only for selected types of information. When the distinction is made, the scope of the public corporations in ASNA coincides with the scope of the public corporations in the GFS system. Therefore it is possible to directly compare common ASNA and GFS information about general government, public non-financial corporations and public financial corporations.

ACCOUNTS

7.39 The ASNA presents information on economic flows and stocks using a framework of linked accounts that differs from the GFS framework of financial statements but includes many common links. The differences arise because of the different objectives of the two systems. In the national accounts, emphasis is placed on economic concepts of production, income, consumption, saving, capital accumulation and wealth, with the aim of measuring the economic performance of the whole economy. In the GFS system, emphasis is placed on fiscal concepts such as revenues, expenses, and financing, with the aim of measuring the financial performance of the public sector.

7.40 The ASNA framework includes the following set of accounts:

- gross domestic product account;
- income account;
- capital account;
- financial account;
- balance sheet;
- revaluation account;
- other changes in the volume of assets account.

7.41 In broad terms, the **gross domestic product account** records production, the income generated from production and the expenditure of income on final consumption and capital formation. The **income account** records the disposable income of residents (i.e. after taxes and other current transfers), the current use of that income and the resultant saving, which can be positive or negative. The **capital account** records the sources (net saving and net capital transfers) of funds available for the acquisition of non-financial assets on one side and the actual net acquisition of non-financial assets on the other. The balance of the account can be positive (net lending) or negative (net borrowing). The **financial account** records the net transactions in financial assets, liabilities and equity that occur as a result of net lending or borrowing. The **balance sheet** records the opening and closing values of assets and liabilities. The **revaluation and other changes in the volume of assets accounts** record changes to net worth arising from revaluations and events other than transactions and revaluations. As in the GFS system, the closing values of assets and liabilities are equal to net transactions, plus net revaluations, plus net other changes in the volume of assets.

7.42 Each of the ASNA accounts includes information that can be directly related to GFS data. Information in the gross domestic product, income and capital accounts can be linked to information included in the GFS operating statement; the balance sheet information can be linked to information included in the GFS balance sheet; and information in the revaluation and other changes in volume of assets accounts can be linked to information included in the GFS statement of stocks and flows. The items in the accounts and the links to GFS items are discussed in the next section. There is no equivalent of the GFS cash flow statement in the ASNA, although the change in cash balances is recorded in the system.

DATA ITEMS

7.43 The major aggregates and balancing items included in the main ASNA accounts and the corresponding GFS items and the statements in which they are recorded are shown in Table 7.6 below. In the table, items that are recorded as such in the respective GFS financial statements are listed under their name in the GFS system. Items that do not appear in the GFS financial statement but are derived for national accounting purposes are labelled 'derived'. A 'b' against an entry in the right-hand column indicates that the item is identical in concept to the ASNA item but is measured from different sources with the result that values recorded for the item in the two systems are not identical. The content of the table is explained in the following paragraphs.

Table 7.6. MAIN ITEMS IN ASNA ACCOUNTS AND CORRESPONDING ABS GFS STATEMENTS AND ITEMS

Account Name	Major Aggregates and Balancing Items(a)	Corresponding ABS GFS Items(a)
Gross domestic product account		<i>Operating statement</i>
	Final consumption expenditure	Derived(b)
	Gross fixed capital formation	Gross fixed capital formation
	Domestic final demand	Derived(b)
	Changes in inventories	Changes in inventories
	Gross national expenditure	Not recorded, but can be derived(b)
	Exports of goods and services	n.a.
	Imports of goods and services	n.a.
	Gross domestic product (as sum of expenditures)	n.a.
	Compensation of employees	n.a.
	Gross operating surplus	Derived(b)
	Gross mixed income	n.a.
	Net exports	n.a.
	Taxes less subsidies on production and imports	Tax expenses (part), subsidies
	Gross domestic product (as sum of incomes)	n.a.
Income account	Income	<i>Operating statement</i>
	Primary income receivable	Derived(b)
	Gross operating surplus	Property income (revenue)(b)
	Property income	Selected taxes (revenue)(b)
	Taxes on production and imports	
	Secondary income	
	Non-life insurance claims	n.a.
	Taxes on income and wealth	Selected taxes (revenue)(b)
	Other current transfers	Current grants, subsidies, regulatory fees and fines (revenue)
	Use of income	
	Primary income payable	Property income (expenses)(b)
	Property income	Subsidies (expenses)
	Subsidies	
	Secondary income	
	Social assistance benefits in cash to residents	Current monetary transfers to households (expense)
	Current taxes on income, wealth etc.	Tax expense (part)
	Net non-life insurance premiums	n.a.
	Other current transfers	Grants
	Net saving	Derived(b)
Capital account	Net saving	<i>Operating statement</i>
		Derived(b)

	Consumption of fixed capital	Depreciation(b)
	Capital transfers (receivable and payable)	Capital transfers (revenues and expenses)
	Gross fixed capital formation	Gross fixed capital formation
	Change in inventories	Change in inventories
	Acquisitions less disposals of non-produced non-financial assets	Other movements in non-financial assets
	Gross saving and capital transfers	
	Net lending/borrowing	Net operating balance plus depreciation(b)
Financial account	Net acquisition of financial assets	Net lending/borrowing
	Net incurrence of liabilities	<i>Statement of stocks and flows</i>
	Net change in financial position	Net result of transactions (financial assets)(b)
Balance sheet	Non-financial assets	Net result of transactions (liabilities)(b)
	Financial assets	Net lending/borrowing(b)
	Liabilities	<i>Balance sheet</i>
	Net worth	Non-financial assets(b)
	Assets	Financial assets(b)
	Opening balance sheet	Liabilities and shareholders equity and other contributed capital(b)
	Net capital formation	Net worth(b)
	Financial transactions	Total assets (opening value)(b)
	Revaluations	Net result of transactions (non-financial assets)
	Other changes in the volume of assets	Net result of transactions (financial assets)(b)
	Closing balance sheet	Revaluations(b)
	Liabilities	Other changes(b)
	Opening balance sheet	Total assets (closing value)(b)
	Financial transactions	Total liabilities, shareholders' funds and other contributed capital (opening value)(b)
	Revaluations	Net result of transactions (liabilities, shareholders' funds and other contributed capital)(b)
	Other changes in the volume of assets	Revaluations(b)
	Closing balance sheet	Other changes(b)
	Change in net worth	Total liabilities, shareholders' funds and other contributed capital (closing value)(b)
Balance sheet, accumulation and revaluation accounts	Assets	Change in net worth(b)
	Opening balance sheet	<i>Statement of stocks and flows</i>
	Net capital formation	Total assets (opening value)(b)
	Financial transactions	Net result of transactions (non-financial assets)
	Revaluations	Net result of transactions (financial assets)(b)
	Other changes in the volume of assets	Revaluations(b)
	Closing balance sheet	Other changes(b)
	Liabilities	Total assets (closing value)(b)
	Opening balance sheet	Total liabilities, shareholders' funds and other contributed capital (opening value)(b)
	Financial transactions	Net result of transactions (liabilities,

	shareholders' funds and other contributed capital)(b)
Revaluations	Revaluations(b)
Other changes in the volume of assets	Other changes(b)
Closing balance sheet	Total liabilities, shareholders' funds and other contributed capital (closing value)(b)
Change in net worth	Change in net worth(b)

(a) Balancing items shown in bold.

(b) Identical in concept to the ASNA item, but the value recorded for the item is not identical because it is measured from a different source than ASNA.

n.a. Not applicable.

Note: Throughout the table, 'liabilities' includes shares and other contributed capital of corporations and quasi-corporations.

7.44 The ASNA records gross domestic product (GDP, the economy's production), the income generated by GDP (comprising mainly compensation of employees and the gross operating surplus and gross mixed income of producers) and the expenditure of GDP on final consumption, gross fixed capital formation and net exports.

7.45 Most **income components** for general government and public corporations can be linked to expense items in the GFS operating statement or can be derived from items in the operating statement. Compensation of employees is shown as not applicable in GFS because in ASNA it includes capitalised wages and salaries and it is not the same as 'compensation of employees (uncapitalised)' in the GFS system. Gross operating surplus of public corporations is not recorded in the GFS operating statement but, in the case of public non-financial corporations, the ASNA information is derived from data recorded in the GFS system. It is defined as the excess of gross output over the sum of intermediate consumption, compensation of employees, and taxes less subsidies on production and imports. In the general government sector, most output is not marketed and is valued in the national accounts at its costs of production. The gross operating surplus of general government is equal to general government consumption of fixed capital, which is the only cost of production not deducted in the derivation of gross operating surplus, less sales. However, because depreciation (historical cost) rather than consumption of fixed capital (at current replacement cost) is recorded in the GFS system, the ASNA values for general government gross operating surplus are not the same as those that can be derived from GFS data. Gross mixed income does not apply to public sector entities.

7.46 The **expenditure components** included in the gross domestic product account that can be linked to GFS operating statement items are government final consumption expenditure, gross fixed capital formation of general government and public corporations, and changes in inventories. Government final consumption expenditure is current expenditure by general government bodies on services to the community. Because these are provided free of charge or at charges which cover only a small proportion of costs, the government is considered to be the consumer of its own output. This output has no directly observable market value and so is valued in the national accounts at its cost of production. Transfer payments (e.g. interest payments on government debt and social assistance benefits) are not included. The major part of government final consumption expenditure is derived from GFS data but the item is not included in the GFS system because it includes imputed expenses that are not derived in the GFS system. For example, it includes 'financial intermediation services indirectly measured' (FISIM), which is an imputed part of the output of financial institutions and part of the final consumption expenditure of general government units that use the financial institutions' services.

7.47 Gross fixed capital formation is defined and measured in the same way in the GFS system and the ASNA, and the ASNA data for general government and public non-financial corporations are derived directly from GFS data. In the ASNA, capitalised wages and salaries (see paragraph 7.45) are included in gross fixed capital formation as well as in compensation of employees (no duplication is involved because of the linked structure of the national accounts).

7.48 In general, the **income receivable items** included in the ASNA **income and use of income account** can be related to GFS revenue items. Each of the items is discussed in the following paragraphs.

7.49 **Gross operating surplus** is discussed in paragraph 7.45 and that discussion will not be repeated here.

7.50 **Property income** receivable comprises interest, dividends, re-invested earnings on direct foreign investment, and rent on natural assets. The data for interest receivable that are recorded in the ASNA are not comparable with the data recorded in the GFS system because the ASNA data are adjusted to exclude FISIM (see paragraph 7.46). As well, in the ASNA, recorded interest is adjusted to treat some results of interest rate changes of marketed securities as revaluations rather than transactions. In the GFS system, FISIM and revaluations arising from interest rate changes are not deducted from interest because the required adjustments have to be made across all sectors and cannot be made unilaterally in the GFS system. Reinvested earnings on direct foreign investment is an imputed item that has no equivalent in the GFS system. It relates to the retained earnings of non-resident enterprises that are treated as earned and reinvested by Australian residents who hold equity in the enterprises. All other items of property income are defined and measured in the ASNA in the same way as in the GFS system, which provides the ASNA data for general government and public non-financial corporations.

7.51 Taxes on production and imports represents taxation revenue of general government, and the ASNA values are derived directly from GFS data. The GFS categories of revenue included in the item are taxes on products (which comprise all taxes included in the GFS tax item 'taxes on provision of goods and services') and other taxes on production (which comprise all taxes included in the tax items 'taxes on employers' payroll and labour force', 'taxes on immovable property', 'taxes on financial and capital transactions', 'motor vehicle taxes', 'franchise taxes', and 'other taxes on use of goods and performance of activities'). Because some of these taxes are payable by non-producers as well as producers, adjustments (based on non-GFS data) are made to eliminate tax payments made by non-producers.

7.52 Net non-life insurance premiums are receivable by some public financial corporations. The ASNA data are not derived from the GFS system, which does not obtain separate information on the premiums.

7.53 Taxes on income and wealth receivable is an item that is unique to general government, and the ASNA data are derived directly from GFS data. The GFS revenue categories included in the item are taxes on income (which comprise all taxes included in the tax item 'taxes on income, profits and capital gains') and other current taxes (which comprise all taxes included in the tax items 'motor vehicle taxes' (except road transport and maintenance taxes) and 'departure tax'). Because some of these taxes when paid by producers are classifiable as taxes on production and imports, other non-GFS information is used to identify and eliminate such tax payments made by producers. Therefore, the ASNA data for this item cannot be related directly to the GFS data.

7.54 Other current transfers receivable that are relevant to the public sector include: (i) current grants and subsidies receivable by public corporations, which are defined and measured in the ASNA as in the GFS system; and (ii) regulatory fees and fines collected by general government, which are also defined and measured as in the GFS system. ASNA data for these components are derived from GFS data.

7.55 The use of income items included in the ASNA income account can, be related to GFS expense items, in general. They are discussed in the following paragraphs.

7.56 Property income payable includes the same components as property income receivable and the discussion relating to property income receivable applies equally here. That is, all property income payable except interest is recorded in the same way in ASNA and the GFS system and interest payable in ASNA is not comparable with GFS interest payable for the same reasons as in relation to interest receivable. The item also includes nominal interest payable by general government on unfunded superannuation (see Chapter 5 for a discussion of this nominal interest). The ASNA data for this item are taken directly from the GFS system and so are directly comparable across the two systems.

7.57 Subsidies and social assistance benefits in cash to residents are items unique to general government that are defined and measured in the ASNA in the same way as in the GFS system, which provides the data that are included in the ASNA. In the GFS system, social benefits in cash to residents is called 'current monetary transfers to households' and is included in expenses under other current transfers.

7.58 In the GFS system, **current taxes on income and wealth payable** are payable only by public non-financial and financial corporations (any taxes payable by general government units are eliminated in the consolidation of GFS output). The ASNA data for current taxes payable by all sectors are derived from GFS data for taxation revenue receivable and distinguish taxes payable by public non-financial corporations.

7.59 **Non-life insurance claims payable**, which would apply to some public financial corporations, are not recorded separately in the GFS system.

7.60 **Other current transfers payable** consists mainly of inter-governmental grants and transfers to other sectors made by the general government sector. The data for such grants and transfers are defined and measured in the ASNA in the same way as in the GFS system, which is the sole source of the ASNA data.

7.61 Items in the **ASNA capital account** correspond to items recorded in the GFS operating statement, mainly in the section relating to net acquisition of non-financial assets.

7.62 The balancing item **net saving** is the balance of the income account and is carried forward to the capital account. Net saving is not recorded in the GFS financial statements but can be derived, albeit with measurement differences compared with the ASNA.

7.63 **Consumption of fixed capital** is also not recorded in the GFS system, which uses instead the accounting measure of depreciation (see paragraph 7.21).

7.64 **Capital transfers** (receivable and payable) in the ASNA capital account are defined and measured in the same way as in the GFS system. They include capital grants between levels of government, ASNA data for which come directly from the GFS system. Also included are so-called 'capital taxes', which in Australia are confined to the GFS tax classification category 'estate, inheritance and gift taxes', which is the sole source of information for the ASNA capital taxes item.

7.65 **Gross fixed capital formation, changes in inventories and acquisitions less disposals of non-produced non-financial assets** are defined and measured in the ASNA in the same way as in the GFS system. ASNA data for general government and public non-financial corporations are derived directly from the GFS system. Gross fixed capital formation comprises acquisitions less disposals of new and second-hand produced assets whereas acquisitions less disposals of non-financial non-produced assets relates to assets, such as mineral deposits and virgin forests, that have not been produced.

7.66 The balancing item **net lending(+)/borrowing(-)** in the ASNA is equivalent to the balancing item of the same name in the GFS system. The item is not subject to most of the measurement differences cited above because the items affected by the differences cancel out in the derivation.

7.67 Similarly, the ASNA item **gross saving and capital transfers** is equivalent, apart from minor measurement differences, to the GFS net operating balance plus depreciation (sometimes referred to as the 'gross operating balance'). The measurement differences affecting the equivalence are those, discussed in previous paragraphs, which affect comparability of common components of gross saving and the gross operating balance.

7.68 The **ASNA financial account** records all changes to financial assets and liabilities arising from transactions. It corresponds to the financial assets and liabilities section of the transactions column in the GFS statement of stocks and flows. **Net acquisition of financial assets** refers to acquisition less disposal of financial assets and **net acquisition of liabilities** refers to acquisition less disposal of liabilities and equity. These items are equivalent in concept to the GFS items relating to net transactions in financial assets and net transactions in liabilities and equity, respectively. However, the GFS system is not the source of data for the ASNA financial account, with the result that these items are unlikely to carry exactly the same values in ASNA and the GFS system. There are also differences between ASNA and the GFS system in the way that these broad items are broken down into financial instrument categories. The ASNA financial instrument classification is more detailed, but does not include the GFS distinction between acquisition of financial assets for policy and liquidity management purposes.

7.69 The balancing item **net change in financial position** in the ASNA financial account is identical conceptually to net lending/borrowing, but is derived differently. As a result of the different methods of derivation, recorded values for the two items are usually quite different. In the ASNA, the difference between the two items is recorded in an item called 'errors and omissions'. Thus, although GFS values for net lending/borrowing should be equal to the ASNA values for change in financial position, in practice they are not.

7.70 The **ASNA balance sheet** records the value of assets and liabilities (including equity) and is identical in concept to the GFS balance sheet. However, GFS data are not used in the compilation of the ASNA balance sheet and the values recorded are not likely to be identical. Most of the ASNA data are compiled using the perpetual inventory method previously mentioned in relation to the estimation of consumption of fixed capital (see paragraph 7.64) whereas the GFS data are obtained directly from public sector accounting records. The classification of assets and liabilities in the two systems has points of concordance at a broad level, but the ASNA classification is generally more detailed than the GFS classification.

7.71 The **ASNA accumulation and revaluation accounts** record net capital formation, financial transactions, and changes to the balance sheet values of assets, liabilities and equity arising from revaluations (i.e. price changes) and events other than transactions and revaluations. The accounts record the same information (albeit in a different format) to that recorded respectively in the columns relating to transactions, revaluations and other changes in the volume of assets in the GFS statement of stocks and flows. The item net capital formation is equal to net acquisition of non-financial assets less consumption of fixed capital and cannot be derived exactly in the GFS system because it uses depreciation in lieu of consumption of fixed capital. The item financial transactions refers to net acquisition of financial assets and liabilities and can be derived in the GFS system but will carry different values due to the use of different data sources, as discussed in paragraph 7.69. The ASNA data relating to revaluations and other changes in the volume of assets are identical in concept to the GFS items of the same name, but the data for the items are derived from different sources and the recorded values are unlikely to be the same. As well, revaluations arising from interest rate changes to marketed securities are not captured in the GFS system (see paragraph 7.51).

RELATIONSHIP TO ACCOUNTING STANDARDS

7.72 As discussed in previous chapters, the main sources of GFS data are the accounting and budget management systems that underlie public sector accounts that are compiled in compliance with Australian Accounting Standards. The three most relevant accounting standards are:

- AAS 27 'Financial Reporting by Local Governments';
- AAS 29 'Financial Reporting by Government Departments', and
- AAS 31 'Financial Reporting by Governments'.

Of these three standards, AAS 31 is the standard most relevant to this discussion of relationships between the GFS system and accounting standards. However, the discussion also involves other accounting standards and statements of accounting concepts that are reflected in AAS 31.

7.73 Accounting and statistical reports serve different purposes and differences between the underlying concepts are to be expected. On the other hand, there are many similarities between the purposes and concepts. In developing the GFS system, the ABS has worked closely with accounting bodies in order to develop a mutual understanding of the relationships between accounting and statistical standards. Understanding and documenting the relationships assists users' understanding of reports produced from each system and reduces the effort required to compile statistics from accounting systems.

BROAD LINKS BETWEEN THE SYSTEMS

SCOPE AND COVERAGE

7.74 As discussed in Chapter 2, in statistical terminology, 'scope' denotes the group of units that define the intended boundary of a statistical system. 'Coverage' denotes the group of units actually included in a statistical collection. As indicated in the introduction, the scope of both systems (AAS 31 and the GFS system) is described as 'the public sector'. Before deciding that the scope of the two systems is identical, it is necessary to examine whether AAS 31 defines the public sector in the same way as the GFS system.

7.75 There is a high degree of agreement between the AAS 31 and GFS definitions of the public sector. Both base the definition on the characteristics of units that are defined as comprising the public sector. AAS 31 uses the term 'entities' rather than 'units' and defines an entity as 'any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives'. In the GFS system, the corresponding statistical unit is the legal entity, which is defined as 'a unit covering all the operations in Australia of an entity that possesses some or all of the rights and obligations of individual persons or corporations or that behaves as such in respect of those matters of concern for economic statistics'. Although the statistical unit and accounting entity concepts are defined differently, the differences are considered unlikely to have any material effect on the comparability of the scope of the public sector defined in each system.

7.76 The characteristics of legal entity units used in the GFS system to define the public sector are based on SNA93, which defines the public sector as comprising government units and units controlled by government units. Government units are defined as 'unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area' (SNA93, paragraph 4.104). The SNA describes the main functions of government units as providing goods and services to individuals and the community at large; redistributing income and wealth; and engaging in non-market production, which is production made available free or at prices that do not have a significant influence on the amounts that the producers are willing to supply or purchasers wish to buy.

7.77 Other units are brought into the public sector if they are under the control of government units. SNA93 defines control as the ability to appoint a majority of the board of directors or an equivalent body, so as to be able to determine the policy followed by the unit. However, SNA93 also recognises that there are other arrangements where government control can exist, for example, where the government exerts control by legislative means or by way of contractual arrangements that give it effective power to determine the policy of a unit to which it does not appoint a majority of the board.

7.78 AAS 31 employs the same underlying principle in determining whether a unit is to be included in the public sector. Section 9.1.3 states that 'where a government has the capacity to dominate the financial and operational policies of another entity so as to enable that other entity to operate with it in pursuing its own objectives, then that government has control over that entity'. Section 9.3.1 expands on this statement (in the context of financial reporting by governments), saying that two factors are indicative of the control of another entity by government:

- the accountability of the other entity to Parliament, the Executive, or to a particular minister;
- the government has a residual financial interest in the net assets of the other entity.

7.79 Although AAS 31 focuses on control that is exercised by 'a government' where SNA93 uses control that is exercised by a 'government unit', the definitions of control used in the two systems are very similar. Major inconsistencies between the two systems' delineation of the public sector are considered unlikely to arise from these slightly different approaches. Given the method of compiling GFS, any differences that do arise will be identified easily and will be brought to the attention of GFS users.

7.80 One area in which the possibility of differences may exist is in relation to so-called 'build, own, operate, and transfer' (BOOT) schemes. The schemes involve a mix of public and private sector involvement in various types of (mainly infrastructure) projects. Currently, no such schemes are included in the GFS system because they are not considered to meet the SNA93 criteria for government control. Although government involvement in the projects may only concern planning and regulation, it can extend to eventual ownership of the infrastructure. A changing mix of private and government ownership or control may occur over the life of a project. The central issue from a GFS perspective is whether there are units involved that are effectively under government ownership and/or control.

7.81 Accounting standards currently do not specifically address accounting for BOOT schemes. Some jurisdictions are incorporating emerging BOOT scheme assets and liabilities in their balance sheets. BOOT schemes are currently treated as being outside the scope of government in GFS, in line with ASNA criteria on control.

7.82 As discussed in Chapters 2 and 3, the GFS system does not cover all of the units or all of the flows and stocks of units falling within the defined scope of the public sector. In most cases, estimates are made for the missing units and flows and stocks. AAS 31 applies the accounting concept of 'materiality' of information. Information is material if its omission, misstatement or non-disclosure has the potential to adversely affect decisions made by users of the information. Application of this concept implies that information that is deemed not material may be omitted from AAS 31 reports.

7.83 Differences between AAS 31 and GFS data will arise because of GFS undercoverage and application of the accounting concept of materiality. However, by definition, the errors or omissions arising from these procedures cannot be significant and are unlikely, in combination, to create major differences between data produced from the two systems.

SECTOR INFORMATION

7.84 In AAS 31 the reporting entity is the whole of government, which in GFS terms corresponds to the whole of the public sector for the reporting jurisdiction. However, AAS 31 also provides for what it calls 'disaggregated information', which refers to disaggregation of the whole of government reports into reports on 'each broad sector of activity of the government ... The information about assets, liabilities, revenues and expenses must be disclosed without eliminating the effects of transactions between sectors, but by eliminating the effects of transactions between entities within each sector'.

7.85 In relation to the delineation of the sectors, the standard says 'Judgement will need to be applied in identifying the broad sectors of a government's activities ... One basis for identifying the broad sectors about which disaggregated information should be disclosed is the GFS Standard adopted by the Australian Bureau of Statistics'. In practice, the jurisdictions classify their units as general government, public non-financial corporations or public financial corporations in accordance with GFS standards in order to be able to supply the ABS with sector information required for compiling GFS. Therefore they are able to segment their own financial reports on the GFS institutional sector basis.

FINANCIAL STATEMENTS

7.86 AAS 31 requires that governments prepare a specified set of financial reports comprising an operating statement, a statement of financial position and a statement of cash flows. The operating statement provides information on revenues and expenses, which are defined according to Statement of Accounting Concepts 4 'Definition and Recognition of the Elements of Financial Statements' (SAC 4) as follows:

- 'Revenues' are inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period;
- 'Expenses' are consumption or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period.

7.87 These definitions of revenues and expenses are much broader than the GFS definitions (see Chapter 2) and include flows such as revaluations that are not categorised as transactions and so are not classified as revenues and expenses in the GFS system. Accounting standards do not make the distinction that is made in the GFS system between transactions and other economic flows. The AAS 31 operating statement includes some revaluations and other changes in the volume of assets that are excluded from the GFS operating statement. The GFS operating statement and the AAS 31 operating statement both include a balance defined as revenues less expenses, but the GFS operating statement is extended to include the information on net transactions in non-financial assets and the net lending/borrowing balance which are not included in the AAS 31 system.

7.88 The statement of financial position reports the assets and liabilities of a government and corresponds to the GFS balance sheet. The Statement of Accounting Concepts 4 (SAC 4) definitions of the main balance sheet components are as follows:

- 'Assets' are future economic benefits controlled by the entity as a result of past transactions or other past events and are recognised only when:
 - it is probable that the future economic benefits embodied in the asset will eventuate;
 - the asset possesses a cost or other value that can be measured reliably.
- 'Liabilities' are the future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events and are recognised when:
 - it is probable that the future sacrifice of economic benefits will be required;
 - the amount of the liability can be measured reliably.
- 'Equity' is the residual interest in the assets of the entity after deduction of its liabilities.

7.89 Although the wording of the definitions of assets and liabilities is different from the wording of the corresponding GFS definitions (see Chapter 2), there is no clear difference between the meanings of the accounting and GFS definitions. The GFS system does not include the same sort of recognition criteria as the accounting standards. However, to date the ABS has not had cause to question non-recognition of assets or liabilities in any public sector accounts. In the GFS system, equity is treated as a financial claim against the reporting entity and is included with liabilities in the balance sheet. Where possible, it is valued at market value and is generally not measured as a residual.

7.90 The AAS 31 and GFS cash flow statements are identical with the exception that the AAS 31 statement does not include the supplementary information about the surplus/deficit that the GFS statement includes.

7.91 AAS 31 does not require preparation of a statement that corresponds to the GFS statement of stocks and flows. However, it does require elaboration of information in the various statements by means of notes to the accounts. Information required for GFS purposes is often available in the form of notes to the accounts.

7.92 AAS 31 provides illustrative examples of each of the financial statements, which are reproduced (without the notes to the accounts) in Tables 7.7.1 - 7.7.3 below.

Table 7.7.1. ILLUSTRATIVE EXAMPLES OF FINANCIAL STATEMENTS INCLUDED IN AAS 31: OPERATING STATEMENT

CONSOLIDATED OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE	\$m
Revenues	
Taxation	X
Fines and regulatory fees	X
Investment income	X
Grants	X
Sales of goods and services	X
Net revenues from disposal of physical assets	X
Fair values of assets received free of charge or for nominal consideration	X
Other	X
Total revenues	X
Expenses	
Employee entitlements	X
Superannuation	X
Depreciation	X
Amortisation	X
Interest and other finance costs	X
Grants and transfer payments	X
Supplies and consumables	X
Other	X
Total expenses	X
Operating surplus/(deficit)	X
Operating surplus attributable to outside equity interests	X
Operating surplus/(deficit) attributable to the government	X

Table 7.7.2. ILLUSTRATIVE EXAMPLES OF FINANCIAL STATEMENTS INCLUDED IN AAS 31: STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE	\$m
Assets	
Current assets	
Cash	X
Investments	X
Receivables	X
Prepayments	X
Total current assets	X
Non-current assets	
Investments	X
Receivables	X
Land and buildings	X
Plant and equipment	X
Roads	X
Other	X
Total non-current assets	X
Total assets	X
Liabilities	
Current liabilities	
Payables	X
Borrowings	X
Employee entitlements	X

Superannuation	X
Total current liabilities	X
Non-current liabilities	
Payables	X
Borrowings	X
Employee entitlements	X
Superannuation	X
Total non-current liabilities	X
Total liabilities	X
Total net assets	X
Outside equity interests	X
Net assets	X

Table 7.7.3. ILLUSTRATIVE EXAMPLES OF FINANCIAL STATEMENTS INCLUDED IN AAS 31: STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE	\$m
Cash flows from operating activities	
Receipts	
Taxation (by type)	X
Fines and regulatory fees	X
Grants from other governments	X
Sale of goods and services	X
Interest received	X
Dividends received	X
Other receipts	X
Payments	
Grants and transfer payments	(X)
Employee entitlements	(X)
Superannuation	(X)
Suppliers	(X)
Interest paid	(X)
Other payments	(X)
Net cash used in operating activities	(X)
Cash flows from investing activities	
Purchase of plant and equipment	(X)
Proceeds from sales of plant and equipment	X
Purchases of shares	(X)
Proceeds from sales of shares	X
Purchase of foreign currency term deposits	(X)
Purchase of Australian dollar term deposits	(X)
Net cash used for investing activities	(X)
Cash flows from financing activities	
Proceeds from issue of shares	X
Proceeds from borrowings	X
Repayments of borrowings	(X)
Distributions paid	(X)
Net cash from financing activities	X
Net cash flows from financial institutions	X
Net increase/(decrease) in cash held	X
Cash at the beginning of the reporting period	X
Effect of exchange rate changes on the balances held in foreign currencies at the beginning of the reporting period	(X)
Cash held at 30 June	X

CLASSIFICATION

7.93 AAS 31 does not specify requirements for standard classification of flows and stocks in the same way as the GFS system. Certain classification requirements are specified but a high degree of flexibility is implied in much of the document. For example, only 'appropriate classification' of revenues and expenses is specified. As well, the 'classification of assets in accordance with their nature or type may be based on their liquidity, marketability, financial risk and/or physical characteristics. Classification of liabilities in accordance with their nature or type may be based on their sources and/or the extent to which they are secured'. The classifications included in the illustrative statements in Tables 7.7.1 - 7.7.3 are described as examples of appropriate classification.

7.94 Use of GFS classifications is supported in AAS 31 to the following extent: 'In addition, this Standard does not prohibit further disaggregated financial information being presented in the general purpose financial report of a government. For example, information about the assets, liabilities, revenues and expenses of a government's programs, determined on the basis of the government purpose classification (GPC) of the Australian Bureau of Statistics, may also be useful to users of the government's general purpose financial reports. Although this Standard encourages the disclosure of disaggregated information using the GFS and/or GPC bases, it does not require the adoption of those bases. This is because the GFS and GPC classifications have been developed for specific purposes which may not always be compatible with the objective of general purpose financial reporting'.

7.95 In practice, each Australian government jurisdiction has adopted the GFS classification as a standard and is obliged by intergovernmental agreement to provide financial reports on a GFS basis. Thus, the flexibility implicit in AAS 31 with regard to classification does not prevent ABS access to GFS-classified data for the purpose of compiling GFS.

TIME OF RECORDING

7.96 Both AAS 31 and the GFS system require an accrual basis of recording, which is defined in AAS 31 as 'where assets, liabilities, equity, revenues and expenses are recognised in the reporting periods to which they relate, regardless of when cash is received or paid'. This definition is consistent with the GFS definition, but AAS 31 does not elaborate on application of the accrual concept to the extent found in the GFS system and SNA93. Nevertheless, because the ABS is generally not in a position to obtain data initially on any timing basis other than that recorded in the accounts of each jurisdiction, differences between jurisdictions' AAS 31 reports and GFS will only arise if significant divergences come to the ABS' notice. One such divergence concerns the recording of interest, which is discussed in the section below relating to differences in the treatment of transactions and other economic flows.

VALUATION

7.97 As discussed in Chapter 2 and in previous sections of this chapter, SNA93 and the IMF GFS standard recommend valuation of all economic stocks and flows at market value. In general, accounting standards assume historical cost as a starting point and make various recommendations for the substitution of other valuation bases where considered appropriate. For example, replacement cost or fair value may be used for the valuation of non-current assets as deemed appropriate in the circumstances. Market value is recommended for certain marketed securities and preparation of supplementary reports on 'current cost accounting' (CCA) basis is recommended but not mandated.

7.98 In compiling GFS estimates the ABS is dependent on the valuation methods used in the source data. In the case of Commonwealth government debt, valuations have historically been on an historical cost basis. In the 2003-04 Commonwealth budget released on 13 May 2003, the Commonwealth announced a change in the valuation basis of debt to the conceptually preferred market value basis, made possible by the introduction of the new debt valuation systems by the Australian Office of Financial Management. This change was taken back to 1999-2000 and was introduced in the 2001-02 GFS publication released on 27 June 2003. As such, there is a break between 1998-99 and 1999-2000 for the affected balance sheet series, including net debt.

DIFFERENCES IN TREATMENT OF FLOWS AND STOCKS

7.99 A number of differences exist between the accounting and GFS treatments of some economic flows and stocks. These are listed below with brief comments on the cause and effect of each difference.

Absence of transactions/other economic flows distinction in accounting standards

7.100 As noted previously, accounting standards do not make the GFS distinction between transactions and other economic flows. The distinction between transactions and other flows is important for economic analysis because transactions represent changes to stocks which result directly from the economic activities (e.g. production, income generation, consumption, accumulation of wealth) arising from the interaction of institutional units, whereas other economic flows (revaluations and other changes in the volume of assets) represent changes to stocks which result from events that do not involve the interaction of institutional units and are often not directly related to economic activities.

7.101 Two important examples of the effects of the absence of the transactions/other flows distinction in accounting standards concern profits/losses from exchange rate changes and profits/losses on the sale of assets (other than inventories). Both of these flows are treated as revaluations in the GFS system and, as a consequence, do not affect the GFS net operating balance. In the GFS system, profit or loss on the sale of assets is considered to be a revaluation which takes place immediately before the sale of the asset. In accounting reports both would be treated as revenue or expenses and would affect the operating surplus/deficit. However, in both systems, such events have the same effect on net worth.

Non-recognition of internal book transfers in the GFS system

7.102 Certain internal transfers that are recognised as revenues or expenses in accounting standards are not regarded in the GFS system (or SNA93) as economic flows and so are not recorded in the system. Allowances for bad or doubtful debts are an important example. These are expensed in AAS 31 but are not recognised in the GFS system. In the GFS system, bad debts are only recognised when written off. Bad debts written off are treated as other changes in the volume of assets if they are written off unilaterally by the creditor or as capital transfers if they are written off by mutual agreement between creditor and debtor.

Revision to accounting estimates

7.103 In accounting standards the revision of an accounting estimate is recognised as a revenue or an expense in the accounting period in which the estimate is revised, if the revision affects that reporting period only, or in the reporting period and future reporting periods, if the revision affects both the current and future reporting periods. Importantly from a GFS perspective, Australian accounting standards require that accounting estimates recognised in prior accounting periods must not be revised with retrospective effect on prior financial statements.

7.104 In the GFS system, material revisions affecting prior-period statistics are usually applied to the past data and are not applied as a cumulative amendment to current-period data. In ABS GFS statistics such adjustments are made to past periods if: (i) the information could reasonably have been expected to be known in the past; (ii) is material in at least one of the affected periods; and (iii) can be reliably assigned to the relevant period(s). In all other cases, the adjustment would be recognised as a current period 'other economic flow'. In other words, there is no embargo on amendment of statistics for prior periods as in Australian accounting standards. Where revisions of past data are identified in accounting reports, this different treatment will result in differences between GFS and AAS 31 financial statements for the current period and prior periods affected by the revision.

Unfunded superannuation expenses

7.105 In accounting statements, unfunded superannuation expenses are accrued as the total change in the actuarially determined value of the unfunded liability. In the GFS system and the ASNA, the movement in the unfunded liability includes up to four components that must be recorded separately:

- the superannuation expense that is included with compensation of employees and represents a payment for services rendered by the employee in the accounting period - it is equivalent to the amount that would have been paid by the employer to a separate superannuation fund if the superannuation scheme was fully funded;
- an interest component representing the cost of the accumulation of the superannuation liability arising from past periods of service - the employer is seen as compulsorily borrowing the value of the increase in superannuation liability in every accounting period and as sustaining an associated interest expense (in long-running schemes, the interest expense often exceeds the compensation of employees expense);
- cash benefits paid in the accounting period, which are treated as if they are repayments of the 'borrowed funds' of the liability; and

- actuarial revaluations.

7.106 Actuarial revaluations are not economic transactions of the current period, because they do not relate to any actually agreed interactions between two economic agents in the period. The component of actuarial revaluations arising from emerging changes in member circumstances (e.g. increases in life expectancy) is treated as an 'other economic flow'. In theory, the component of actuarial revaluations relating to improvements to the calculation of the liability should, be assigned to services provided by employees in past periods (i.e. historical expenses adjusted). However, in practice, because of the long period involved, the difficulty in reliably assigning the component to particular periods, and the resultant immateriality from the perspective of economic analysis, this component is also generally treated as an 'other economic flow' in the period in which the actuarial revaluation is conducted.

7.107 The components of the change in the superannuation liability in the current period other than actuarial revaluations are treated as economic transactions in the current period. Superannuation expenses for employees in the current year and nominal interest expenses on the unfunded liability in the current year are treated as both 'expenses' and financial transactions (increase in liabilities), and superannuation benefits paid in the current year are recorded as financial transactions (decrease in liabilities).

7.108 The different ABS treatment of accruing unfunded superannuation liabilities affects comparisons of GFS and AAS 31 data for various expenses and the operating balance.

Expenditures on weapons and weapon delivery systems

7.109 As described in Chapter 2 the GFS system records (in keeping with SNA93) expenditures on weapons and weapon delivery systems as current expenses, whereas in public sector accounts these expenditures are usually treated as capital expenditures. In SNA93 (and the GFS system), destructive weapons are not treated as non-financial assets because they are not used repeatedly or continuously in production (although durable, they are single-use goods). By extension, weapons platforms (warships, submarines, military aircraft, tanks, missile carriers and launchers, etc.) with the function of launching such weapons are treated as consumed in the period when they are acquired.

7.110 However, military structures such as airfields, docks, roads, and hospitals (and the equipment associated with them) are treated as non-financial assets in SNA93 and the GFS system because they are continuously used in production in the same way as similar civilian structures (they are often switched from military use to civilian use and back again). Light weapons and armoured vehicles are also treated as non-financial assets because they may be used by non-military establishments which undertake internal security or policing activities.

7.111 These different treatments of expenditures on weapons and weapon delivery systems in the GFS system and AAS 31 contribute to differences between the two systems in the balance sheet as well as the operating statement. The AAS 31 value of fixed assets will exceed the GFS value by the capitalised value of weapons and weapon delivery systems. In the operating statement, the AAS 31 value of depreciation will exceed the GFS value by the cost of depreciation on weapons and weapon delivery systems. GFS expenses will exceed AAS 31 expenses by the capitalised cost of weapons and weapon delivery systems acquired in the period.

Dividends

7.112 In accounting statements, dividend payments are recorded as distributions and do not affect the derivation of the operating surplus/deficit. In the GFS system, dividends paid by public corporations are treated as expenses and as determinants of the GFS net operating balance of the public corporations. This treatment is adopted in order to maintain a correspondence between the GFS net operating balance and ASNA saving concepts. Subject to measurement differences, the GFS net operating balance is equal to the ASNA concept of net saving plus capital transfers.

7.113 The different treatment in the GFS system of dividend payments affects comparisons of public corporations' data relating to the GFS net operating balance and the operating surplus/deficit in AAS 31 financial statements.

7.114 In certain circumstances, the GFS system may treat transactions as repayments of equity that would be recorded as dividend payments in accounting statements. In the GFS system, dividends are viewed as payable from saving. Conversely, dividends not arising from saving, such as dividends arising from sales of assets, may be viewed as return of equity to owners. Such instances, which affect dividend receipts by public sector entities as well as dividend payments by public corporations, are rare and are treated on a case by case basis.

Finance leases

7.115 Acquisition of non-financial assets under finance leases is treated in the GFS system and accounting standards in the same way where the finance lease is recognised as such under AAS 17 'Leases'. A capital expenditure is recorded, and the asset acquired is added to the balance sheet, as is the lease liability. In subsequent periods, the lease payments are subdivided between an interest component and a component representing repayment of the borrowed principal.

7.116 The ABS is largely guided by accounting standards in identifying leases as either operating or finance. Although these standards are regarded as being prescriptive and precise, on rare occasions their interpretation by some public sector entities has led the ABS to disagree. So-called operating leases that ABS considers as the same in substance as finance leases and as having the same economic effect are treated as finance leases in the GFS system. In such cases, AAS 31 statements will not record the acquired assets and the lease on the balance sheet and will record only the lease payments as expenses. Differences will also result between the amounts of depreciation recorded in the two systems.

Capitalised interest

7.117 Under certain accounting treatments, interest payments can be capitalised. In the GFS system, all interest payments are recorded as expenses. This difference between accounting standards and the GFS system affects comparisons of data in accounting and GFS operating statements and balance sheets (GFS interest payments will be higher and GFS asset values will be lower by the amounts of capitalised interest).

Equity in quasi-corporations

7.118 The GFS system recognises certain unincorporated entities in the public sector as quasi-corporations if they operate in the same way as corporations (see Chapter 2). By definition, quasi-corporations that are classified as public non-financial corporations or financial corporations are owned by general government units. In accordance with SNA93, the equity of general government units in such quasi-corporations is defined as equal to the total value of the quasi-corporations' assets less the total value of their liabilities. No such recognition of quasi-corporate equity is made in accounting statements, which record only documented equity (e.g. shares on issue).

7.119 This difference between the GFS system and accounting statements affects only comparisons of data for the GFS institutional components (i.e. general government, public non-financial corporations, public financial corporations) with similarly segmented accounting data. Comparisons of data for the public sector as a whole are not affected because the equity holdings are eliminated in consolidation.

Total net assets/net assets/net worth

7.120 Total net assets is the name applied in AAS 31 to the difference between the value of total assets and the value of total liabilities. Net assets is defined as total net assets less outside shareholders' interest. Net worth is a balancing item in SNA93 and the GFS system. In SNA93 and the GFS system, net worth is defined as the total value of assets less the total value of liabilities and equity. Although these three concepts are different, they are often confused. For example, the term 'net worth' is sometimes erroneously applied to the concept of total net assets or the concept of net assets. Although the concept of net worth is not used in accounting statements, it can usually be derived. Conversely, although the GFS system does not include the concepts of total net assets and net assets, they can be derived.

7.121 For the general government sector (which cannot have equity), net worth, total net assets and net assets are identical. For corporations, the SNA93/GFS concept of net worth is based on the view that all financial claims on the assets of the corporations (including the claims of the owners) should be deducted in determining its contribution to the net worth of the economy as a whole. Thus, even though a corporation is wholly owned by its shareholders collectively, it is seen to have a net worth (which could be positive or negative) in addition to the value of the shareholders' equity. In the case of quasi-corporations *'net worth is zero, because the value of the owners' equity is assumed to be equal to its assets less its liabilities'* (SNA93, paragraph 13.83).

RECONCILIATION OF AAS 31 AND GFS BALANCING ITEMS

7.122 In order to quantify the differences between public sector accounting reports and the GFS system, the ABS calculates reconciliations between balancing items that occur in the two systems. These reconciliations are made available to users. Data for various known differences are compiled and used to adjust the GFS net operating balance for the public sector in each jurisdiction to derive the AAS 31 operating surplus/(deficit) for that jurisdiction. However, a precise reconciliation has yet to be made and unresolved differences are recorded in a residual entitled 'other adjustments'. A similar exercise is performed to reconcile the GFS net worth for each jurisdiction with the AAS 31 measure of net assets for the jurisdiction. The GFS items used in the reconciliations are set out in Tables 7.8 and 7.9 below.

7.123 In deriving the AAS 31 operating surplus/(deficit) in Table 7.8, provisions for bad and doubtful debts are added to the GFS net operating balance because (as discussed previously) such provisions are not considered to be transactions and are excluded from the GFS system. Bad debts that are written off from provisions and are treated as capital transfers in the GFS system are deducted in the calculation of the net operating balance and have to be added back to conform with the AAS 31 treatment. The GFS system treats gains and losses on assets as other economic flows and they do not enter the derivation of the GFS net operating balance but are included in the AAS 31 operating surplus/(deficit). The GFS system excludes revisions to past accounting estimates in the derivation of the net operating result for the current period, whereas such revisions are included in the derivation of the AAS 31 operating surplus/(deficit). Distributions to owners of public corporations are deducted in the derivation of the GFS net operating result, but are excluded from the derivation of the AAS 31 surplus/(deficit). Capitalised interest is treated as an expense in the GFS system and is deducted in the derivation of the net operating balance and therefore has to be added back in the derivation of the AAS 31 surplus/(deficit). Differences that could contribute to the residual 'other adjustments' are listed in the footnote to the table.

Table 7.8. RECONCILIATION BETWEEN GFS NET OPERATING BALANCE AND AAS 31 OPERATING SURPLUS/DEFICIT

GFS net operating balance

minus	Provisions or allowances for bad and doubtful debts
plus	Bad debts written off from provisions and treated as capital transfers
plus/minus	Gains/losses on assets, including derivatives
plus/minus	Adjustment for revisions to data for past periods
plus	Distributions to owners (dividends)
plus	Capitalised interest
plus/minus	Other adjustments(a)
equals	

AAS 31 operating surplus/deficit

(a) Calculated as a residual. May include adjustments for superannuation, coverage differences, defence 'assets', and unidentified differences.

7.124 To date it has not been possible to quantify specific differences between GFS net worth and AAS 31 net assets. Accordingly in Table 7.9, the differences are all recorded in the residual 'adjustments'. Differences that could contribute to the item are listed in the footnote to the table.

Table 7.9. RECONCILIATION OF GFS NET WORTH AND AAS 31 NET ASSETS

GFS net worth

plus/minus	Adjustments(a)
equals	

AAS 31 net assets

(a) Calculated as a residual. Includes adjustments for capitalised interest, provision for bad debts, superannuation, equity, defence 'assets', coverage, valuation and unidentified differences.

BROAD NATURE OF THE SYSTEM

A1.1 The SNA is described as ‘a coherent, consistent, and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules’ (SNA93, paragraph 1.1). Its purpose is to provide data in an organised format that reflects economic principles and the working of an economy, and will assist economic analysis, decision-taking and policy making. The system is designed to record economic flows and stocks for the economy as a whole and for institutional sectors of the economy.

A1.2 The system is built around a sequence of interconnected accounts that record various types of economic activity (e.g. production, distribution of income, consumption) and the value of the economy’s assets and liabilities at the end of an accounting period. The system has an integrated design that requires the closing value of assets and liabilities to be equal to the opening values plus the value of economic flows that occur in the accounting period.

A1.3 The accounts in the system are designed to record each of the major economic flows in sequence, as follows:

- production;
- generation of income from production;
- distribution of that income to institutional units with a claim on the income;
- re-distribution of income (mainly by government) through taxation and social security schemes;
- consumption of income by households and government;
- net acquisition of non-financial assets;
- net transactions in financial assets and liabilities;
- revaluations and other changes in the volume of assets.

The resultant stocks of assets and liabilities are recorded in the system’s balance sheet.

A1.4 The central framework of the system contains supply and use tables in which flows of commodities can be recorded in the form of input-output tables. As well, the SNA provides guidance on methodologies for compiling an integrated set of price and volume indexes and a chain index method that enables compilation of data from which the effects of price inflation have been removed.

A1.5 The balance of this section elaborates on this broad description of the SNA as it applies to the public sector.

A1.6 Production is defined as ‘activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital, and goods and services to produce outputs of goods and services’ (SNA93, paragraph 6.15). Institutional units are the fundamental accounting units in the system. Although household activities such as preparing meals, caring for children, etc. meet the definition of production and are sometimes provided as paid services, the production boundary used in the SNA is narrower than implied by the foregoing definition and omits domestic and personal services produced for own final consumption within households.

A1.7 Output consists of goods and services that are produced within an establishment and become available for use outside that establishment (establishments are components of institutional units and are the basic units for which production is recorded). Goods and services produced and consumed within an establishment are not included in output. Finished goods and work in progress that are part of inventories and have not yet left the establishment are included in output. Three kinds of output are recognised in the system:

- **market output**, which is output that is sold at ‘economically significant’ prices, which are prices that have a significant influence on the amounts that producers are willing to supply and purchasers wish to buy;
- **output produced for own final use**, which consists of goods and services to be retained for their own final use (i.e. consumption or capital formation) by the owners of the enterprises in which they are produced;
- **other non-market output**, which consists of goods and services that are produced by non-profit institutions and government and are supplied free or at prices that are not economically significant.

Market output can be measured at market prices. Output produced for own final use should be measured at market prices, but may have to be measured at its costs of production. Other non-market output is always measured at its costs of production.

A1.8 In the system, a large part of the output of financial institutions has to be imputed because part of the interest received by the institutions is deemed to arise from production (i.e. payment for services rendered by the institutions) and part is deemed to be property income, which does not arise from production and is recorded in the allocation of primary income account (see discussion ahead). The imputed output is called ‘financial intermediation services indirectly measured’ (FISIM). The imputed amounts are deducted from the interest receivable by financial institutions and included in their output, and are also deducted from the interest payable by users of the institutions’ services and included in their intermediate consumption (see next paragraph).

A1.9 Intermediate consumption consists of the value of goods (other than fixed assets) and services consumed as inputs by a process of production. It includes FISIM (see previous paragraph). Consumption of fixed assets is recorded separately in the system (see next paragraph). Intermediate consumption does not include expenditure on valuables, which are assets acquired as stores of value (e.g. works of art, precious stones).

A1.10 Consumption of fixed capital is a cost of production that is defined as ‘the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence, or normal accidental damage’ (SNA93 paragraph 6.179). Losses of fixed assets by events such as natural disasters, acts of war, etc. do not constitute consumption of fixed capital and are recorded in the system as other changes in the volume of assets.

A1.11 Final consumption consists of ‘the use of goods and services for the satisfaction of individual or collective human needs or wants’ (SNA93, paragraph 9.39). In the system, final consumption occurs only in households, non-profit institutions serving households and governments. The goods and services provided by non-profit institutions and governments are usually made to benefit the community at large (collective goods and services) or individual households (individual goods and services).

A1.12 An **economic asset** is defined (SNA93, paragraph 13.12) as an entity functioning as a store of value:

- over which ownership rights are enforced by institutional units, individually or collectively; and
- from which economic benefits may be derived by its owner by holding it, or using it, over a period of time.

The economic benefits derived from an economic asset consist of primary income derived from use of the asset and/or holding gains that could be realised by disposing of the asset. Assets can be financial assets or non-financial assets. Financial assets differ from non-financial assets in that they generally have a counterpart liability. The only financial assets that do not have a counterpart liability are monetary gold and Special Drawing Rights (SDRs) at the International Monetary Fund (IMF).

A1.13 Liabilities are financial obligations that are the counterparts of financial claims held against the recording entity by other institutional units. In the system, the equity of corporations and quasi-corporations is treated as a liability as it represents a claim of owners on the assets of the corporations or quasi-corporations.

INSTITUTIONAL UNITS AND SECTORS

A1.14 The **institutional unit** is the fundamental accounting unit in the system. An institutional unit is defined as ‘an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities’ (SNA93, paragraph 4.2). Institutional units are of two main types: (i) persons or groups of persons in the form of households; and (ii) legal or social entities the existence of which is recognised by law or society independently of the persons, or other entities, that own or control them.

A1.15 In the system, households are treated as one type of institutional unit and social and legal entities are divided into three other types of institutional units: corporations and quasi-corporations, government units, and non-profit institutions. The broad characteristics of each type of institutional unit are as follows:

- **households** are small groups of persons who share the same living accommodation, who pool some or all of their income and wealth and who consume certain types of goods and services (mainly housing and food) collectively;

- **corporations** are legal entities created for the purpose of producing goods and services for the market, that are collectively owned by shareholders who have the authority to appoint directors responsible for general management, and that may be a source of financial gain for their owners;
- **quasi-corporations** are unincorporated enterprises that function as if they are corporations; a quasi-corporation is operated as if it is a separate corporation with a defacto relationship to its owner similar to that of a corporation to its shareholders, and it keeps a separate set of accounts;
- **government units** are unique kinds of legal entities that are established by political processes, and have legislative, judicial or executive authority over other institutional units within a given area; government units usually have authority to raise taxes and typically make three main types of outlays: (i) provision of goods and services (e.g. public administration, defence) to the community at large; (ii) provision of goods and services (e.g. social welfare, education) to individual households; and (iii) payment of transfers to other institutional units in order to redistribute income and wealth;
- **non-profit institutions** are social or legal entities created for the purpose of producing goods and services with a status that does not permit them to be a source of financial gain for the units that establish, control or finance them.

A1.16 Institutional units may be **resident** or **non-resident units**. The total economy is defined as the entire set of resident institutional units. The system records the economic flows and stocks of resident units, including flows to and from non-resident units and creditor/debtor relationships with non-resident units. An institutional unit 'is resident in a country when it has a centre of economic interest in the economic territory of that country' (SNA93, paragraph 4.15). A centre of economic interest is defined as a location (e.g. a dwelling or place of production) from which the institutional unit engages in economic activities and transactions on a significant scale either indefinitely or over a long period of time. Importantly in the GFS system, resident units include embassies and other government-owned locations in foreign countries.

A1.17 A distinction is made between units that mainly engage in market or non-market production (called 'market' and 'non-market' units respectively). **Market units** mainly produce market output which, as previously noted, is output that is sold at 'economically significant' prices, which are prices that have a significant influence on the amounts that producers are willing to supply and purchasers wish to buy. Conversely, **non-market units** produce mainly non-market output, which is output that is provided free or at prices that are not economically significant. By definition, corporations and quasi-corporations mainly produce market output. NPIs can mainly produce either market or non-market output, and government units mainly produce non-market output. Households, in their capacity as owners of unincorporated enterprises, can produce market output.

A1.18 A further distinction is made between market units that mainly have either 'financial' or 'non-financial' output. **Financial units** are mainly engaged in financial intermediation or provision of auxiliary financial services. Financial intermediation is defined as 'productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market' (SNA93, paragraph 4.78). Financial auxiliary services are services that facilitate financial intermediation but do not involve incurring liabilities or acquiring financial assets. They include functions such as security broking, company flotation, loan broking, guaranteeing loans, and arranging financial transactions such as hedging. **Non-financial units** are units mainly engaged in all forms of productive activity other than financial intermediation or provision of auxiliary financial services.

A1.19 The **institutional sectors** in the system represent groupings of resident institutional units, as follows:

- **the non-financial corporations sector**, which consists of all corporations, quasi-corporations and market NPIs mainly engaged in producing goods and non-financial services;
- **the financial corporations sector**, which comprises all corporations, quasi-corporations and market NPIs mainly engaged in financial intermediation or provision of auxiliary financial services;
- **the general government sector**, which comprises all government units and non-market NPIs that are controlled and mainly financed by government;
- **the non-profit institutions serving households sector**, which comprises all non-market NPIs mainly providing goods and services to households free or at prices that are not economically significant;
- **the households sector**, which comprises all resident households.

A1.20 Some of the institutional sectors are divided into institutional subsectors. Those that are relevant for the discussion in this manual are as follows:

- Non-financial corporations sector:
 - Public non-financial corporations;
 - Private non-financial corporations;
- Financial corporations sector:
 - Public financial corporations;
 - Private financial corporations;
- General government sector:
 - Central government;
 - State government;
 - Local government;
 - Social security funds.

A1.21 Thus, each of the corporate sectors is subdivided into subsectors representing corporations and quasi-corporations that are mainly owned and controlled by government units (i.e. the public corporations) or other units (the private corporations). A further subdivision of private corporations, that is not of relevance here, is made between national and foreign-controlled corporations. The SNA states that statistics can be compiled for the public sector (which it defines as the general government sector plus the public non-financial and financial corporations) and for the non-financial public sector (which comprises the general government sector plus the public non-financial corporations).

A1.22 The subsectors of the general government sector shown in paragraph A1.20 represent one of two alternative subsectorings of the general government sector; the second consists of only the first three of the listed subsectors and combines each social security fund with the level of government by which it is controlled. **Social security funds**, which do not exist in Australia, are defined as ‘social insurance schemes covering the community as a whole or large sections of the community that are imposed and controlled by government units’ (SNA93, paragraph 4.111). Social insurance schemes provide social benefits (e.g. retirement benefits, medical benefits) to members of the community out of funds derived from contributions made compulsorily or voluntarily by the beneficiaries or their employers.

A1.23 The system also includes a **rest of the world sector** which consists of all non-resident institutional units that enter into transactions with resident institutional units or have other economic links with resident units. It is not a sector for which a complete set of accounts has to be compiled but, for convenience, is described as a sector.

A1.24 Economic flows are described in the system as resulting from the creation, transformation, exchange, transfer or extinction of economic value; they involve changes in the volume, composition, or value of an institutional unit’s assets and liabilities. Economic flows are of two kinds:

- transactions, which are economic flows that reflect an interaction between institutional units by mutual agreement or an action within an institutional unit that it is analytically useful to treat like a transaction, often because the unit is operating in two different capacities;
- other economic flows, which are changes in the value of assets and liabilities that are not the result of transactions.

A1.25 Actions within units (or ‘internal transactions’) which it is analytically useful to treat as transactions include consumption of fixed capital and output for own final use, both of which are discussed in the foregoing section on basic concepts. In the cases of consumption of fixed capital, the unit is seen to be acting in the capacity of owner of the assets and consumer of its services. In the case of output for own final use the unit is seen as acting as producer of an asset and as acquiring that asset.

A1.26 The stipulation in the definition of a transaction that an interaction between institutional units must be by mutual agreement does not mean that both units necessarily enter a transaction voluntarily because some transactions are imposed by law, such as payments of taxes or other compulsory transfers. Although individual institutional units are not free to fix the amounts of taxes they pay, there is nevertheless collective recognition and acceptance by the community of the obligation to pay taxes. Thus, payments of taxes are considered transactions despite being compulsory.

A1.27 Other economic flows are of two main types, holding gains and losses and other changes in the volume of assets. Holding gains and losses (or 'revaluations') are the result of changes in market prices of assets and liabilities over the accounting period. The term 'holding gains/losses' is preferred to the term 'capital gains/losses' because it emphasises that the gains or losses accrue over time without transforming the assets or liabilities in any way. Other changes in the volume of assets fall into three main categories:

- entrance and exit of assets and liabilities from the balance sheet as a result of normal events other than transactions - these may involve naturally occurring assets (e.g. discovery of mineral deposits) or assets created by human activity (e.g. recognition of valuables or other assets not previously recognised);
- the effects of exceptional, unanticipated events (such as natural disasters and war) on assets and liabilities;
- changes to assets and liabilities that reflect changes in the institutional classification of institutional units or in the classification of assets or liabilities.

A1.28 **Economic stocks** are assets or liabilities of resident institutional units at a point of time. Stocks result from economic flows and represent the result of the accumulation of past transactions and other economic flows.

A1.29 The system's **accounting rules** relate to valuation, time of recording, and aggregation, netting and consolidation. Each of these is discussed briefly in the following paragraphs.

VALUATION

A1.30 In principle, the system values all economic flows and stocks at market value. The system 'does not attempt to determine the utility of the flows and stocks which come within its scope. Rather, it measures the current exchange value of the entries in the accounts in money terms, i.e. the values at which goods and other assets, services, labour or the provision of capital are in fact exchanged or else could be exchanged for cash (currency or transferable deposits)' (SNA93, paragraph 3.70).

A1.31 When items are exchanged between institutional units for cash, the market values required are directly available. Such transactions are recorded at the actual exchange value agreed upon by the two parties. The SNA recognises that, for other flows and stocks, no actual exchange values are at hand and states that their values must be assessed indirectly. The values should be taken from an appropriate reference market in which similar items are traded currently for cash in sufficient quantity and in similar circumstances.

A1.32 If there is no appropriate market from which the value of a particular non-monetary flow or stock item can be taken, the SNA states that its valuation could be derived from prices that are established in less closely related markets. However, the SNA also says that 'ultimately, some goods and services can only be valued by the amount that it would cost to produce them currently' (SNA93, paragraph 3.73).

A1.33 The SNA recognises that sometimes it may be necessary to value stocks at their estimated written down current acquisition value. The write-down should include all changes which have occurred to the item since it was purchased or produced (such as consumption of fixed capital, partial depletion, exhaustion, degradation, unforeseen obsolescence, exceptional losses and other unanticipated events).

A1.34 Finally, the SNA states that if none of the methods mentioned above can be applied, flows and stocks are to be recorded at the discounted present value of expected future returns.

A1.35 Flows and stocks concerning foreign currency are converted to their value in national currency at the rate prevailing at the moment they are entered in the accounts; the midpoint between the buying and selling rate should be used so that any service charge is excluded.

TIME OF RECORDING

A1.36 Rules for the time of recording are required for economic flows (which occur over a period of time), but not for economic stocks (which are recorded at a point of time). An exact timing of individual flows within the accounting period is seen as crucial to making the distinction between changes in net worth due to transactions and those due to holding gains or losses. Timing rules are necessary because, for many economic flows, there are many stages (e.g. production point, delivery point, cash flow point) at which the flows could be recorded and rules ensure that the same stage is specified for all flows.

A1.37 The SNA recommends that an accrual basis of recording be adopted throughout the system. Accrual recording is recommended because it is widely used and is in full agreement with the way economic activities are recorded in the system (i.e. it records flows at the time that economic value is created, transformed, exchanged, transferred or extinguished). It also has the advantage that it can be applied to non-monetary transactions.

A1.38 Guidance is provided in the SNA on the application of accrual recording to particular types of economic flows. The treatment of particular flows of most relevance to the GFS system is as follows:

- exchanges and transfers of assets are generally recorded when legal ownership of the assets changes;
- services are recorded when provided;
- holding gains and losses are recorded as the difference in value of an asset between: (i) the beginning of the accounting period or the time the asset was acquired or produced; and (ii) the end of the accounting period or the time the asset was relinquished or consumed;
- taxes are recorded at the time at which the event occurred that created the liability to pay the taxes (however, the SNA recognises that precise application of this rule may not be feasible in all cases and suggests that taxes may have to be recorded when documentary evidence of the accrual of the liability is first available).

AGGREGATION, NETTING AND CONSOLIDATION

A1.39 In the SNA, the term 'aggregation' refers to the process of arranging the large number of individual transactions, other flows and assets within the scope of the SNA in a manageable number of analytically useful groups. Such groups are constructed by crossing two or more classifications. As a minimum, institutional sectors or industries are cross classified with the classification of transactions, other economic flows, or assets and liabilities. Resources (inflows) are distinguished from uses (outflows) and changes to assets are distinguished from changes to liabilities. The aggregates thus generated may be further subdivided (for example) by kind of product or asset, by function or by counterparty.

A1.40 Netting refers to the process whereby the values of some elementary items are offset against items on the other side of the account. The system recommends gross recording, but a high degree of netting is inherent in the system's classifications. For example, netting is inherent in the item 'changes in inventories', which reflects the overall change rather than tracking daily additions and withdrawals. Similarly (with few exceptions), the financial account and other changes in assets account record increases in assets and in liabilities on a net basis, bringing out the final consequences of these types of flows at the end of the accounting period. Of course, all balancing items involve netting as well. To avoid confusion, the system uses the words 'gross' and 'net' in a very restrictive sense. Apart from a few headings ('net premiums', 'net equity of households on life insurance reserves and pension funds', 'net worth' and 'net lending/net borrowing'), the system's classifications employ the word 'net' exclusively to indicate the value of variables after deduction of consumption of fixed capital.

A1.41 Consolidation is described in the SNA as a special kind of cancelling out of flows and stocks which should be distinguished from other kinds of netting. It is described as involving the elimination of those transactions or debtor/creditor relationships which occur between two transactors belonging to the same institutional sector or subsector. The SNA recognises that consolidation may be relevant for certain purposes, including compilation of statistics for the public sector, but states that 'as a rule, however, the entries in the System are not consolidated' (SNA93, paragraph 3.121). As discussed ahead, consolidation is an important process in the GFS system even though it is not recommended for compilation of national accounts.

THE ACCOUNTS

A1.42 In this section, the main sectoral accounts of the SNA are discussed and outlines of the accounts are presented. In the SNA, some of the accounts are broken out into other accounts that are not particularly relevant to the public sector and are not shown here. The rest of world account is not presented or discussed as it relates to the economy as a whole.

A1.43 The system of accounts applies to the economy as a whole and to each of the institutional sectors. The content of the accounts varies only marginally between sectors. The account outlines presented in this section include all items relevant to the public sector (public non-financial corporations, public financial corporations and general government). Where useful for explanatory purposes, some items relevant only to other sectors have also been included.

A1.44 The accounts of the system can be grouped into four main categories:

- the production account;
- the distribution and use of income accounts comprising: (i) the generation of income account; (ii) the allocation of primary income account; (iii) the secondary distribution of income account; (iv) the redistribution of income in kind account; and (v) the use of disposable income account;
- the accumulation accounts comprising: (i) the capital account; (ii) the financial account; and (iii) the other changes in assets account;

- the balance sheet accounts comprising: (i) the opening balance sheet; (ii) the changes in balance sheets account; and (iii) the closing balance sheet.

Each account is presented with two sides. In the production account and each of the distribution and use of income accounts, the left-hand side records 'uses' or outflows and the right-hand side records 'resources' or inflows. In the accumulation accounts, changes in assets are recorded on the left-hand side and changes in liabilities are recorded on the right-hand side. In the balance sheet accounts, assets are recorded on the left-hand side and liabilities on the right-hand side.

A1.45 Each account in the system is balanced (the total of items on each side have the same value) by the use of derived 'balancing items' that are often carried forward to the next account in the sequence. In the accounts presented here, balancing items are shown in bold to distinguish them. Balancing items are important because they are designed as summary measures of economic activity. Thus, the primary summary measure of an economy's production, gross domestic product (GDP), is a balancing item in the production account.

THE PRODUCTION ACCOUNT

A1.46 An outline of the SNA production account as it applies to institutional sectors is presented in Table A1.1. The production account records output as a resource and intermediate consumption and consumption of fixed capital as uses, giving two balancing items: **value added** (which is derived as output less intermediate consumption) and **net value added** (which is equal to value added less consumption of fixed capital). The sum of value added for all sectors less taxes on products plus subsidies payable on products is equal to **gross domestic product** (GDP) for the economy as a whole (because Table A1.1 relates to individual sectors, GDP does not appear). Output is divided between market output, output for own final use and other non-market output. Other non-market output does not apply to the non-financial and financial corporations sectors. The concept of production and the items in the production account are explained in the foregoing section entitled 'Basic concepts'.

Table A1.1. SNA PRODUCTION ACCOUNT

Uses	Resources
Intermediate consumption	Output
	Market output
	Output for own final use
	Other non-market output
Value added	
Consumption of fixed capital	
Value added, net	

THE GENERATION OF INCOME ACCOUNT

A1.47 An outline of the SNA generation of income account is presented in Table A1.2. The generation of income account represents an extension of the production account in which the primary incomes accruing to producers are recorded. Value added is brought forward from the production account as the single resource recorded in the generation of income account.

A1.48 The uses of value added by producers comprise compensation of employees and other production taxes payable less subsidies receivable. **Compensation of employees** is defined as ‘the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period’ (SNA93, paragraph 7.21). It includes social contributions payable by employers to social insurance schemes to obtain future social benefits (e.g. retirement, sickness, accident, redundancy benefits) for their employees. It also includes imputed contributions to unfunded benefit schemes in which employers pay benefits directly from their own resources when payment of the benefits falls due and do not make regular payments into a fund to finance benefits payable in the future. Other production taxes and subsidies are payable in relation to production processes such as taxes on labour, machinery, buildings or other assets used in production. They are distinguished from taxes payable and subsidies receivable on products, which are recorded as a use in the production account (they are not shown in Table A1.1 because they are only recorded for the economy as a whole and not for individual sectors).

A1.49 The balancing item in the generation of income account, **net operating surplus**, represents the surplus or deficit generated by production before account is taken of property incomes payable and receivable. Because non-market output of government units and NPIs is valued at cost of production, these units do not generate a net operating surplus.

Table A1.2. SNA GENERATION OF INCOME ACCOUNT

Uses	Resources
Compensation of employees	Value added
Wages and salaries	
Employers' social contributions	
Employers' actual social contributions	
Employers' imputed social contributions	
Other taxes on production	
Other subsidies on production	
Operating surplus, net	

THE ALLOCATION OF
PRIMARY INCOME
ACCOUNT

A1.50 An outline of the SNA allocation of primary income account is presented in Table A1.3. The account focuses on institutional units as recipients of net income rather than as producers. In the account, operating surplus (the balancing item from the generation of income account) is brought forward as a resource. The other items on the resources side include taxes on production and imports, which are receivable only by general government units, subsidies (as a negative resource), which are payable only by government units, and property income receivable, which applies to public corporations and government units alike. The uses side of the account records property income payable and the account's balancing item, which is called the **balance of primary incomes**.

A1.51 Property income is a form of primary income that is received by the owners of financial assets and tangible non-produced assets in return for making the assets available for use by other institutional units.

A1.52 Interest is property income receivable by owners of financial assets who make funds available to other economic units. Interest is defined as ‘the amount that the debtor becomes liable to pay to the creditor over a given period of time without reducing the amount of principal outstanding’ (SNA93, paragraph 7.93). Interest is recorded after deduction of imputed payments for the services rendered by financial intermediaries (or FISIM; see previous discussion under ‘Basic concepts’). For certain types of securities such as zero-coupon bonds, interest does not fall due for payment until the security matures. Under the accrual basis of recording used in the SNA, the interest is accrued over the life of the security and recorded as interest payable by the debtor and as incurring an additional liability of the same type as the original security. Conversely, the creditor records accrual of interest receivable and acquisition of an additional asset of the same type as the original security. Interest excludes net cash settlement payments associated with interest rate swaps and forward rate agreements (both are forms of financial derivatives). Such payments were treated as interest payments in SNA93 but, following a review of that treatment, are now treated as financial transactions and included in the financial account (see paragraph A1.73).

A1.53 Dividends are a form of property income to which shareholders become entitled as a result of owning shares in a corporation. Withdrawals of income from quasi-corporations by their owners are identical in concept to dividends and are grouped with dividends in the classification of property incomes.

A1.54 Reinvested earnings on direct foreign investment refers to the imputed remittance to direct foreign investors of their share of a direct foreign investment enterprise’s retained earnings. Such earnings are treated in the system as if they were distributed to direct investors and reinvested in the enterprises. Direct foreign investment enterprises are either: (i) branches of non-resident corporations; or (ii) corporations in which at least one foreign investor owns sufficient shares to have an effective voice in management. The imputation of the remittances is based on the investors’ proportion of shares on issue. A remittance is imputed because the retention of earnings in direct investment enterprises is a deliberate decision by the direct investors, who are entitled to receive the retained property income. The resources side to the allocation of primary incomes account records imputed receipts of remittances by resident direct investors (including any in the public sector) from foreign direct investment enterprises and the uses side records imputed remittances to foreign direct investors by resident direct investment enterprises (which are rare in the public sector).

A1.55 Property income attributable to insurance policy holders is another imputed item that arises because the system treats the technical reserves of insurance enterprises as having two components: (i) actuarially determined reserves to service policy holders’ claims; and (ii) investments of policy holders from which they are entitled to property income. The latter component is treated as assets of policy holders and liabilities of insurance enterprises and property income is imputed that represents policy holders’ returns on these assets.

A1.56 Rent that is included in property income is restricted to rent on non-produced assets such as land and subsoil assets. Rentals payable on produced assets are treated as payment for the lessor’s services in making the assets available for use by the lessee, and as part of the lessor’s output.

Table A1.3. SNA ALLOCATION OF PRIMARY INCOME ACCOUNT

Uses	Resources
Property income	Operating surplus
Interest	Taxes on production and imports
Distributed income of corporations	Taxes on products
Dividends	Value added type taxes (VAT)
Withdrawals of income from quasi-corporations	Taxes and duties on imports excluding VAT
Reinvested earnings on direct foreign investment	Import duties
Rent	Taxes on imports excluding VAT and duties
	Export taxes
	Taxes on products except VAT, import and export taxes
	Other taxes on production
	less
	Subsidies
	Subsidies on products
	Import subsidies
	Export subsidies
	Other subsidies on products
	Other subsidies on production
	plus
	Property income
	Interest
	Distributed income of corporations
	Dividends
	Withdrawals of income from quasi-corporations
	Reinvested earnings on direct foreign investment
	Rent
	Balance of primary incomes

THE SECONDARY
DISTRIBUTION OF INCOME
ACCOUNT

A1.57 An outline of the SNA secondary distribution of income account is presented in Table A1.4. In the account, the balance of primary incomes from the allocation of primary incomes account is carried forward and recorded as a resource. The account records current transfers, which are non-capital transactions between resident institutional units for which the paying unit receives nothing directly in return. On the resources side, such transfers include taxes on income and wealth (which are receivable only by government units) and social security contributions receivable by social insurance schemes. As discussed in relation to the generation of income account, social contributions are amounts payable by employers to social insurance schemes to obtain future social benefits (e.g. retirement, sickness, accident, redundancy benefits) for their employees, including imputed contributions to unfunded benefit schemes. The uses side of the account records taxes on income and wealth payable by taxpayers, and social benefits payable by general government and social insurance schemes. Other current transfers receivable are recorded on the resources side of the secondary distribution of income account and other current transfers payable are recorded on the uses side.

A1.58 Social benefits are divided between those payable in cash by government units and non-profit institutions serving households (NPISHs), and those payable in cash or in kind by funded and/or unfunded social insurance schemes. The former are further subdivided between social security benefits, which are payable by social security funds (which are defined as part of the general government sector, but do not exist in Australia) and social assistance benefits in cash, which are payable by general government units and NPISHs.

A1.59 Other current transfers consist of: (i) non-life insurance premiums payable by holders of non-life insurance policies; (ii) non-life insurance claims payable by providers of non-life insurance; (iii) current transfers within the general government sector, which appear only because they are not recorded on a consolidated basis; and (iv) other current transfers. Other current transfers include transfers received by NPISHs from donors and government, transfers between households, fines and penalties payable to government units, amounts payable to winners of lotteries, and payments made by one institutional to another in compensation for injury or property damage.

A1.60 The balancing item of the secondary distribution of income account is called **disposable income**.

Table A1.4. SNA SECONDARY DISTRIBUTION OF INCOME ACCOUNT

Uses	Resources
Current taxes on income, wealth, etc.	Balance of primary incomes
Taxes on income	Current taxes on income, wealth, etc.
Other current taxes	Taxes on income
Social benefits other than social transfers in kind	Other current taxes
Social security benefits in cash	Social contributions
Private funded social benefits	Actual social contributions
Unfunded employee social benefits	Employers' actual social contributions
Social assistance benefits in cash	Compulsory
Other current transfers	Voluntary
Net non-life insurance premiums	Employees' social contributions
Current transfers within general government	Compulsory
Current international cooperation	Voluntary
Miscellaneous current transfers	Social contributions by self- and non-employed persons
	Compulsory
	Voluntary
	Imputed social contributions
	Other current transfers
	Non-life insurance claims
	Current transfers within general government
	Current international cooperation
	Miscellaneous current transfers
Disposable income	

THE REDISTRIBUTION OF
INCOME IN KIND
ACCOUNT

A1.61 An outline of the SNA redistribution of income in kind account is presented in Table A1.5 (the account applies to the general government sector, but is not applicable to the public corporations). In the account, disposable income is brought forward as a resource from the secondary distribution of income account. The account records social transfers in kind made by the general government and NPISH sectors. **Social transfers in kind** are goods and services provided to individual households free of charge or at nominal prices. They are subdivided between: (i) social security benefits in kind, which are subdivided between goods and services provided direct and those bought by the households for which they are reimbursed; (ii) social assistance benefits; and (iii) transfers of individual non-market goods or services. Individual non-market goods and services (e.g. education), are provided to individual households rather than to the community in general.

Table A1.5. SNA REDISTRIBUTION OF INCOME IN KIND ACCOUNT

Uses	Resources
Social transfers in kind	Disposable income
Social benefits in kind	
Social security benefits, reimbursements	
Other social security benefits in kind	
Social assistance benefits in kind	
Transfers of individual non-market goods and services	
Adjusted disposable income	

THE USE OF DISPOSABLE
INCOME ACCOUNT

A1.62 An outline of the SNA use of disposable income account is presented in Table A1.6. The account shows how households, general government and NPISHs allocate their disposable income between consumption and saving. The only item on the resources side of the account is disposable income, which is brought forward from the secondary distribution of income account. Consumption expenditure is recorded on the uses side of the account, along with the balancing item 'saving'. Consumption expenditure excludes capital expenditure, which is financed from saving and is recorded in the capital account (see next section).

A1.63 In the system, final consumption expenditure is confined to households, general government and NPISHs. Corporations record only intermediate consumption. **Final consumption expenditure** comprises expenditure incurred by resident households and NPISHs on individual consumption goods and services, and expenditure incurred by general government on individual and collective consumption goods and services. Individual goods and services are provided to individual households; collective goods and services are provided collectively to the community as a whole. Examples of individual goods and services given in the SNA include education, health, and social security and welfare (SNA93, paragraph 9.87). However, expenditures on administration of education, health and social security programs are collective expenditures, as are expenditures on defence, economic policy development, etc. Only general government incurs consumption expenditures on collective goods and services; households' and NPISHs' consumption expenditures are all deemed to be on individual goods and services (although the SNA recognises that some NPISHs' expenditures are collective in nature).

A1.64 In the use of disposable income account the item ‘adjustment for the change in net equity of households in pension funds’ arises from the system’s treatment of the reserves of private funded pension schemes as collectively owned by households with claims on the funds. The households’ payments of contributions and receipt of benefits therefore constitute the acquisition and disposal of financial assets. However, to reflect commonly held perceptions, the system records the contributions and benefits as determinants of disposable income. The adjustment ensures that this treatment does not affect saving which, to be consistent with the treatment of households as owners of the pension fund reserves, must not reflect the contributions to the funds and pension payments from the funds.

Table A1.6. SNA USE OF DISPOSABLE INCOME ACCOUNT

Uses	Resources
Final consumption expenditure	Disposable income
Individual consumption expenditure	
Collective consumption expenditure	
Adjustment for the change in net equity of households in pension funds	
Saving	

THE CAPITAL ACCOUNT

A1.65 An outline of the SNA capital account is presented in Table A1.7. The account records the value of acquisitions and disposals of non-financial assets and the change in net worth arising from saving and capital transfers. In the account, saving is brought forward from the use of income account and recorded as a change in net worth. Capital transfers receivable are recorded as a resource and capital transfers payable are recorded as a negative resource to give a total representing change in net worth due to saving and capital transfers. The uses side of the account records acquisitions and disposals of non-financial assets, consumption of fixed capital and change in inventories to give the balancing item **net lending(+)/net borrowing(-)**, which equals the change in financial assets and liabilities resulting from saving, net acquisition of non-financial assets and capital transfers.

A1.66 **Capital transfers** are defined as ‘transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred’ (SNA93, paragraph 10.29). In this context, ‘transferred’ refers to a situation when nothing is given in exchange for the items transferred. A capital transfer is also recorded when a creditor cancels the liability of a debtor by mutual agreement (unilateral cancellation of the liability by the creditor, e.g. by writing off the debt, is not a transaction and is recorded in the other changes in assets account).

A1.67 Capital transfers include **capital taxes**, which are taxes levied at irregular or infrequent intervals such as gift and inheritance taxes. **Investment grants** are capital transfers in cash or kind made by governments to other resident or non-resident institutional units to finance their acquisition of non-financial assets. **Other capital transfers** include debt cancellation (see previous paragraph) and all other capital transfers not included with capital taxes and investment grants.

A1.68 **Gross fixed capital formation** is distinguished from other net acquisitions of non-financial assets by the fact that it is confined to fixed assets, which are defined as 'produced assets that are themselves used repeatedly, or continuously, in processes of production for more than one year' (SNA93, paragraph 10.7). Fixed assets do not include: (i) valuables (e.g. works of art, gemstones), which are held as a store of value and are not used in production; (ii) inventories, which are stocks of outputs held for sale or further processing, or purchased products intended for use in intermediate consumption or for resale; and (iii) non-produced assets (e.g. native forests, mineral deposits), which may be used in production but were not created by a production process. Net acquisitions of these three categories are recorded separately in the capital account. However, additions to the value of non-produced assets (such as land reclamation, clearance of forests to bring land into production, draining of marshes, etc.) are included in gross fixed capital formation.

A1.69 The costs of transfers of ownership of assets are included in the value of asset acquisitions. Major improvements to assets are included as gross fixed capital formation; repairs and maintenance to restore assets to working order are excluded. Expenditures on destructive weapons are excluded from capital formation because they are not used continuously in production. By extension, expenditures on vehicles and equipment (e.g. warships, submarines, military aircraft) used to launch such weapons are also excluded unless they can also be used for a civilian purpose.

A1.70 The classification of assets distinguishes between tangible and intangible assets. **Tangible fixed assets** include buildings and other structures, transportation equipment and other machinery and equipment, cultivated assets in the form of livestock and plantations of trees yielding repeat products such as orchards and vineyards. **Intangible fixed assets** include capitalised mineral exploration expenditures, computer software, and entertainment, literary and artistic originals. **Tangible non-produced assets** include land, subsoil assets, and non-cultivated biological and water resources such as fish stocks, native forests, and natural water sources. **Intangible non-produced assets** include assets, such as patents, leases and exploration rights, that entitle their owners to engage in specific activities or produce certain goods to the exclusion of other institutional units. Also included is purchased goodwill.

Table A1.7. SNA CAPITAL ACCOUNT

Changes in Assets	Changes in Liabilities and Net Worth
Gross fixed capital formation	Saving
Acquisition less disposals of tangible fixed assets	Capital transfers, receivable
Acquisition of new tangible fixed assets	Capital taxes
Acquisition of existing tangible fixed assets	Investment grants
Disposals of existing tangible fixed assets	Other capital transfers
Acquisition less disposals of intangible fixed assets	Capital transfers, payable
Acquisition of new intangible fixed assets	Capital taxes
Acquisition of existing intangible fixed assets	Investment grants
Disposals of existing intangible fixed assets	Other capital transfers
Additions to the value of non-produced non-financial assets	
Major improvements	
Costs of ownership transfer	
Consumption of fixed capital	
Changes in inventories	
Acquisition less disposal of valuables	
Acquisition less disposal of non-produced non-financial assets	
Acquisition less disposals of land and other tangible non-produced assets	
Acquisition less disposals of intangible non-produced assets	
Net lending(+)/Net borrowing(-)	Changes in net worth due to saving and capital transfers

THE FINANCIAL ACCOUNT

A1.71 An outline of the SNA financial account is presented in Table A1.8. The account records transactions involving financial assets and liabilities. Net transactions in liabilities are recorded on the right-hand side of the account, along with the balancing item net lending(+)/net borrowing(-) which is the same in concept as the item of the same name in the capital account. Net acquisition of financial assets is recorded on the left-hand side of the financial account.

A1.72 Net transactions in financial assets and liabilities are both classified according to the financial instruments used in the transactions, which are defined as follows:

- **monetary gold and SDRs** - monetary gold is gold owned by a country's monetary authorities which is held as a financial asset and is a component of the country's foreign reserves; Special Drawing Rights (SDRs) are international reserve assets created by the IMF and allocated to its members to supplement existing reserve assets; monetary gold and SDRs are the only financial assets in the system that do not have a liability counterpart;
- **currency and deposits** - these are notes and coin (domestic and foreign) in circulation, transferable deposits that are available on demand at par value, and non-transferable deposits (e.g. term deposits) that are represented by evidence of deposit;
- **securities other than shares** - these include bills, bonds, certificates of deposit, commercial paper, debentures, tradeable financial derivatives and similar instruments that are normally traded in financial markets;

- **loans** - are defined as financial assets that: (i) are created when creditors lend funds directly to debtors; (ii) are evidenced by non-negotiable documents; or (iii) are provided with no security as evidence of the transaction;
- **shares and other equity** - are instruments acknowledging a claim on the residual value of a corporation after the claims of all creditors have been met (included is the net equity of owners in quasi-corporations that do not issue shares);
- **insurance technical reserves** - these represent the net equity of households in life insurance and pension funds and include prepayments of insurance premiums (which are treated as assets of the policy holders), and reserves against outstanding insurance claims (which are treated as assets of the beneficiaries);
- **other accounts payable/receivable** - these include trade credit, advances for work that is in progress, and other forms of credit extended on payments (e.g. on taxes, dividends, rent, wages, etc).

The distinction made in the classification between long and short term instruments is based on short-term securities having an original term to maturity of one year or less.

A1.73 The treatment of financial derivatives has been officially revised since the publication of SNA93. Financial derivatives are described as ‘financial instruments that are linked to a specific financial instrument or indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right’ (‘The Statistical Measurement of Financial Derivatives’, IMF, November 1997). Examples of derivatives include swaps, options, and forward rate agreements. Derivatives are treated as assets, but only if they have an observable market price. They are recorded (at market value) when created, traded or extinguished. When a derivative contract is settled through a net cash payment, both parties record a transaction equal to the value of the payment and record no transaction in any underlying instrument. The transaction does not represent property income and is recorded in the Financial Account as changes to financial assets and liabilities.

Table A1.8. SNA FINANCIAL ACCOUNT

Changes in Assets	Changes in Liabilities and Net Worth
Net acquisition of financial assets	Net incurrence of liabilities
Currency and deposits	Currency and deposits
Currency	Currency
Transferable deposits	Transferable deposits
Other deposits	Other deposits
Securities other than shares	Securities other than shares
Short-term	Short-term
Long-term	Long-term
Loans	Loans
Short-term	Short-term
Long-term	Long-term
Shares and other equity	Shares and other equity
Insurance technical reserves	Insurance technical reserves
Prepayment of premiums and reserves against outstanding claims	Net equity of households on life insurance reserves and in pension funds
Other accounts receivable	Other accounts payable
Trade credit and advances	Trade credits and advances
Other accounts receivable	Other accounts payable
	Net lending(+)/Net borrowing(-)

THE OTHER CHANGES IN VOLUME OF ASSETS ACCOUNT

A1.74 An outline of the SNA other changes in volume of assets account is presented in Table A1.9. The account records changes to the value of assets, liabilities and net worth arising from events other than transactions and revaluations. The various categories of other volume changes are defined as follows:

- **economic appearance of assets** - refers to the recording in the balance sheet of items, usually valuables or historic monuments, that are owned but have not previously been valued and included in the balance sheet;
- **catastrophic losses** - are the result of large scale, discrete, and recognisable events such as earthquakes, volcanic eruptions, tidal waves, hurricanes, drought, other natural disasters, acts of war, riots, and technological accidents such as toxic spills and release of radioactive particles into the air;
- **uncompensated seizures** - are the result of governments or other units taking possession of assets owned by other units without providing compensation and not for reasons of foreclosure or repossession;
- **natural growth of non-cultivated biological resources** - refers to the growth of natural resources (e.g. native forests, fish stocks, etc.) that is not controlled by the owners;
- **depletion of natural assets** - refers to the reduction in the value of natural resources that results from their physical removal (e.g. harvesting) or use;

- **other economic disappearance of non-produced assets** - includes quality changes due to changes in economic use, degradation due to economic activity, write-offs of purchased goodwill, and exhaustion of patent protection;
- **changes in classification and structure** - refers to the reclassification of a unit to another sector or the reclassification of an asset or liability to another category of asset or liability;
- **other volume changes n.e.c.** - are changes to assets or liabilities arising from events other than transactions, revaluations and those listed above.

Table A1.9. SNA OTHER CHANGES IN VOLUME OF ASSETS ACCOUNT

Changes in Assets	Changes in Liabilities and Net Worth
Non-financial assets	Liabilities
Produced assets	Catastrophic losses
Economic appearance of produced assets	Uncompensated seizures
Catastrophic losses	Other volume changes in liabilities n.e.c.
Uncompensated seizures	
Other volume changes in non-financial assets n.e.c.	
Changes in classifications and structure	
Non-produced assets	
Economic appearance of non-produced assets	
Natural growth of non-cultivated biological resources	
Economic disappearance of non-produced assets	
Depletion of natural assets	
Other economic disappearance of non-produced assets	
Uncompensated seizures	
Other volume changes in non-financial assets n.e.c.	
Changes in classification and structure	
Financial assets	
Catastrophic losses	
Uncompensated seizures	
Other volume changes in financial assets and liabilities n.e.c.	
Changes in classification and structure	
	Changes in net worth due to other changes in volume of assets

THE REVALUATION ACCOUNT

A1.75 The account records positive or negative holding gains accruing during the accounting period to owners of assets and liabilities. The gains and losses are summarised in the balancing item of the account, **change in net worth due to nominal holding gains/losses**. The **holding gain** on a given quantity of an asset is defined as ‘the value of the benefit accruing to the owner of that asset as a result of a change in its price or, more generally, its monetary value, over time’ (SNA93, paragraph 12.63). Holding gains and losses are recorded in the revaluation account for previously described broad classes of assets and liabilities.

Table A1.10. SNA REVALUATION ACCOUNT

Changes in Assets	Changes in Liabilities and Net Worth
Nominal holding gains(+)/losses(-)	Nominal holding gains(+)/ losses(-)
Non-financial assets	Liabilities
Produced assets	
Non-produced assets	
Financial assets	Changes in net worth due to nominal holding gains(+)/losses(-)

THE BALANCE SHEET
ACCOUNTS

A1.76 An outline of the SNA balance sheet accounts (i.e. the opening balance sheet, the changes in balance sheet account, and the closing balance sheet) is presented in Table A1.11. The opening and closing balance sheets record the values of assets, liabilities and net worth at the beginning and end respectively of the accounting period. The changes in balance sheet account records the total change (arising from transactions and other economic flows) in the values of assets, liabilities and net worth over the accounting period.

A1.77 **Net worth** is the balancing item in the opening and closing balance sheets and is equal to the value of all assets less the value of all liabilities. As discussed under 'Basic concepts' above, liabilities are defined broadly as financial claims and therefore include the value of the equity of corporations and quasi-corporations, which represent the financial claims of owners on the assets of the corporations and quasi-corporations. Because the equity of quasi-corporations is defined as the value of their assets less the value of their liabilities, the value of their net worth is always zero.

A1.78 The balancing item in the changes in balance sheet account is **change in net worth**. The SNA recommends that change in net worth should be decomposed into change in net worth due to savings and capital transfers, change in net worth due to revaluations, and change in net worth due to other changes in the volume of assets, each of which are balancing items that are also recorded in other accounts.

A1.79 All three balance sheet accounts use the classification of assets and liabilities that is used in the accumulation accounts. The variation in the degree of classification detail shown in each of the tables in this chapter reflects the variation shown in SNA93. However, national compilers can choose the level of detail that they present in each account. The classifications shown in Table A1.11 have already been explained in preceding discussion of other accounts and that discussion is not repeated here.

Table A1.11. SNA BALANCE SHEET ACCOUNTS

Assets			Liabilities and Net Worth			
	Changes			Changes		
	Opening	in		Closing	Opening	in
	balance	balance	balance	balance	balance	balance
	sheet	sheet	sheet	sheet	sheet	sheet
Non-financial assets				Liabilities		
Produced assets				Currency and deposits		
Fixed assets				Securities other than shares		
Inventories				Loans		
Valuables				Shares and other equity		
Non-produced assets				Insurance technical reserves		
Tangible				Other accounts payable		
Intangible						
Financial assets						
Monetary gold and SDRs						
Currency and deposits						
Securities other than shares						
Loans						
Shares and other equity						
Insurance technical reserves						
Other accounts receivable						
				Net worth/Change in net worth		

APPENDIX 2

THE IMF GFS STANDARD

INTRODUCTION

A2.1 The IMF describes the primary purpose of the revised GFS system as provision of a comprehensive conceptual and accounting framework that is suitable for analysing and evaluating the general government sector of any country. The revised GFS system is also described as having the purposes of updating the standard set out in the 1986 manual and of harmonising the GFS system with the 1993 SNA. The GFS standard is one of three international statistical standards promulgated by the IMF; the others relate to balance of payments and monetary and financial statistics. All three standards are harmonised with SNA93.

A2.2 Statistics produced in accordance with the IMF GFS system are for use by policy makers and analysts to study developments in the financial operations, financial position, and liquidity situation of the general government sector in a consistent and systematic manner. Data for the various levels of government are provided, as are various key summary measures of government performance (called 'balancing items') such as the net operating balance, net lending/borrowing and change in net worth. The system also provides detailed statistics related to government financial operations such as taxation revenue classified by the types of taxes, expenditures classified by government functions (e.g. health, education, defence) and government borrowing classified by source.

A2.3 Because the GFS standard is international, a country's GFS produced using the standard are comparable with GFS of other countries that use the standard (international statistics on government finance are collected and published by the IMF). Harmonisation of the standard with SNA93 facilitates comparison of GFS with national accounts statistics and with statistics produced using the other harmonised standards (i.e. balance of payments and financial and monetary statistics).

SCOPE OF THE SYSTEM

A2.4 The 'scope' of the IMF GFS system is technically the public sector, but it focuses mainly on the general government sector as defined in the 1993 SNA and discussed in Appendix 1 ('scope' is the term used in statistical parlance to refer to the group of units that defines the boundaries of a statistical system). As discussed in Appendix 1, the general government sector comprises all resident government units and non-profit institutions (NPIs) that are controlled and mainly financed by government. A NPI is controlled by government if government units have the ability to determine the general policy of the NPI through appointment of officers. A NPI is mainly financed by government if government units fund, in cash or kind, more than 50% of the operating expenses of the NPI.

UNITS

A2.5 The basic unit in the IMF GFS system is the SNA institutional unit, as defined in the previous section. The GFS system also employs the SNA concept of quasi-corporations. Thus, unincorporated government market enterprises that behave like corporations are treated as public corporations and are not included in the general government sector.

SUBSECTORS OF THE GENERAL GOVERNMENT SECTOR

A2.6 In keeping with the SNA, the IMF recommends that the general government sector be divided for statistical purposes into three subsectors:

- central government;
- state government;
- local government.

For countries that do not have all three levels, the standard recommends that the central government should be distinguished from whatever other level exists. In the above classification, NPIS and social security schemes are included with the level of government by which they are controlled. Although the IMF standard allows social security funds to be grouped in a separate subsector, the above subsectoring scheme is preferred.

THE PUBLIC SECTOR

A2.7 The defined scope of the IMF GFS system is the public sector (i.e. the public sector as defined in the SNA). As discussed in relation to the SNA, the public sector comprises the general government sector, the public non-financial corporations and the public financial corporations. However, the revised manual does not provide detailed and extensive guidance on the compilation of statistics for the total public sector.

SUPPLEMENTARY FUNCTIONAL VIEW OF GOVERNMENT

A2.8 The IMF standard provides for an optional supplementary analysis that gives a functional view of government. Thus, the view recognises that certain government policies, called **quasi-fiscal activities** (QFAs), may be carried out by units outside the general government sector at the behest of a unit of the general government sector, and that the general government sector may undertake certain **non-government activities** (NGAs). An example of a QFA would be provision of subsidised loans for policy purposes by a public financial corporation or a private bank. An example of a NGA would be sale of government publications at market prices by a government unit that does not qualify as a quasi-corporation. The IMF recommends that significant QFAs should be recorded at least as memorandum items. The IMF manual also provides guidance on how a functional view of government can be provided by adjusting data for the general government sector. Thus, certain transactions with units performing QFAs are reclassified and some transactions of the units are treated as if undertaken by the general government sector. Similarly, transactions relating to NGAs are removed from the general government sector.

FLOWS, STOCKS AND ACCOUNTING RULES

A2.9 The IMF GFS system employs the same concepts of economic flows and stocks as the SNA. Flows are divided between **transactions** and **other economic flows**, which are each defined in exactly the same way as in the SNA. As well, the system follows the SNA integrated design whereby all changes in stocks result only from flows and the value of any stock at a point in time represents the cumulative value of all flows that have affected that stock over its life time. Over any given accounting period, the value of a stock at the end of the period is equal to its value at the beginning of the period plus the net result of flows affecting that stock during the accounting period.

A2.10 Transactions are classified in the system as either **exchanges** or **transfers**. Exchanges occur when one unit provides goods, services, assets or labour to another unit and receives something in return of the same value. Examples of exchanges include wages paid to employees, interest paid to a lender, purchases of goods and services, and issuance of a bond. A transfer occurs if one unit provides goods, services, assets or labour to another unit and receives nothing in return. Taxes, grants, social benefits and subsidies are all examples of transfers. Although tax payers might receive indirect benefits from their payment of taxes, taxes are included as transfers because the payment of a tax by an individual cannot be linked directly to any benefits received by the tax payer in return for paying that tax.

A2.11 All transactions not expressed in monetary terms must be assigned a monetary value in the system. Barter transactions and transactions in kind are common examples of non-monetary transactions.

A2.12 Economic flows are not always recorded in the GFS system in the same way as they appear in government accounts. Transactions may have to be re-routed as when employer contributions to pension schemes on behalf of employees are treated as if paid first to the employees rather than directly to the pension scheme. Some transactions are partitioned, as when a single payment is split into interest and repayment of principal. Transactions may be reassigned when one unit acts as an agent for another and the transactions are recorded with the principal rather than the agent.

A2.13 As in the SNA, other economic flows are classified as either volume changes or value changes (i.e. holding gains and losses or revaluations).

A2.14 The system employs **double entry accounting** for recording flows. Each flow gives rise to two equal-valued entries, a credit and a debit. By convention, increases in assets accounts and decreases in liability and net worth accounts are debits, and increases in liability and net worth accounts and decreases in assets accounts are credits. Net worth is defined as total assets minus total liabilities. Revenue and expense are treated as net worth accounts; credit entries are made to record revenue and debit entries are made to record expense. For example, receipt of a tax payment would be credited to revenue and debited to an asset account for cash. Use of the double-entry system ensures that the total value of a unit's assets always equals the total value of its liabilities and net worth.

A2.15 The system employs the same **accrual basis of recording** as the SNA. Flows are recorded at the time economic value is created, transformed, exchanged, transferred, or extinguished, irrespective of whether cash has been received or paid. The same accrual rules that were discussed in relation to the SNA are also applied in the GFS system, with special attention to the accrual recording of taxes.

A2.16 The **valuation** principle in the IMF GFS standard is the same as in the SNA, namely that all flows and stocks should be valued at current market prices. Like the SNA, the GFS manual recognises that values need to be estimated for all non-monetary flows and most stocks. The manual provides the same guidelines as the SNA in relation to estimating market values. These guidelines are summarised in the previous section relating to the SNA.

A2.17 Additionally, the manual recommends that tax and other revenue items that have been accrued but not yet received, together with the corresponding assets representing revenue receivable, should be valued at the amount that is realistically expected to be collected. Only those taxes that are evidenced by tax assessments and declarations, sales invoices, customs declarations, and/or similar documents are considered to create assets for government units. If there is evidence that some of the taxes that have been assessed will never be collected, then the difference between assessments and expected collections represents a claim that has no real value and should not be recorded as revenue.

A2.18 The manual warns that care must be exercised in determining the value of certain stocks in case the scale of transactions by the general government sector might affect market valuations of those assets and liabilities. For example, some types of structures and equipment may be held only by the central government, and recent transactions in those assets may not be good guides to their current values.

A2.19 The GFS manual includes some more specific rules than the SNA in relation to netting. The following general **netting** principles are applied:

- revenues are presented gross of expenses for the same or related category (e.g. interest payable is not deducted from interest receivable);
- revenues are presented net of refunds of revenue, and expenses are presented net of inflows of expense arising from erroneous or unauthorised transactions (e.g. refunds of income taxes are deducted from tax revenue, recovered social benefits paid in error are deducted from social benefit expenses);
- acquisitions and disposals of non-financial assets other than inventories are presented gross (e.g. acquisitions of land are presented separately from disposals of land);
- changes in inventories are presented on a net basis (i.e. as the value of additions less withdrawals);
- acquisitions and disposals of financial assets are presented net (e.g. increases in liabilities are recorded net of repayments);
- other economic flows are presented on a net basis (e.g. holding losses are deducted from holding gains);
- stocks of non-financial assets are presented net of consumption of fixed capital, holding gains and losses, depletion, and other changes since their acquisition;
- stocks of financial assets and liabilities are presented net of holding gains and losses and other changes since their inclusion on the balance sheet;
- stocks of the same type of financial instrument held both as a financial asset and a liability are presented gross (e.g. bonds held as assets are recorded separately from bond liabilities).

A2.20 As discussed in the previous section, in general the SNA does not apply the process of **consolidation** when data are aggregated. In direct contrast, the IMF GFS system applies consolidation whenever data are presented for a group of units (e.g. all units in the general government sector, all units in the central government subsector). Consolidation involves the elimination of all transactions and debtor-creditor relationships that occur between two units being consolidated. In other words, one unit's record of a stock or flow is paired with the counterpart unit's record and both records are eliminated from the aggregates for that type of stock or flow. For example, if one government unit owns a bond issued by a second government unit and data for the two units are being consolidated, then the bond asset of the creditor and the bond liability of the debtor are eliminated from the consolidated aggregates of bond assets and liabilities.

A2.21 The SNA concept of contingencies is applied in the IMF standard. Contingencies are described as conditions that may affect the financial performance or position of the general government sector depending on the occurrence or non-occurrence of one or more future events. Government guaranteed loans are given as an example because they may result in a loss if a debtor defaults. Contingencies are not treated as financial assets or liabilities, but the manual recommends that aggregate data on all important contingencies should be recorded as memorandum items. In addition to the gross amount of possible gains or losses, estimates of expected gains or losses should be presented.

THE ANALYTICAL FRAMEWORK

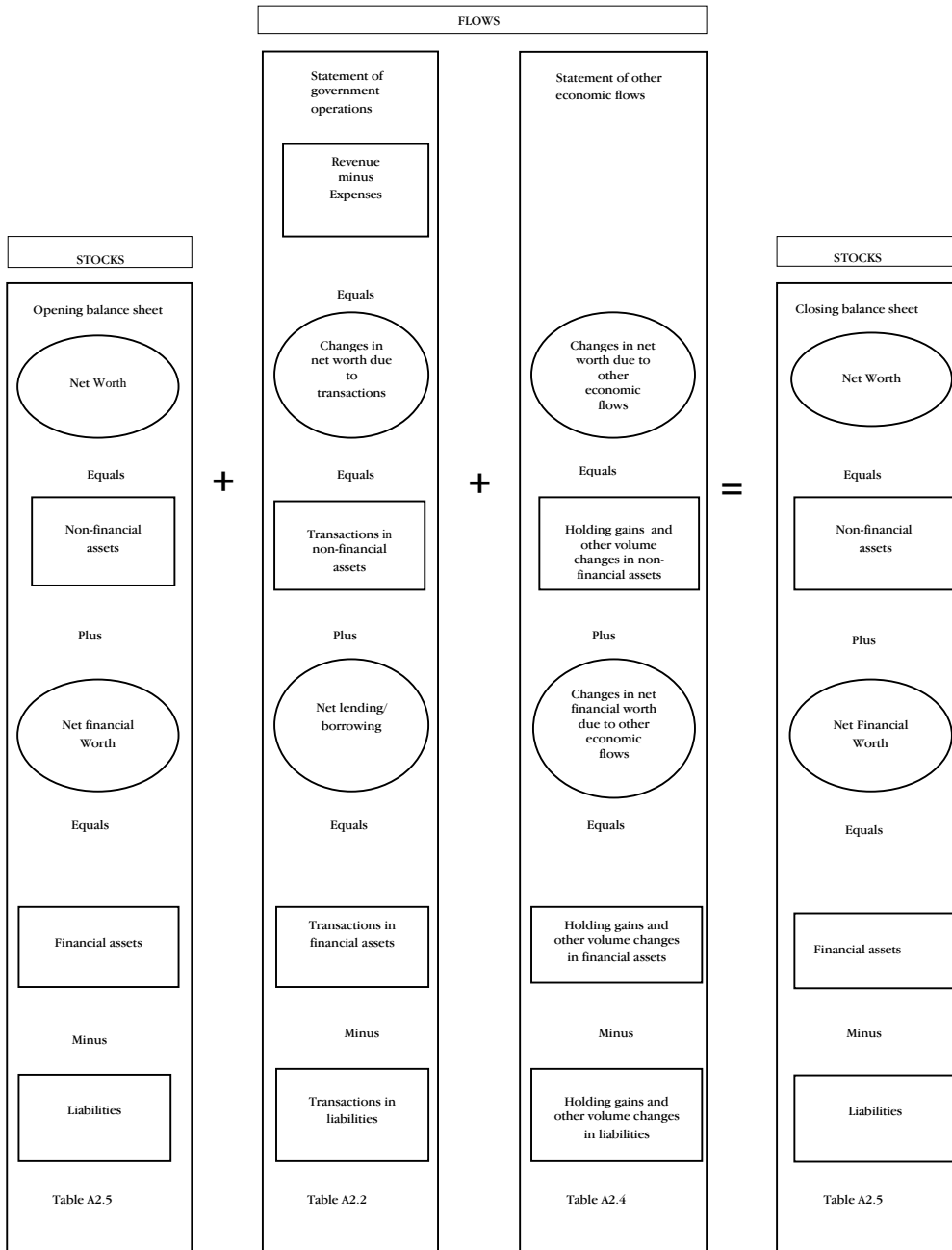
A2.22 The core of the analytical framework of the IMF GFS system is a set of three financial statements that can be combined to demonstrate that all changes in stocks result from flows. The core set of tables comprises:

- **the statement of government operations**, which summarises the transactions of the general government sector in a given accounting period;
- **the statement of other economic flows**, which records changes to the government's financial position arising from events other than from government operations; and
- **the balance sheet**, which records the stocks of assets, liabilities, and net worth of the general government sector at the beginning and end of each accounting period.

In addition, the framework includes a statement of sources and uses of cash to provide key information on liquidity.

A2.23 The combination of the core tables to integrate stocks and flows is shown in Table A2.1.

Table A2.1. INTEGRATION OF STOCKS AND FLOWS IN THE ANALYTIC FRAMEWORK OF THE IMF GFS SYSTEM



As can be seen from Table A2.1, the analytic framework is designed to satisfy the equation:

$$\text{Opening balance sheet} + \text{government operations} + \text{other economic flows} = \text{closing balance sheet.}$$

The content of each of the statements included in Table A2.1 is discussed in the following sections.

STATEMENT OF
GOVERNMENT
OPERATIONS

A2.24 The content of the IMF Statement of Government Operations is shown in Table A2.2. In the table, transactions are classified according to whether they: (i) increase net worth (revenue); (ii) decrease net worth (expense); (iii) change the stock of non-financial assets; or (iv) change the stock of financial assets or liabilities. **Non-financial assets** include fixed assets, inventories, valuables, land, subsoil assets, and other non-financial assets. Transactions in financial assets and liabilities are called 'financing' in the IMF system.

Table A2.2. IMF STATEMENT OF GOVERNMENT OPERATIONS

Transactions affecting net worth

Revenue

- Taxes
- Social contributions
- Grants
- Other revenue

Expense

- Compensation of employees
- Use of goods and services
- Consumption of fixed capital
- Interest
- Subsidies
- Grants
- Social benefits
- Other expenses

Net operating balance (gross operating balance less consumption of fixed capital)

Transactions in non-financial assets

Net acquisition of non-financial assets (acquisitions less disposals and consumption of fixed capital)

- Fixed assets
- Inventories
- Valuables
- Non-produced assets

Net lending/borrowing (a government's financing requirement: net operating balance less the net acquisition of non-financial assets)

Transactions in financial assets and liabilities

Financial assets

- Domestic
- Foreign

Liabilities

- Domestic
 - Foreign
-

A2.25 There are three sections in the government operations table, each summarised by a balance:

- The first section relates to transactions that affect net worth. The **net operating balance**, calculated as revenue less expense, equals the change in net worth from government operations.
- The second section summarises transactions in non-financial assets. **Net lending/borrowing** is calculated as the net operating balance less the net acquisition of non-financial assets.
- The third section presents data on financing. The balancing item net lending/borrowing can be derived alternatively as net transactions in financial assets less the net transactions in liabilities.

Each of the major components of the table of operations is discussed in the following paragraphs.

Revenue

A2.26 All transactions that increase the net worth of the general government sector are classified as revenue (as in the SNA, net worth is defined as the value of assets minus the value of liabilities). In general, transactions that increase net worth result from current operations. Four major types of revenue are distinguished at the broadest level of the revenue classification: taxes, social contributions, grants, and other revenue.

- **Taxes** are defined as compulsory, unrequited transfers to the general government sector. They include fees not related to the sale of goods and services, but exclude social contributions, fines, and penalties;
- **Social contributions** include all payments to social security schemes and to government-operated social insurance schemes that benefit government employees. This item is of only minor importance in Australia because social security schemes as defined by the IMF do not exist in Australia and most social insurance schemes for government employees are not operated by governments;
- **Grants** are defined as unrequited, noncompulsory transfers received from other governments or from international organisations. They may be received in cash or in kind;
- **Other revenue** includes all revenues not classified as taxes, social contributions, or grants. The major items are property income, sales of goods and services, fines, penalties and forfeits, voluntary transfers other than grants, and miscellaneous and unidentified revenue.

Expenses

A2.27 All transactions that decrease the net worth of the general government sector are classified as expenses. The major items in the economic classification of expense are compensation of employees, use of goods and services, consumption of fixed capital, interest, subsidies, grants, social benefits, and other expenses (expense can also be classified according to functional purposes, such as health or social protection; the functional classification of expense is discussed later in this appendix):

- **Compensation of employees** is defined in the same way as in the SNA with the important exception that compensation of employees related to construction of fixed assets for own use is excluded and classified as acquisitions of non-financial assets;
- **Use of goods and services** is the total value of goods and services used by the general government sector in production, and use of goods acquired for resale. Goods and services acquired for use as direct in-kind transfers to households or as grants are excluded. As for compensation of employees, any use of goods and services for own-account construction of fixed assets is excluded and treated as acquisition of non-financial assets;
- **Consumption of fixed capital** is defined in the same way as in the SNA with the same exception as applies to compensation of employees, i.e. consumption of fixed capital related to non-financial assets used in the construction of fixed assets for own use is excluded;
- **Interest** is defined as the amount a debtor becomes liable to pay to a creditor over a given period of time without reducing the amount of the principal outstanding. Unlike the SNA, no deduction is made in the GFS system for the service element of interest (i.e. FISIM; see discussion of the SNA, Appendix 1, paragraph A1.8);
- **Subsidies** are defined as in the same way as in the SNA (i.e. current transfers that government units make to enterprises either on the basis of the levels of their production activities or on the basis of the quantities or values of the goods or services that they produce, sell, or import). Subsidies include transfers to public corporations and other enterprises that are intended to compensate for operating losses;
- **Grants** are a unique GFS concept and are defined as unrequited, noncompulsory transfers in cash or in kind paid to another government unit or an international organisation;
- **Social benefits** are defined in the same way as in the SNA (i.e. current transfers in cash or in kind to households to provide for needs arising from events such as sickness, unemployment, retirement, housing, education, or family circumstances);
- **Other expenses** includes all expense transactions not elsewhere classified, including: taxes, fines, and penalties imposed by one government on another; transfers to non-profit institutions; capital transfers other than grants, including agreements to cancel a debt; payments in compensation for injury to persons or damage to property; and payments for the use of land and other non-produced non-financial assets.

Transactions in non-financial assets

A2.28 Exchange transactions in non-financial assets do not constitute revenue or expense because they do not change net worth but simply exchange an asset for another asset (e.g. cash) or a liability. As in the SNA, four main types of non-financial assets are recognised at the broadest level of the non-financial assets classification:

- **Fixed assets** are produced assets that are used repeatedly or continuously in processes of production for more than one year. Transactions in fixed assets can refer to acquisitions of new assets, construction of new assets on own account, acquisitions and disposals of existing assets, or major improvements to fixed assets and non-produced assets. Assets can be acquired or disposed of by purchase, sale, barter, or transfer;
- **Inventories** are stocks of goods held by governments that are intended for sale, use in production, or other use at a later date. They can be raw materials, work in progress, finished goods, goods held for resale, or strategic stocks (strategic stocks are supplies of strategically important goods (e.g. fuels) held for emergency use). Withdrawals from inventories are valued at current market prices rather than their acquisition prices;
- **Valuables** are produced assets that are not used primarily for purposes of production or consumption, but are held as stores of value over time;
- **Non-produced assets** are assets needed for production that have not themselves been produced, such as land, subsoil assets, and certain intangible assets.

Financing (transactions in financial assets and liabilities)

A2.29 Financing represents transactions that change a government's holdings of financial assets and liabilities and covers the same types of transactions as are recorded in the SNA financial account. As in the SNA, financial assets are described as consisting mainly of claims on other institutional units, and therefore have counterpart liabilities. Monetary gold and SDRs (Special Drawing Rights at the IMF) are exceptions in that they are financial assets that are not claims on other units. In the system, financing is classified in several different ways including: by the type of financial instrument used (e.g. bonds, loans, securities); the sector (e.g. government, financial corporation) of the other party to the transaction; and the residency (domestic, foreign) of the other party.

A2.30 Unique to the system is the classification of the acquisition of financial assets by whether the asset was acquired by market or non-market means. This classification recognises that governments may acquire financial claims (e.g. make loans) on a non-market basis for fiscal policy purposes, such as fostering new industries, assisting ailing government corporations, or helping particular businesses that are suffering economic adversity. Such transactions can take a variety of forms, including loans, equity securities, and debt securities. Given the subsidy component of such transactions, the IMF considers it important to identify them in a separate category so that for some analyses they can be treated as flows with characteristics similar to expense. These transactions were called 'lending minus repayments' in the 1986 GFS Manual and are described as 'advances' in Australia. All transactions in financial assets that take place on a market basis are assumed to be for liquidity management purposes. That is, the assets are acquired to earn a market rate of return while keeping sufficient funds on hand to finance day-to-day operations.

A2.31 Financing includes accrual of unpaid interest on loans and securities. The unpaid interest is either added as additional principal to the original loan or security or treated as acquisition of an account payable or receivable.

GOVERNMENT CASH
OPERATIONS

A2.32 The items in the IMF statement of sources and uses of cash are shown in Table A2.3. The statement recognises the importance of monitoring the government's cash position, which was the focus of the 1986 GFS system. The statement shows the total amount of cash generated or absorbed: (i) by current operations; (ii) by transactions in non-financial assets; and (iii) by transactions involving financial assets and liabilities other than cash itself. The net change in the government's cash position is the sum of the net cash received from these three sources.

Table A2.3. IMF GFS STATEMENT OF SOURCES AND USES OF CASH

Cash flows from operating activities

Cash receipts from operating activities

Cash payments for operating activities

Net cash inflow from operating activities

Cash flows from investments in non-financial assets

Purchases of non-financial assets

Sales of non-financial assets

Net cash outflow from investments in non-financial assets

Cash surplus/deficit

Cash flow from financing activities

Net acquisition of financial assets other than cash

Net incurrence of liabilities

Net cash inflow from financing activities

Net change in the stock of cash

A2.33 As can be seen from the table, cash flows are classified according to the major categories in the table of operations. An additional category is provided that reconciles selected cash and accrual items. There are three broad categories of transactions that are recorded in the government operations table but not in the statement of sources and use of cash:

- non-cash transactions that will be settled in cash in the future (e.g. credit transactions, accrued interest);
- transactions that are not in cash by their nature (e.g. consumption of fixed capital);
- transactions in kind by choice (e.g. barter and grants in kind).

THE STATEMENT OF
OTHER ECONOMIC FLOWS

A2.34 The content of the statement of other economic flows is shown in Table A2.4. The table records changes to the government's net worth that are not the result of government operations. They are classified as changes either in the value or the volume of assets and liabilities. The balancing item of this statement is the **change in net worth from other economic flows**.

Table A2.4. IMF GFS STATEMENT OF OTHER ECONOMIC FLOWS

Changes in net worth resulting from other economic flows

Non-financial assets

Holding gains
Other changes in volume

Financial assets

Holding gains
Other changes in volume

Liabilities

Holding gains
Other changes in volume

A2.35 The definitions of other changes in volume and of revaluations are the same as in the SNA, as discussed in paragraphs A1.74 and A1.75.

THE GOVERNMENT
BALANCE SHEET

A2.36 The IMF GFS balance sheet is shown in Table A2.5. It presents the stocks of assets and liabilities at the beginning and end of the accounting period. Also included is **net worth**, defined as total assets less total liabilities. The change in net worth is described by the IMF as the preferred measure for assessing the sustainability of fiscal activities.

Table A2.5. THE IMF GFS BALANCE SHEET

	Opening Balance Sheet	Closing Balance Sheet
<hr/>		
Non-financial assets		
Fixed assets		
Inventories		
Valuables		
Non-produced assets		
Financial assets		
Domestic		
Foreign		
Monetary gold and SDRs		
Liabilities		
Domestic		
Foreign		
Net worth		

A2.37 Assets, liabilities and net worth are defined in the same way as in the SNA (see under 'Basic concepts' in the previous appendix) and the SNA classification is applied to non-financial assets. The balance sheet classification of financial assets and liabilities combines parts of the previously discussed classifications of financing transactions.

A2.38 **Net financial worth** is defined as total financial assets less total liabilities. Net financial worth is included in the system but recognising that it may be difficult to attach market values to many government non-financial assets and that certain analyses are focused only on the financial assets of the general government sector rather than its total assets.

BALANCING ITEMS

A2.39 As indicated in each of the foregoing tables, various balancing items are suggested as important summary measures of fiscal policy. The government operations table includes three key balances:

- **the net operating balance** (revenue less expense), which is the change in net worth resulting from transactions and is equivalent to the SNA balancing item, change in net worth due to saving and capital transfers;
- **net lending/borrowing**, which measures the financing requirement of government and can be calculated either as the net operating balance less the net acquisition of non-financial assets or as the net result of transactions in financial assets less the net result of transactions in liabilities;

A2.40 Other balancing items that might be useful in fiscal analysis are suggested, including:

- **the gross operating balance**, which differs from the net operating balance in that it does not include consumption of fixed capital as an expense — this item may be useful where consumption of fixed capital cannot be measured reliably;
- **net saving**, which is equal to the net operating balance less capital transfers receivable plus capital transfers payable — this balance is favoured by some analysts as a measure of sustainability of government operations because it excludes the effects of capital transfer transactions that may be infrequent or unusual; it may also be used for consistency in analysis involving sectors other than the general government sector, where saving is often the more appropriate balancing item;
- **gross saving**, which is equal to the gross operating balance less capital transfers receivable plus capital transfers payable — it is only recommended when consumption of fixed capital cannot be measured reliably.

CLASSIFICATIONS OF FLOWS AND STOCKS

A2.41 The classifications of revenue, expense, transactions in non-financial assets and financing that are shown in the foregoing tables represent only the broadest level recommended in the IMF GFS system. Lower levels of the classifications are presented and discussed in the following sections. The presentations of revenue and expense do not include the classifications' lowest levels, which are too detailed for presentation here.

REVENUE CLASSIFICATION

A2.42 The IMF GFS revenue classification at the second highest of its four levels is reproduced in Table A2.6.

Table A2.6. IMF GFS CLASSIFICATION OF REVENUE AT SECOND LEVEL

Taxes

Taxes on income, profits and capital gains
Taxes on payroll and workforce
Taxes on property
Taxes on goods and services
Taxes on international trade and transactions
Other taxes

Social contributions

Social security contributions
Other social contributions

Grants

From foreign governments
From international organisations
From other general government units

Other revenue

Property income
Sales of goods and services
Fines, penalties and forfeits
Voluntary transfers and other grants
Miscellaneous and unidentified revenue

A2.43 At lower levels of classification, **taxes on income, profits and capital gains** are divided between taxes payable by individuals, taxes payable by corporations, and taxes that cannot be allocated between the previous categories.

A2.44 The item for **taxes on property** is intended to relate to taxes on the use, ownership or transfer of wealth. A distinction is made at lower levels between recurrent and non-recurrent taxes of this type. Included are taxes on changes in ownership of property through inheritance or other transactions, one-time betterment levies, and special levies on capital.

A2.45 **Taxes on goods and services** include value-added taxes, general sales taxes, excises, taxes levied on use of motor vehicles or other goods, taxes levied on permission to use goods or perform certain activities and taxes on extraction, processing, or production of minerals and other products. Excluded are taxes on international trade. An important distinction is made between regulatory fees (e.g. licence fees) that are included with this category of taxes, and sales of government services. The general rule applied is that, if there is little or no effort required on the government's part to administer the fee, then it is treated as a tax. However, if the government uses the fee to exercise some proper regulatory function (e.g. checking the competency or qualifications of licence applicants) the fees should be treated as sale of government services.

A2.46 More specifically, fees with the following characteristics are regarded as taxes:

- the payer is not the recipient of benefits;
- the government is not providing a specific service in return for payment of the fee;
- benefits received by individual fee payers are not proportional to their payments.

A2.47 Taxes on international trade and transactions include customs and other import duties, taxes on exports, profits of export or import monopolies, exchange profits, exchange taxes, and other taxes on international trade. Profits of export and import monopolies and exchange profits are considered taxes where a government sets up the monopolies or manipulates the exchange rate to extract a monopoly profit as a source of revenue.

A2.48 Other taxes include poll taxes, head taxes, capitation taxes, stamp taxes that do not fall on a single class of transactions, personalised expenditure taxes (i.e. with deductions and exemptions based on the individual purchaser), and taxes levied on a combination of bases that cannot be allocated among the various bases.

A2.49 Social security contributions are contributions paid to social security schemes which, as previously noted, do not exist in Australia. **Other social contributions** refer to contributions payable to government operated social insurance schemes other than social security schemes. Social insurance schemes are defined as arrangements in which social contributions are paid by employers, employees or others to secure entitlement to future employee benefits such as retirement, sickness and disability benefits. The item includes contributions paid by government employees to social insurance schemes operated by their employers, including imputed contributions to 'unfunded' schemes (i.e. schemes in which no provision is made for future payment and benefits, which are paid from the employer's general funds as they fall due). It should be noted that this item relates only to contributions payable to social insurance schemes operated by general government units and excludes contributions collected by a government employer for payment to schemes operated by units outside the general government sector.

A2.50 Grants are subdivided between current and capital grants and between grants from foreign governments, international organisations and other levels of national government. Current grants are defined as grants made for purposes of current expenditure and are not linked to, or conditional on, acquisition of an asset by the recipient. Capital grants involve the recipient's acquisition of assets (other than inventories) or the cancellation of a liability of the recipient.

A2.51 Property income is income received by a government when it places financial and/or non-produced non-financial assets at the disposal of other institutional units. It includes interest, dividends, withdrawals from the income of quasi corporations, reinvested earnings on direct foreign investment, and rent.

A2.52 Withdrawals from the income of quasi-corporations do not include funds realised by sale or disposal of the quasi-corporation's non-financial assets or from liquidation of its accumulated reserves — such funds are treated as repayments of the government's equity in the quasi-corporation.

A2.53 Reinvested earnings on direct foreign investment is an imputed national accounting item relating to a government's share of the undistributed net income of non-resident enterprises in which the government is a direct investor (i.e. it owns 10% or more of the voting power or its equivalent). The undistributed income is treated as if it were actually remitted to the government (see paragraph A1.54 for more detail).

A2.54 Rent is property income receivable from leases of land, subsoil assets and other non-produced non-financial assets. Rentals from leases of produced assets are included in sales of goods and services. Included are payments, often called royalties, for leases to extract minerals or other natural resources, and to explore for minerals.

A2.55 Sales of goods and services includes administrative fees that are not regarded as taxes and incidental sales by non-market units within government such as sales of government publications, sales of products made at vocational schools, fees paid at government hospitals, admission fees to museums, art galleries and parks, etc.

A2.56 Fines, penalties and forfeits exclude those payable for tax infringements, which are classified with the tax in question.

A2.57 Voluntary payments other than grants includes gifts and voluntary donations from sources other than governments and international organisations, including private non-profit institutions and individuals.

A2.58 Miscellaneous and unidentified revenue includes all revenues that do not fit into any other category such as sales of used non-capital goods, sales of scrap, insurance claims, payments for damages, and revenues for which insufficient information was available to enable classification elsewhere.

EXPENSE CLASSIFICATIONS

A2.59 Expense is classified two ways in the IMF GFS system: by government function and by economic type. The government function classification is reproduced in Table A2.7 at first level of the three-levels.

Table A2.7. IMF GFS GOVERNMENT PURPOSE CLASSIFICATION AT FIRST LEVEL

Public order and safety
General public services
Defence
Public order and safety
Economic affairs
Environmental protection
Housing and community amenities
Health
Recreation, culture and religion
Education
Social protection

A2.60 The functional classification is an updated version of the classification of the functions of government (COFOG) that is presented in SNA93. The classification is designed for application to individual expense transactions, but the manual states that (in practice) it may only be possible to assign the classification to projects or programs. The classification can be applied to transactions in non-financial assets as well as expense transactions. The intention of including the classification in this discussion is to provide a general understanding of its nature. Accordingly, descriptions of the content of individual items are not provided here.

A2.61 Table A2.8 shows the economic classification of expense at the second level.

**Table A2.8. IMF GFS ECONOMIC CLASSIFICATION OF EXPENSE AT
SECOND LEVEL**

Compensation of employees not capitalised

Wages and salaries
Social contributions

Use of goods and services

Consumption of fixed capital

Interest

To nonresidents
To residents other than general government
To other general government units

Subsidies

To public corporations
To private enterprises

Grants

To foreign governments
To international organisations
To other general government units

Social benefits

Social security benefits
Social assistance benefits
Employer social benefits

Other expense

Property expenses other than interest
Miscellaneous other expense

A2.62 Wages and salaries are defined as all remuneration in cash and in kind payable to employees in return for work performed by the employees during the accounting period except for employers' social contributions. Excluded are reimbursements of expenditures made by employees in order to enable them to take up their jobs or to carry out their work (e.g. travel, removal, or related expenses) and expenditures by employees on tools, equipment, special clothing, or other items that are needed to enable them to carry out their work. The amounts reimbursed are treated as use of goods and services.

A2.63 Wages and salaries also do not include social benefits paid by employers (e.g. family education and other allowances in respect of dependants, payments to workers absent from work because of illness, accidental injury, or maternity leave, and severance payments to workers or their survivors). These social benefits are included in government employee social benefits.

A2.64 Wages and salaries payable to workers engaged in the production or construction of non-financial assets for the unit's own use are excluded and treated as acquisition of non-financial assets.

A2.65 Social contributions are classified as actual or imputed contributions. Imputation of social contributions is required when the social insurance schemes involved are unfunded. Unfunded schemes are schemes in which the employer simply pays benefits out of its general funds and does not invest funds to provide for payment of the benefits in the future. In such cases, a transaction representing the payment of the social contribution to the employee is imputed as the amount of social contributions that would be needed to secure the future benefit entitlements.

A2.66 Some social contributions are paid directly to a government unit. Such transactions are not eliminated in consolidation because social contributions are treated as payable first to the employees and then by the employees to the social insurance schemes.

A2.67 Use of goods and services excludes their use to produce fixed assets or valuables or to compensate employees in kind. Also excluded are transfers of goods and services to households without being used in a production process and reimbursements by government for goods and services acquired by households. Any fees and charges collected for goods and services provided by government units are not deducted from expense, but are shown as revenue.

A2.68 Expenditures on inexpensive durable goods, such as hand tools, are treated as use of goods and services when such expenditures are made regularly and are small compared with expenditures on machinery and equipment.

A2.69 Goods and services consumed for the maintenance and repair of fixed assets constitute use of goods and services. Major renovations, reconstructions, or enlargements of existing fixed assets are treated as acquisitions of non-financial assets.

A2.70 By convention, use of goods and services for research and development, staff training, market research, and similar activities are included even though some of these activities may bring future benefits. Use of materials to produce coins or notes of the national currency, or amounts payable to contractors to produce the currency, also are included.

A2.71 Use of goods and services includes purchases of weapons (for example, rockets, missiles, and the associated warheads) and associated delivery equipment (for example, rocket launchers, warships, submarines, and tanks). Purchases of defence items that can be used for civilian purposes in the same way as they are used for defence purposes (such as military airfields, docks, colleges, hospitals, and office machinery) are treated as acquisitions of non-financial assets. By convention, weapons or armoured vehicles acquired by police and security services are treated as acquisitions of non-financial assets, even though expenditures on the same kind of equipment by the military would be treated as use of goods and services.

A2.72 All transfers of goods and services to other governments or international organisations other than goods and services produced by the donor government unit are treated as grants rather than usage. Such grants may entail the transfer of government-owned fixed assets, the transfer of goods and services held in inventory, the construction of fixed assets, or the purchase and simultaneous transfer of either fixed assets or goods and services for current consumption.

A2.73 Use of goods and services includes all consumption of goods and services by a government unit to produce non-market goods and services that are distributed either as social benefits in kind or distributed to households in particular circumstances, such as following a natural disaster.

A2.74 Consumption of fixed capital is recorded with respect to all tangible and intangible fixed assets owned by a government unit, including major improvements to land and costs of ownership transfer. Its valuation is expressed in terms of the average prices of the assets during the period rather than their original cost. It excludes the value of fixed assets destroyed by acts of war, natural disasters, and other exceptional events. Similarly, it excludes any losses due to unexpected technological developments that may significantly shorten the service life of an existing fixed asset.

A2.75 Interest may be a predetermined sum of money or a percentage of the outstanding principal. Interest accrues continuously throughout the period of the contract. If some or all of the interest accruing to the creditor is not paid during the period in question, it may be added to the outstanding principal or it may constitute an additional, separate liability.

A2.76 As previously stated in relation to rent receivable, **rent** is defined as the expense incurred from leases of land, subsoil assets, and other non-produced non-financial assets. Other comments made in relation to rent receivable apply equally to rent payable.

A2.77 Subsidies are payable only to producers, not to final consumers, and are current transfers only, not capital transfers. Transfers that government units make directly to households as consumers or to non-profit institutions serving households are treated as social benefits and other expense respectively. Transfers made to other government units are included in grants. Payments to enterprises to finance their capital formation or compensate them for damage to non-financial assets are treated as other expense.

A2.78 Subsidies are subdivided by recipient as subsidies to public non-financial corporations, subsidies to private financial corporations, subsidies to public financial corporations, and subsidies to other enterprises.

A2.79 Grants are classified according to whether they are current or capital grants and according to whether they are payable to foreign governments, international organisations, or other levels of national government. The previous discussion in relation to grants receivable applies equally to grants payable and is not repeated here.

A2.80 Social benefits are classified according to the type of program governing their payment. Social security benefits are paid by social security schemes which, as previously noted, do not exist in Australia. Social assistance benefits are benefits paid from general government resources. Both categories exclude government employee benefits, which have their own category.

A2.81 Social assistance benefits do not include transfers made in response to events or circumstances that are not normally covered by social insurance schemes, such as natural disasters. Such transfers are recorded under other expense. Social assistance benefits are often made in kind as when a government provides medical or dental treatments, hospital accommodation, pharmaceutical products, home care and similar goods and services. Nominal payments made by beneficiaries are not deducted from the costs of providing such goods and services. Reimbursements to households for purchasing benefits provided under a social assistance scheme are included in this category.

A2.82 Government employee social benefits are social benefits payable in cash or kind by government units to their employees or employees of other government units (or to survivors and dependants of the employees that are eligible for such payments) under the terms of a government-operated funded or unfunded social insurance scheme.

A2.83 Other expenses includes a number of transactions not elsewhere covered, including:

- current transfers to non-profit institutions serving households (NPISHs), which generally consist of cash and are intended to contribute to the costs of the production of the NPISHs or to provide the funds out of which current transfers may be made to households;
- taxes, compulsory fees, and fines imposed by one level of government on another level;
- fines and penalties imposed by courts of law or quasi-judicial bodies;
- payments of compensation for injuries or damages caused by natural disasters;
- payments of compensation for injury to persons or damage to property caused by government units, excluding payments of non-life insurance claims — these payments can be either compulsory payments awarded by courts of law or ex gratia payments agreed out of court;
- capital transfers in cash or in kind to finance all or part of the costs of acquiring non-financial assets, to cover large operating deficits accumulated over two or more years, and to cancel a debt by mutual agreement with the debtor;
- non-life insurance premiums payable to insurance corporations to obtain cover against various events or accidents; such payments are always treated as current transfers;
- non-life insurance claims payable by insurance schemes operated by a government unit in settlement of claims that become due during the current accounting period.

A2.84 The foregoing examples of other expense are classified as either other current expense or other capital transfers.

CLASSIFICATION OF
TRANSACTIONS IN NON-
FINANCIAL ASSETS

A2.85 The IMF's recommended classification of transactions in non-financial assets is shown in Table A2.9.

Table A2.9. IMF GFS CLASSIFICATION OF TRANSACTIONS IN NON-FINANCIAL ASSETS

Fixed assets
Dwellings and structures
Machinery and equipment
Other fixed assets
Inventories
Strategic stocks
Other inventories
Valuables
Non-produced assets
Land
Subsoil assets
Other naturally occurring assets
Intangible non-produced assets

A2.86 Implicit in the classification is the previously discussed distinction between produced and non-produced assets (see Appendix 1, paragraph A1.68). Fixed assets are broken down into six broad categories of types of asset and net acquisitions of land are separated from acquisition of other non-produced assets. The manual recognises that separating acquisitions of land from acquisition of structures on the land may be difficult. It recommends that, when separation is impossible, the combined asset (i.e. land and structures) be classified to the category (i.e. land or fixed assets) estimated to account for the greater value.

CLASSIFICATIONS OF
FINANCING

A2.87 As noted in the previous discussion of the IMF government operations table, the IMF recommends several different ways of classifying financial transactions. As shown in the government operations table (Table A2.2), at the broadest level financial transactions are classified as net transactions in financial assets and net transactions in liabilities, with net transactions in financial assets divided between net acquisition by non-market and market means. The foregoing categories can each be split between transactions with residents and non-residents.

A2.88 Financial transactions can be further classified by the financial instrument involved in the transactions and by the sector of the counterparty to the transactions. The instrument and sector classifications can be applied within the broad categories described above or as independent additional classifications. The IMF financial instrument classification is shown in Table A2.10 and the counterparty sector classification is shown in Table A2.11.

Table A2.10. IMF GFS CLASSIFICATION OF FINANCING BY FINANCIAL INSTRUMENT

Currency and deposits
Securities other than shares
Loans
Shares and other equities
Insurance technical reserves
Financial derivatives
Other financial assets

Table A2.11. IMF GFS CLASSIFICATION OF FINANCING BY SECTOR OF COUNTERPARTY

General government
Central bank
Other depository corporations
Financial corporations not elsewhere classified
Non-financial corporations
Households and non-profit institutions serving households

A2.89 The financial instruments included in each category shown in Table A2.10 are defined in the previous section relating to the SNA.

A2.90 The categories listed in Table A2.11 are defined as follows:

- **other levels of government** refers to transactions of one subsector of the general government sector with another; such transactions are eliminated in statistics for the general government sector as a whole;
- **the central bank** category consists of the central bank together with any other agencies or bodies that regulate or supervise financial corporations and are themselves separate institutional units;
- **other depository corporations** consist of all financial corporations (except the central bank), quasi-corporations and NPIs which engage mainly in financial intermediation and have liabilities in the form of deposits or financial instruments such as short-term certificates of deposit that are close substitutes for deposits;

- **financial corporations not elsewhere classified** consist of all other financial corporations, quasi-corporations, and NPIs; they raise funds on financial markets other than by deposits and use them to acquire other kinds of financial assets; they include investment corporations, corporations engaged in financial leasing, hire purchase corporations, and other corporations engaged in the provision of personal finance or consumer credit; also included are insurance corporations and autonomous pension funds and financial auxiliaries such as securities /brokers, loan brokers, flotation corporations, and insurance brokers;
- **non-financial corporations** consist of all corporations, quasi-corporations, and market NPIs whose principal activity is the production of market goods or non-financial services;
- **households and non-profit institutions serving households** consist of all NPIs mainly engaged in non-market production that are not controlled and mainly financed by government, such as charities, trade unions, professional societies, religious societies, and social clubs, and all households.

The manual indicates that certain of the above categories might have to be combined when applied to transactions with non-residents.

ECONOMIC TYPE
FRAMEWORK
CLASSIFICATION

SUMMARY ECONOMIC TYPE FRAMEWORK CLASSIFICATION

SECTION AND GROUP	DESCRIPTOR
1	Operating statement
11	Revenues
12	Expenses
19	Abnormal/extraordinary items
2	Cash flow statement
21	Cash flows from operating activities
22	Cash flows from investments in non-financial assets
23	Cash flows from investments in financial assets for policy purposes
24	Cash flows from investments in financial assets for liquidity management purposes
25	Cash flows from financing activities
26	Net increase/(decrease) in cash held
3	Reconciliation statement
31	Non-cash items
32	Change in assets and liabilities
33	Net cash from operating activities (transfer to cash flow statement)
4	Supplementary statement
41	Finance leases acquired
5	Intra-unit transfers other than revaluations and accrued transactions
50	Intra-unit transfers other than revaluations and accrued transactions
6	Revaluations and other changes in the volume of assets
61	Revaluations
62	Other changes in the volume of assets
8	Balance Sheet
81	Assets
82	Liabilities
83	Capital, retained earnings and reserves

EXPANDED ECONOMIC TYPE FRAMEWORK CLASSIFICATION

GROUP, SUBGROUP AND CLASS	DESCRIPTOR	UNITS	OTHER CLASSIFICATIONS
SECTION 1: OPERATING STATEMENT			
11	REVENUES		
111	Taxation revenue		
1110	Taxation revenue	GG	GPC, TC, SDC
1111	Taxes on income (derived by the ABS)	GG	GPC, TC, SDC
1112	Other current taxes (derived by the ABS)	GG	GPC, TC, SDC
1113	Taxes on products (derived by the ABS)	GG	GPC, TC, SDC
1114	Other taxes on production (derived by the ABS)	GG	GPC, TC, SDC
1115	Capital taxes (derived by the ABS)	GG	GPC, TC, SDC
112	Sales of goods and services		
1120	Sales of goods and services		GPC, SDC

113	Property income		
1131	Interest income		GPC 3410, SDC
1132	Dividend income		GPC, SDC
1133	Income from public enterprises as income tax equivalents	GG	GPC, SDC
1134	Income from public enterprises as wholesale sales tax equivalents	GG	GPC, SDC
1135	Land rent income		GPC, SDC
1136	Royalty income		GPC, SDC
1137	Seigniorage		GPC, SDC
114	Other current revenue		
1141	Revenue from current grants and subsidies		GPC, SDC
1142	Gains/losses on non-financial assets		GPC
1143	Gains/losses on financial assets (securities marked-to-market)		GPC
1144	Gains/losses on financial assets (derivatives)		GPC
1145	Gains/losses on other financial assets		GPC
1146	Fines	GG	GPC, SDC
1149	Current revenue n.e.c.		GPC, SDC
115	Capital revenue		
1151	Revenue from capital grants		GPC, SDC
1152	Assets acquired below fair value		GPC, TAC, SDC
1159	Capital revenue n.e.c.		GPC, SDC
12	EXPENSES		
121	Employee expenses		
1211	Funded superannuation expenses		GPC, SDC
1212	Unfunded superannuation expenses	GG	GPC, SDC
1213	Wages, salaries and supplements (non-capitalised)		GPC, SDC
1218	Employee expenses (provisions adjustments—derived by the ABS)		GPC, SDC
1219	Other employee expenses		GPC, SDC
122	Non-employee expenses		
1221	Provisions for doubtful debts		
1222	Bad debts written off by mutual agreement (not previously provided)		GPC, SDC
1223	Benefits to households in goods and services	GG	GPC, SDC
1224	Production tax expenses		GPC, SDC
1228	Non-employee expenses (provisions adjustments—derived by the ABS)		GPC, SDC
1229	Other non-employee expenses		GPC, SDC
123	Depreciation and amortisation		
1231	Depreciation of fixed assets (non-defence)		GPC
1232	Depreciation of fixed assets (defence)		GPC
1233	Amortisation		GPC
124	Current transfer expenses		
1241	Current grant expenses		GPC, SDC
1242	Subsidy expenses	GG	GPC, SDC
1243	Current monetary transfers to households	GG	GPC, SDC
1244	Tax expenses		GPC, SDC, TC
1249	Other current transfer expenses		GPC, SDC
125	Capital transfer expenses		
1251	Capital grant expenses		GPC, SDC
1252	Assets donated		GPC, TAC, SDC
1259	Other capital transfer expenses		GPC, SDC

126	Property expense		
1261	Nominal interest on unfunded superannuation	GG	GPC 3410, SDC
1262	Interest expense other than nominal interest on unfunded superannuation		GPC 3410, SDC
1263	Income transferred by public enterprises as dividends	PNFC, PFC	GPC, SDC
1264	Income transferred by public enterprises as income tax equivalents	PNFC, PFC	GPC, SDC
1265	Income transferred by public enterprises as wholesale sales tax equivalents	PNFC, PFC	GPC, SDC
1266	Land rent and royalty expenses		GPC, SDC
1267	Dividends to shareholders	PNFC, PFC	GPC, SDC
19	ABNORMAL/EXTRAORDINARY ITEMS		
191	Abnormal/extraordinary items as reported		
1911	Abnormal/extraordinary items as reported in the current period		
1912	Abnormal/extraordinary items allocated from other periods		
192	Abnormal/extraordinary contra items		
1921	Abnormal/extraordinary contra items—economic transactions in current period affecting NOR		
1922	Abnormal/extraordinary contra items—economic transactions in current period financing NOR		
1923	Abnormal/extraordinary contra items—revaluations and writedowns		
1924	Abnormal/extraordinary contra items—other non-economic transactions		
1925	Abnormal/extraordinary contra items—economic transactions relating to other periods		

SECTION 2: CASH FLOW STATEMENT

21	CASH FLOWS FROM OPERATING ACTIVITIES		
211	Cash receipts from operating activities		
2111	Taxes received	GG	SDC
2112	Cash received from sales of goods and services		SDC
2113	Grants and subsidies received		SDC
2114	Income transferred from public enterprises		SDC
2115	Interest received		SDC
2119	Other receipts		SDC
212	Cash payments for operating activities		
2121	Cash paid for employee superannuation		SDC
2122	Cash paid for the purchase of other goods and services		SDC
2123	Subsidies and grants paid		SDC
2124	Other transfer payments		SDC
2125	Interest paid		SDC
2129	Other payments		SDC
22	CASH FLOWS FROM INVESTMENTS IN NON-FINANCIAL ASSETS		
221	Capitalised interest		
2210	Capitalised interest		GPC 3410, SDC

222	Expenditure on non-financial assets (net)	
2221	Purchases of new non-financial assets	GPC, TAC, SDC
2222	Purchases of secondhand non-financial assets	GPC, TAC, SDC
2223	Sales of non-financial assets	GPC, TAC, SDC
23	CASH FLOWS FROM INVESTMENTS IN FINANCIAL ASSETS FOR POLICY PURPOSES	
231	Advances paid (net)	
2311	Gross advances paid	GPC, SDC
2312	Repayments of advances	GPC, SDC
232	Equity acquisitions, disposals and privatisations (net)	
2321	Equity acquisitions	GPC, SDC
2322	Equity disposals and privatisations	GPC, SDC
24	CASH FLOWS FROM INVESTMENTS IN FINANCIAL ASSETS FOR LIQUIDITY MANAGEMENT PURPOSES	
240	Increase in investments	
2400	Increase in investments	SDC
25	CASH FLOWS FROM FINANCING ACTIVITIES	
251	Advances received (net)	
2511	Gross advances received	SDC
2512	Advances repaid	SDC
252	Borrowing (net)	
2520	Borrowing (net)	SDC
253	Deposits received (net)	
2530	Increase in deposits received (net)	SDC
259	Other financing (net)	
2591	Distributions paid	PNFC, SDC PFC
2599	Other financing (net)	SDC
26	NET INCREASE/(DECREASE) IN CASH HELD	
260	Net increase/(decrease) in cash held	
2601	Funds provided for the IMF (net)	SDC
2609	Net increase/(decrease) in cash held n.e.c.	SDC

SECTION 3: RECONCILIATION STATEMENT

31	NON-CASH ITEMS	
311	Increase in provisions for depreciation	
3110	Increase in provisions for depreciation	
312	Increase in other provisions	
3121	Increase in provisions for doubtful debts	
3122	Increase in employee related provisions	
3129	Increase in other provisions n.e.c.	
319	Increase in other non-cash items	
3191	Assets acquired below fair value	SDC
3192	Assets donated	SDC
3199	Increase in other non-cash items n.e.c.	SDC
32	CHANGE IN ASSETS AND LIABILITIES	
321	Change in inventories	
3210	Change in inventories	
322	Change in financial assets and liabilities	
3221	Increase in payables and borrowings	SDC
3222	Increase in receivables and investments	SDC

323	Profit on sale of assets	
3231	Profit on sale of non-financial assets	
3232	Profit on sale of financial assets	
33	NET CASH FROM OPERATING ACTIVITIES (TRANSFER TO CASH FLOW STATEMENT)	
330	Net cash from operating activities (transfer to cash flow statement)	
3300	Net cash from operating activities (transfer to cash flow statement)	

SECTION 4: SUPPLEMENTARY STATEMENT

41	FINANCE LEASES ACQUIRED	
410	Finance leases acquired	
4101	Assets acquired under finance leases	GPC, TAC, SDC
4102	Increase in liability due to finance leases acquired	SDC

SECTION 5: INTRA-UNIT TRANSFERS OTHER THAN REVALUATIONS AND ACCRUED TRANSACTIONS

50	INTRA-UNIT TRANSFERS OTHER THAN REVALUATIONS AND ACCRUED TRANSACTIONS	
500	Intra-unit transfers other than revaluations and accrued transactions	
5001	Intra-unit payments	
5002	Intra-unit receipts	

SECTION 6: REVALUATIONS AND OTHER CHANGES IN THE VOLUME OF ASSETS

61	REVALUATIONS	
610	Revaluations	
6101	Increase in value of land	
6102	Increase in value of fixed assets	
6103	Increase in value of other non-financial assets	
6104	Increase in value of deposits, investments and advances	
6105	Decrease in value of borrowings	
6106	Decrease in value of employee related liabilities	
6107	Increase in value of other financial assets and decrease in value of other liabilities	
6109	Revaluations (contra item)	
62	OTHER CHANGES IN THE VOLUME OF ASSETS	
620	Other changes in the volume of assets	
6201	Other changes in the volume of assets	
6202	Other changes in the volume of assets (contra item)	

SECTION 8: BALANCE SHEET

81	ASSETS	
811	Cash and deposits	
8110	Cash and deposits	SDC
812	Investments, loans and placements	
8121	Loans and placements	SDC
8122	Securities	SDC
813	Accounts receivable	
8130	Accounts receivable (net of provisions for doubtful debts)	SDC
814	Advances outstanding	
8140	Advances outstanding (excludes equity)	SDC
815	Equity investments	
8150	Equity investments	SDC
816	Non-financial produced assets	
8161	Defence weapons platforms (net of depreciation)	
8162	Buildings (net of depreciation)	
8163	Other construction/infrastructure (net of depreciation)	
8164	Plant and equipment (net of depreciation)	
8165	Cultivated assets	
8166	Intangible produced assets	
8167	Inventories of weapons and weapons platforms	
8168	Other inventories	
8169	Valuables	
817	Non-financial non-produced assets	
8171	Land	
8172	Non-cultivated biological resources and water resources	
8173	Intangible non-produced assets	
819	Other assets	
8190	Other assets	SDC
82	LIABILITIES	
821	Deposits held	
8211	Currency on issue	
8212	Other deposits held	
822	Proceeds from advances	
8220	Proceeds from advances	
823	Borrowing	
8231	Finance leases	
8232	Loans	
8233	Securities	
824	Accounts payable	
8240	Accounts payable	
825	Provisions	
8251	Provisions for unfunded superannuation	
8252	Provisions for other employee entitlements	
8259	Other provisions	
829	Other liabilities	
8290	Other liabilities	
83	CAPITAL, RETAINED EARNINGS AND RESERVES	

831	Shares and other contributed capital
8310	Shares and other contributed capital
839	Retained earnings and reserves
8390	Retained earnings and reserves

**DETAILED ECONOMIC
TYPE FRAMEWORK
CLASSIFICATION**

SECTION 1: OPERATING
STATEMENT

The operating statement identifies the revenues generated and the expenses incurred by the entity during the current period using the accrual basis of recording. Accrual accounting records transactions and other flows at the time economic value is created, transformed, exchanged, transferred or extinguished. This means that changes of ownership are recorded when ownership passes, services are recorded when provided, output is recorded at the time products are created, and consumption is recorded when materials and supplies are used.

The operating statement presented here is broadly structured along the lines of a profit and loss, income and expenditure or similar operating statement published as part of general purpose financial reporting. This structure has been adopted so that data providers are presented with, from their point of view, a logical and familiar environment in which to classify data items of statistical interest to the ABS. This means that certain items included under revenue and expenses below will not be reflected as revenue or expense items in the output published by the ABS as such output will be based on 'economic' classification criteria required in the compilation of the Australian GFS and the ASNA. These items are separately identified in the descriptions provided below.

11 REVENUES

In accounting terms, revenues are inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reduction in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period. Revenues consist mainly of taxation revenue, sales of goods and services, property income, and current and capital transfers.

111 Taxation revenue

1110 Taxation revenue

A tax is a compulsory levy imposed by government, mainly designed to raise revenue. There is usually no clear and direct link between payment of taxes and the provision of goods and services. Taxes are levied, inter alia, on incomes, wealth, production, sale and use of goods and services, and the performance of activities.

The amount of tax revenue accruing in a period is the amount generated when the underlying transactions or events which give rise to the government's right to collect the taxes occur in that period.

Governments may regulate certain activities by issuing licences for which fees are payable. If the issue of such licences involves little or no work by the government then the revenue raised is deemed to be taxation revenue. However, if the government uses the issue of licences to exercise some proper regulatory function, such as checking the competency or qualifications of a would-be licensee, then the revenue raised is deemed to be revenue from the sale of services by government unless it is clearly out of all proportion to the costs of providing the services.

Taxes that are levied on a regular or periodic basis are deemed to be current taxes. Taxes that are levied infrequently and at irregular intervals or under exceptional circumstances are deemed to be capital taxes.

The different types of taxes are shown in a separate Taxes Classification. This is used as an aid in the derivation of ETFs 1111, 1112, 1113, 1114, and 1115.

1111 Taxes on income (derived by the ABS)

Refers to taxes on income, profits and capital gains. Taxes on income are assessed on the actual or presumed incomes of individuals, households, corporations or non-profit institutions operating in the market. They are assessed on holdings of property, land or real estate when such holdings are used as a basis for estimating the income of their owners.

Includes income and capital gains taxes levied on individuals and enterprises. Also includes income taxes levied on non-residents.

1112 Other current taxes (derived by the ABS)

Refers to current taxes other than 'taxes on income', 'taxes on products' and 'other taxes on production'. Consists of current taxes on capital and miscellaneous current taxes. Current taxes on capital consist of those taxes that are periodically payable on the property or net wealth of institutional units not used by them for production. Miscellaneous current taxes consist of various different kinds of taxes payable periodically.

Includes vehicle registration fees and taxes and stamp duty on vehicle registration by persons or households.

Excludes driver's licences, broadcasting listeners' licences and television viewers' licences (ETF 1120).

1113 Taxes on products (derived by the ABS)

Taxes on products are levied per unit of quantity or price per unit of goods and services produced, sold, imported, exported, transferred, leased or delivered. They may be a specific amount per unit of quantity measured either in terms of discrete units or continuous physical variables such as volume, weight or time or they may be a specific percentage of the price per unit.

Includes general taxes on provision of goods and services, excises, taxes on international, trade, taxes on gambling and taxes on insurance.

1114 Other taxes on production (derived by the ABS)

Other taxes on production consist of all taxes except taxes on products that are levied as a result of enterprises engaging in the production of goods and services and that are payable irrespective of the profitability of the production. They may be payable on the labour, fixed assets and land used in the production process.

Includes payroll taxes and other employer's labour force taxes, taxes on immovable property, taxes on financial and capital transactions, registration taxes on vehicles used by producers, road transport and maintenance taxes, franchise taxes, broadcasting station licences and television station licences.

Excludes betterment levies (ETF 1115).

1115 Capital taxes (derived by the ABS)

Capital taxes consist of capital levies and taxes on capital transfers. Capital levies are imposed at irregular and infrequent intervals on the value of assets or net worth owned by institutional units. Taxes on capital transfers are imposed at irregular and infrequent intervals on the value of assets transferred between institutional units as a result of legacies, gifts or other transfers.

Includes betterment levies, estate duties, probate and succession duties, and gift duties.

112 Sales of goods and services

1120 Sales of goods and services

Refers to revenue from the direct provision of goods and services by general government and public enterprises. Includes fees and charges for services rendered and sales of goods and services by general government and public enterprises. Includes fees from regulatory services. Includes revenue of general government enterprises for work done acting as an agent for other government and private enterprises. Includes rental income under operating leases. Items leased under an operating lease consist of fixed assets such as buildings, ships, aircraft, vehicles, etc. that are all produced assets. Also includes rental income on produced assets such as buildings and entertainment, literary or artistic originals. Excludes rent income from the use of non-produced assets such as land, deposits of minerals and fossil fuels.

Fees from regulatory services are treated as revenue from sales if the government exercises some proper regulatory function, such as checking the competency or qualifications of a would-be licensee. If there is little or no work involved or if the revenue raised is clearly out of all proportion to the cost of providing the service then it is treated as taxation revenue (ETF 1110).

113 Property income

Refers to income accrued from the ownership of financial assets or tangible non-produced assets (mainly land and sub-soil assets). Property incomes accrue when the owners of such assets put them at the disposal of other entities. Property income on financial assets is in the form of interest, dividends, etc. Property income on land and sub-soil assets is in the form of rent.

1131 Interest income

Refers to income accrued by owners of financial assets such as deposits, securities other than shares, loans and accounts receivable in return for providing funds to other entities. Includes interest on advances to the private sector, public enterprises, building societies and foreign governments. Also includes interest on bank account balances and fixed deposits held with banks, government securities, intra-sector deposits and short term money market balances.

1132 Dividend income

Dividends are a form of property income which shareholders are entitled to as a result of their ownership of equity in other entities. Refers to returns on equity from public enterprises to general government in the nature of dividends and dividends to public enterprises from subsidiaries (see ETF 1263). Also refers to dividends from shares held as investments in private and public corporations and income from the IMF (not revenue from the IMF's gold disbursements).

Dividend income (including transfers of income from PNFCs and PFCs) is considered to be a return on equity investment rather than a return of equity investment. Dividend income is accrued when declared and arises from 'operating surplus' and 'income' (as these concepts are used in national accounting). Dividend income is generally not funded by sale of assets, capital restructure, borrowings or other credit arrangements.

1133 Income from public enterprises as income tax equivalents

Refers to income from public enterprises to general government in the nature of income tax equivalents. This revenue is treated as property income rather than income tax revenue in GFS because it is levied by state/territory governments on their enterprises only rather than by the Commonwealth Government on all enterprises under its income tax legislation.

1134 Income from public enterprises as wholesale sales tax equivalents

Refers to income from public enterprises to general government in the nature of wholesale sales tax equivalents. This revenue is treated as property income rather than tax revenue in GFS because it is levied by state/territory governments on their enterprises only rather than by the Commonwealth Government on all enterprises under its tax legislation.

1135 Land rent income

Refers to rent for the use of land. Includes land rent in the territories and leasing of crown lands. Rentals on buildings or other produced assets are classified to ETF 1120.

1136 Royalty income

Refers to rent for the use of non-produced assets such as deposits of minerals or fossil fuels. Mainly includes off-shore petroleum, mineral and timber royalties not relating to plantation and regrowth forests.

Rentals for the use of produced assets are excluded and treated as sales of goods and services (ETF 1120).

1137 Seigniorage

For the Commonwealth Treasury, this item refers to the profit on the issue of coins, i.e. the difference between the face value of coinage and the cost of production. For the RBA, this item refers to income from assets held as a result of currency notes issued, less production costs.

This item is excluded from GFS revenue in tabulated or published output.

114 Other current revenue

Refers to current revenue other than from taxes, sales of goods and services, and property income.

Under current accounting conventions, some revaluations are taken directly to reserves while others are recognised via the operating statement. Those revaluations recognised in the operating statement are included here for input purposes. However, for output purposes they are reflected as 'valuations and other changes'.

1141 Revenue from current grants and subsidies

Refers to revenue from grants and subsidies for current purposes. Where grants and subsidies are subject to contractual arrangements, the amount accruing in a period is the amount over which the recipient has gained control.

1142 Gains/losses on non-financial assets

This item covers realised and unrealised gains/losses related to non-financial assets. It includes profit/loss on the sale of non-financial assets. Profit/loss is the difference between proceeds from disposals of non-financial assets and their carrying values. Where non-financial assets are revalued periodically to reflect market changes, the revaluation increases are taken directly to asset revaluation reserves (and coded as revaluations in ETF 61) except when the revaluation represents a reversal of a previous decline in value, in which case the revaluation increase should be regarded as revenue in accounting terms and included here.

This item is excluded from revenue and included as a revaluation in GFS tabulated or published output.

1143 Gains/losses on financial assets (securities marked-to-market)

This item covers unrealised gains/losses recognised as a result of securities which have been marked-to-market and realised gains/losses from disposal of securities. Gains and losses of this nature are regarded as revaluations in economic accounting.

This item is excluded from revenue and included as a revaluation in GFS tabulated or published output.

1144 Gains/losses on financial assets (derivatives)

This item covers realised and unrealised gains/losses on derivative financial instruments such as foreign exchange contracts, forward rate agreements, interest rate and currency swaps, futures and options.

This item is excluded from revenue in GFS tabulated or published output.

Transactions relating to the settlement of derivative positions are treated as financing transactions in GFS.

1145 Gains/losses on other financial assets

This item covers realised and unrealised gains/losses related to financial assets other than on securities marked-to-market (ETF 1143) and on derivatives (ETF 1144). This item may include gains/losses on securities valued at historical cost or at current value. It also includes profit/loss on the sale of financial assets held for investment purposes or on the early repurchase of liabilities.

This item is excluded from revenue and included as a revaluation in GFS tabulated or published output.

1146 Fines

Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities. Penalties imposed by tax authorities are classified as tax revenue (ETF 1110).

1149 Current revenue n.e.c.

Refers to current revenue not included in the categories above. Includes revenue of local governments in lieu of municipal rates, gifts, conscience moneys, and unclaimed moneys such as unclaimed lottery prizes, unclaimed TAB dividends and unclaimed moneys in bank accounts.

115 Capital revenue

Refers to revenue from unrequited transfers for capital purposes and assets acquired without cost.

1151 Revenue from capital grants

Refers to revenue from grants for capital purposes. Where capital grants are subject to contractual arrangements, the amount accruing in a period is the amount over which the recipient has gained control.

1152 Assets acquired below fair value

Assets acquired below fair value or without cost are included in GFS by imputation of equivalent transactions when they are of an economic nature and where valuations are realistically obtainable. Such assets are recorded as capital revenue and increases in assets by the recipients.

1159 Capital revenue n.e.c.

Refers to capital transfers other than intra-sector grants and assets acquired without cost. Includes transfers to sinking funds, capital levies from local government and grants from private bodies for capital works, e.g.. donations for road construction. Also includes capital grants from foreign governments and organisations.

12 EXPENSES

In accounting terms, expenses are consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity (other than those relating to distributions to owners) that result in a decrease in equity or net worth during the reporting period. However, distributions to owners (dividends and income transfers) are included here in expenses as the net operating result derived in GFS is intended to equate with the national accounts concept of savings plus capital transfers.

121 Employee expenses

Employee expenses relate to compensation of employees and reflect those expenses accrued as a result of services provided by employees in the current period. They include wages and salaries, annual leave, long service leave and superannuation.

1211 Funded superannuation expenses

Refers to superannuation expenses accrued under a funded scheme for services provided by employees in the current period. A funded scheme is a separately constituted legal entity into which an employer contributes, on a regular basis, an amount actuarially determined to fully fund future superannuation liabilities. The employer therefore does not carry the superannuation liability on its balance sheet.

Includes amounts payable by employers to superannuation schemes, in respect of services provided by employees in the current period, to finance future superannuation payments.

Excludes amounts not relating to services provided by employees in the current period arising from actuarial reviews and reassessments. Such amounts are treated as either revaluations or reallocated to their appropriate time period(s).

1212 Unfunded superannuation expenses

Refers to the superannuation expenses accrued under an unfunded scheme for services provided by employees in the current period. An unfunded scheme is one in which the employer carries the superannuation liability on its balance sheet as it does not contribute to a separately constituted legal entity, on a regular basis, amounts actuarially determined to fully fund the superannuation. The employer liability for superannuation is usually not matched by specifically earmarked assets and payments to superannuants are met on an emerging basis.

In an unfunded scheme, the employer is considered to be compulsorily borrowing from employees the increase in superannuation liability each period. The cost of this borrowing, referred to as nominal interest, is excluded from here and classified to ETF 1261.

Excludes pensions and lump sums paid to former employees (ETF 2121). Also excludes amounts not relating to services provided by employees in the current period arising from actuarial reviews and reassessments. Such amounts are treated as either revaluations or reallocated to their appropriate time period(s).

1213 Wages, salaries and supplements (non-capitalised)

Refers to wages, salaries and supplements to wages and salaries not related to superannuation and other employee entitlements such as long service leave. Includes allowances for overtime, shift-work, living away from home and travel. Also includes salaries and wages in kind such as accommodation, vehicles and clothing provided by employers. Excludes wages and salaries charged to capital works (e.g. on own-account construction) as well as taxes on employers' payroll and labour force. Also excludes expenses relating to usage of labour hire agencies (ETF 1229).

1218 Employee expenses (provisions adjustments—derived by the ABS)

This class holds adjustments required to convert GFS operating expenditure to a national accounting basis in respect of certain provision expenses.

1219 Other employee expenses

Refers to compensation of employees other than superannuation, and wages, salaries and supplements. Includes accrued expenses for the period relating to accident compensation premiums, sick leave, annual leave, long service leave, retirement and redundancy.

122 Non-employee expenses

Refers to those operating expenses that are not related to the compensation of employees. Excludes depreciation and amortisation expenses (ETF 123).

1221 Provisions for doubtful debts

Accounts for anticipated doubtful debts expensed during the period. Provisions or allowances for doubtful debts are not included in GFS output and Accounts receivable in the balance sheet is recorded gross of such provisions or allowances. Bad debts written off by mutual agreement with prior provision are classified as capital transfers, while bad debts written off on a unilateral basis with prior provision are treated as 'other changes in the volume of assets'. Bad debts written off by mutual agreement without prior provision are classified to ETF 1222, while bad debts written off on a unilateral basis without prior provision are treated as 'other changes in the volume of assets'.

1222 Bad debts written off (not previously provided)

Refers to those bad debts that have been directly written off without previous provision. Ideally, bad debts written off need to be distinguished between those which are written off by some form of mutual agreement between debtor and creditor and those written off unilaterally since their treatment in economic accounts differ. Those written off by mutual agreement are treated as capital transfers whereas those written off unilaterally are treated as 'other changes in the volume of assets' in published output.

The distinction between bad debts written off by mutual agreement or unilaterally has not been made here, as data sourced from financial statements cannot be readily split in this manner. Government entities operating on a non-commercial basis, such as government aid agencies, generally would not provide for bad debts and directly write them off by mutual agreement. Therefore, the bad debts written off without previous provision included here will be treated on output as capital transfers, on the assumption that they are mainly of the mutual agreement type. However, where this assumption is not true the item needs to be treated as 'other changes in the volume of assets'.

1223 Benefits to households in goods and services

Refers to expenditure by government on goods and services produced by market producers that are provided directly to households as social transfers in kind. Includes medical and pharmaceutical benefits, telephone rental concessions, concessional railway fares, rental subsidies, reduced utility charges, etc. In the ANA, this item is included in the measure of final consumption expenditure by government but not in actual government consumption.

1224 Production tax expenses

This item includes taxes on production or indirect tax expenses.

1228 Non-employee expenses (provisions adjustments—derived by the ABS)

This class holds adjustments required to convert GFS operating expenditure to a national accounting basis in respect of certain provision expenses.

1229 Other non-employee expenses

Refers to the purchase of goods and services by general government and public enterprises from public and private enterprises and from abroad. Includes all intermediate consumption by general government and public enterprises. Also includes rentals for the use of buildings or the right to use copyrights, patents, trademarks, etc. Excludes purchases which are charged to capital works (e.g. own-account construction). Also excludes interest and finance lease payments.

123 Depreciation and amortisation

Refers to the accounting process by which the cost of assets are written off over time. Depreciation and amortisation charges are allocations of the cost of assets over their useful life. Depreciation usually relates to non-current tangible assets which are written off because they wear out or become obsolete. Amortisation usually relates to consumption of non-produced assets.

1231 Depreciation of fixed assets (non-defence)

Refers to amounts charged to current operations in respect of the consumption of non-current tangible assets not related to defence weapons platforms.

1232 Depreciation of fixed assets (defence)

Refers to amounts charged to current operations in respect of the consumption of non-current tangible assets related to defence weapons platforms.

1233 Amortisation

Refers to amounts charged to current operations in respect of the consumption of assets that were not the result of past 'production' as understood in national accounting e.g. patents.

This item is excluded from expenses and included as 'other change in volume of assets' in GFS tabulated or published output.

124 Current transfer expenses

Refers to regular payments that are current in nature and where no economic benefits are received in return for payment.

1241 Current grant expenses

Refers to voluntary transfers intended to finance the current activities of the recipient. Includes grants for current purposes to private non-profit organisations serving households, grants made to foreign governments and organisations including grants made for aid projects, and current grants from one level of government to another (e.g. Commonwealth to state) and between units within the same level of government (e.g. budget sector to non-budget sector).

Current grants to private non-profit organisations serving households include grants to hospitals, independent schools, religious and charitable organisations. Current grants to public enterprises and non-profit institutions serving business are classified as subsidies (ETF 1242), and current grants to non-profit institutions serving government are classified as non-employee expenses (ETF 1229) where such institutions are not in direct coverage of GFS.

Any grants which are not specifically defined as capital (ETF 1251) are treated as current.

1242 Subsidy expenses

Refers to current grants paid by general government to public and private enterprises including unincorporated enterprises. Subsidies are a form of assistance to producers and are credited to the production account of enterprises. Includes grants made to public enterprises to offset recurring losses that are a consequence of government policy to maintain prices at a level that does not cover the cost of production.

1243 Current monetary transfers to households

Refers to monetary transfers by government to individuals or households, who are not required to provide any significant amount of goods or services in return (e.g. old age pensions and unemployment benefits). 'Work for the dole' schemes are included, as the main purpose of such schemes is the transfer of monetary benefits and acquisition of employment skills. Also refers to personal benefit payments to Australian citizens resident overseas. These latter transactions are treated as transfers to persons in GFS, but are treated as transfers overseas in the national accounts.

1244 Tax expenses

This item includes direct tax expenses (taxes on income) of public enterprises. Such expenses may be reflected in the financial accounts as transfers to provisions. It also includes all tax expenses of general government units such as state/territory government payroll taxes and Commonwealth Government fringe benefits tax. Excludes indirect tax expenses (taxes on production) of public enterprises (ETF 1224).

1249 Other current transfer expenses

Refers to other unrequited current transfers which are not classified elsewhere in ETF 124. Includes compulsory payments of a current nature (other than taxes) to other government authorities, but excludes payments of an agency nature. Includes levies paid to Fire Boards, Town Planning Authorities and levies paid to county councils by constituent municipal and shire councils.

125 Capital transfer expenses

Refers to unrequited payments of a capital nature that are usually non-recurrent and irregular for donor or recipient.

1251 Capital grant expenses

Refers to unrequited payments by government to finance the acquisition of non-financial non-financial assets by the recipient, or compensate the recipient for damage or destruction of non-financial assets, or increase the financial capital of the recipient.

Includes grants to private enterprises, persons and private non-profit institutions to contribute towards the cost of capital expenditure. Includes compensation to primary industry marketing authorities for losses on overseas debts resulting from devaluations. Includes homes savings grants. Includes grants towards science laboratories and libraries in private schools, university residential colleges, etc.

Also includes grants made by public authorities to other public authorities to contribute towards the cost of capital development. Includes grants between different levels of government and grants within one level of government.

1252 Assets donated

Donated assets are included in GFS by imputation of equivalent transactions when they are of an economic nature and where valuations are realistically obtainable. Such assets are recorded as capital transfers and decreases in assets by the donors.

1259 Other capital transfer expenses

Refers to capital transfer payments not elsewhere included in ETF 125. Includes compulsory payments of a capital nature (other than taxes) to other government authorities but excludes payments of an agency nature. Includes payments made to finance the debt redemption or capital works of other bodies.

126 Property expense

Refers to required current transfers involving payment for the use of property rights. Includes interest, income transfers, land rent, royalties and dividends.

1261 Nominal interest on unfunded superannuation

Refers to the imputed interest accrued during the period on unfunded superannuation liabilities (see ETF 1212).

In statistical terms, superannuation expense is a component of 'compensation of employees'. Superannuation expense in a period represents the increase in superannuation liability due to services provided by employees in that period. The liability so generated by the employer (the government in this case) is therefore an asset attributed to the household sector (the employees). The government is viewed as compulsorily 'borrowing' from employees the value of the increase in superannuation liability each period. In doing so, it sustains an additional cost for the use of these 'borrowed' funds which is an interest expense. The cost of these 'borrowed' funds is included here as nominal interest.

1262 Interest expense other than nominal interest on unfunded superannuation

Refers to required transfer payments for the use of money. Includes interest on advances, loans, overdrafts, bonds and bills, deposits and the interest component of finance lease repayments.

1263 Income transferred by public enterprises as dividends

Refers to that part of the income of public enterprises which is transferred to their parent bodies as dividends, transfer of profits or other such descriptions. The corresponding revenue from these sources is recorded as ETF 1132. Includes dividends paid to parent governments or parent public enterprises, but excludes other dividends paid (e.g. dividends paid to private sector shareholders (ETF 1267)). Excludes transfers as income tax and other forms of taxation. Also excludes transfers as incomes tax equivalents (ETF 1264) and wholesale sales tax equivalents (ETF 1265).

1264 Income transferred by public enterprises as income tax equivalents

Refers to that part of the income of public enterprises which is transferred to their parent governments as income tax equivalents. General government revenue from these sources is recorded as ETF 1133. Excludes transfers as income tax and other forms of taxation. Also excludes dividends paid to parent governments or parent public enterprises (ETF 1263) and other dividends paid (e.g. dividends paid to private sector shareholders (ETF 1267)), and wholesale sale tax equivalents paid to parent governments (ETF 1265).

1265 Income transferred by public enterprises as wholesale sales tax equivalents

Refers to that part of the income of public enterprises which is transferred to their parent governments as wholesale sales tax equivalents. General government revenue from these sources is recorded as ETF 1134. Excludes dividends paid to parent governments or parent public enterprises (ETF 1263) and other dividends paid (e.g. dividends paid to private sector shareholders (ETF 1267)), and income tax equivalents paid to parent governments (ETF 1264).

1266 Land rent and royalty expenses

Refers to rent for the use of non-produced assets such as land and subsoil assets. Includes royalty payments for the right to exploit natural resources. Excludes rentals on produced assets such as for the use of buildings or the right to use copyrights, patents, trademarks, etc. (ETF 1229).

1267 Dividends to shareholders

Refers to dividends to private sector shareholders who are minority owners of public enterprises. Excludes dividends paid to parent government. These are treated as income transfers (ETF 1263).

19 ABNORMAL/EXTRAORDINARY ITEMS

In accounting terms, abnormal items are transactions that occur within the normal operations of an enterprise but are abnormal due to their size. Extraordinary items are transactions that occur outside ordinary operations and are not of a recurring nature. These items are included in the operating statement but are disclosed separately as they have an unusual impact on the operating result.

ETF 19 has been set up as part of a mechanism for reconciling ABS net operating result (NOR) with that published by jurisdictions. These items are therefore reconciliation items rather than economic or output items. ETF 19s balance to zero and will not be used to calculate ABS NOR.

ABS NOR for a particular period may be reconciled with a particular jurisdiction's NOR under AAS 31 by adding back ETFs 1922, 1923, 1924 and 1925 as well as a number of other categories (ETFs 1142, 1144, 1145 and 1221).

In addition to being coded as ETF 19, abnormal/extraordinary items must also be allocated to their relevant period(s) and substantive ETF(s).

191 Abnormal/extraordinary items

1911 Abnormal/extraordinary items as reported in the current period

Refers to abnormal/extraordinary items that are reported in the current period. If the items relate to the current period they are substantively classified to it. If they relate to another period they are removed from the current period, allocated to the relevant period as abnormal/extraordinary items (ETF 1912) and classified substantively to the correct economic category.

1912 Abnormal/extraordinary items allocated from other periods

Refers to abnormal/extraordinary items that have been reported in another period and allocated to this period (see ETF 1911).

192 Abnormal/extraordinary contra items

The contra items in ETF 192 are used to balance or negate the effect of items classified to ETF 191.

1921 Abnormal/extraordinary contra items—economic transactions in current period affecting NOR

Refers to items that relate to the current period and drive or determine the net operating result.

1922 Abnormal/extraordinary contra items—economic transactions in current period financing NOR

Refers to items that relate to the current period and are viewed as financing the net operating result.

1923 Abnormal/extraordinary contra items—revaluations and write-downs

Refers to items reflecting revaluations of assets and write-downs of assets during the current period.

1924 Abnormal/extraordinary contra items—other non-economic transactions

Refers to items relevant to the current period that are non-economic in nature such as movements between reserves.

1925 Abnormal/extraordinary contra items—economic transactions relating to other periods

Refers to items that are brought to account or recognised in the current period but which relate to other periods in an economic sense.

SECTION 2: CASH FLOW STATEMENT

The cash flow statement identifies the cash flows from the operating, investing and financing activities of government. Cash refers to cash on hand and cash equivalents. Cash on hand refers to notes and coins held, and deposits held at call with a bank or financial institution. Cash equivalents are highly liquid investments which are readily convertible to cash on hand at the investor's option. Items of economic interest that are not within the scope of the cash flow statement are included in the supplementary statement (e.g. finance leases).

21 CASH FLOWS FROM OPERATING ACTIVITIES

Refers to cash flows from the operating activities or normal business of government entities.

211 Cash receipts from operating activities

Refers to cash inflows from operating activities during the current period.

2111 Taxes received

Refers to cash received from compulsory levies imposed by government on other entities.

2112 Cash received from sales of goods and services

Refers to cash received from the direct provision of goods and services by general government and public enterprises.

2113 Grants and subsidies received

Refers to cash received from voluntary transfers by government and other entities.

2114 Income transferred from public enterprises

Refers to cash received from public enterprises in the form of dividends or tax equivalents.

2115 Interest received

Refers to cash received by owners of financial assets in the form of interest.

2119 Other receipts

Refers to cash received from operating activities other than that received from taxation, sales of goods and services, grants, subsidies, income transferred from public enterprises and interest.

212 Cash payments for operating activities

Refers to cash outflows from the normal operating activities of government entities.

2121 Cash paid for employee superannuation

Refers to cash paid by government entities to superannuation schemes in respect of employee superannuation and pension. Excludes amounts paid by general government in respect of public enterprise employees which are classified to ETF 2599.

Recoveries or recoupments relating to superannuation may also be included here as negative payments.

2122 Cash paid for the purchase of other goods and services

Refers to cash paid by government entities for the purchase of other goods and services.

2123 Subsidies and grants paid

Refers to voluntary cash transfers by government in the form of subsidies and grants. Includes both current and capital grants paid in cash.

2124 Other transfer payments

Refers to cash transfers by government other than those in the form of subsidies and grants. Includes both current and capital transfers paid in cash.

2125 Interest paid

Refers to required cash transfers by government in the form of interest. Includes interest paid in cash on advances, loans, overdrafts, bonds and bills, and deposits.

2129 Other payments

Refers to cash outflows from the operating activities of government entities other than those related to purchases of goods and services, subsidies, grants, interest and other transfer payments.

22 CASH FLOWS FROM INVESTMENTS IN NON-FINANCIAL ASSETS

Refers to cash flows from investments in non-financial assets by government entities.

221 Capitalised interest

2210 Capitalised interest

Capitalised interest is separately identified as it is not conceptually part of capital formation in economic accounting. For output purposes, capitalised interest is retained in the cash flow statement to derive the aggregate 'cash flows from investments in non-financial assets'. It is also combined with ETF 1262 and reflected as 'interest expense' in the operating statement.

222 Expenditure on non-financial assets (net)

Refers to net expenditure on new and second-hand fixed assets, land and intangible assets excluding capitalised interest. Fixed assets are durable goods intended to be employed in the production process for longer than a year. Includes net expenditure on mineral deposits, timber tracts and similar non-reproducible tangible assets. Also includes net expenditure on intangible assets such as patents and copyrights.

2221 Purchases of new non-financial assets

Refers to purchases of new fixed assets. Fixed assets are tangible assets intended to be used in the production process for longer than a year. Includes fixed assets constructed on own account, valued at cost of materials, and capitalised salaries and wages. Also includes reimbursements received by public authorities, for amounts spent on capital works, while acting as an agent for other government and private bodies. Excludes capitalised interest and houses built for sale. Includes the purchase of vacant land and land with improvements. Also includes the outright purchases of intangible assets.

Excludes assets acquired under finance lease arrangements which are classified to ETF 4101.

2222 Purchases of secondhand non-financial assets

Refers to purchases of secondhand fixed assets. Secondhand assets are those which have been previously used in production in the country. Excludes secondhand assets imported into the country for the first time which are regarded as new for classification purposes. Also excludes assets acquired under finance lease arrangements which are classified to ETF 4101.

2223 Sales of non-financial assets

Refers to sales of fixed assets. Relates mainly to the disposal of previously rented dwellings, non-residential buildings, used plant and equipment.

Also refers to the sale of land (including the sale of residential leases in the ACT). The sale of land and buildings as a package is treated as sales of fixed assets unless a separate value can be determined for the land component. Also refers to the outright sales of intangible assets.

23 CASH FLOWS FROM INVESTMENTS IN FINANCIAL ASSETS FOR POLICY PURPOSES

Refers to cash flows from investments in financial assets for policy purposes by government entities. Includes advances, equity acquisitions, equity disposals and privatisations.

231 Advances paid (net)

Advances are the creation of financial assets (i.e. an increase in the indebtedness to government units) with the aim of funding particular enterprise, household or government activities. The repayments of such advances are netted off advances to give net advances. Advances are distinguished from other financial assets (e.g. investments) in that advances are motivated by public policy purposes while investments are motivated by liquidity management purposes and the need to earn a return.

2311 Gross advances paid

Refers to advances by public authorities to private trading enterprises and private financial enterprises. Includes advances to purchasers of assets sold to private enterprises.

Refers to advances by public authorities to persons, private schools, religious organisations, etc. (e.g. for housing, school building). Includes advances for the purchase of homes (e.g. Commissioner for Housing loans in the ACT), war service land settlement and occasional advances to purchasers of assets sold to persons and non-profit institutions.

Refers to advances by public authorities to foreign governments and organisations. Includes subscriptions to the International Bank for Reconstruction and Development, the International Development Association, etc.

Refers to advances by public authorities to other public sector authorities. Includes both advances from one level of government to another and advances between units at the same level of government (e.g. general government to PNFs). Includes capital contributions and provision of funds to PFCs for re-lending to specific categories of new borrowers.

2312 Repayments of advances

Refers to repayments of advances made by public authorities to private enterprises, persons and non-profit institutions, foreign governments and organisations, and other public authorities. Excludes amounts on-passed by public enterprises to their parent governments from the liquidation of assets, capital restructuring, etc. Also excludes proceeds received by government from sales to the private sector of some or all equity in public enterprises (ETF 2322).

232 Equity acquisitions, disposals and privatisations (net)

Refers to the acquisition and disposal by government of shares and other equity in public and private enterprises. Also refers to proceeds received by government from sales of equity in public and private enterprises.

2321 Equity acquisitions

Refers to acquisitions by government of shares and other equity in public and private enterprises.

2322 Equity disposals and privatisations

Consists of proceeds received by government from disposals of some or all equity in public and private enterprises. Includes proceeds received by general government from sales of public enterprises. Also includes proceeds received by public enterprises from sales of subsidiary public enterprises.

24 CASH FLOWS FROM INVESTMENTS IN FINANCIAL ASSETS FOR LIQUIDITY MANAGEMENT PURPOSES

Refers to cash flows from investments in financial assets for liquidity management purposes by government entities.

240 Increase in investments

2400 Increase in investments

Investments are the creation of financial assets (through lending money) for the purpose of earning a return and managing liquidity. This makes them distinct from advances which are motivated by specific policy objectives (ETF 23). Investments included in this group are generally long term assets. Short term investments (relatively liquid) are classified to ETF 26.

25 CASH FLOWS FROM FINANCING ACTIVITIES

Refers to cash flows from the financing activities of government entities. Includes advances received, borrowing and deposits received.

251 Advances received (net)

Refers to advances (net of repayments) received from other public authorities. See ETF 23 for definition of advances.

2511 Gross advances received

Refers to the receipt of advances from other public authorities.

2512 Advances repaid

Refers to the repayment by public authorities of advances from other public authorities.

252 Borrowing (net)

2520 Borrowing (net)

Refers to net borrowing by public authorities from public and private bodies and individuals within Australia and from abroad. Net borrowing is gross borrowing less the repayment of past borrowing. Gross borrowing is the creation of liabilities through the sale of bonds and bills in the capital market or by raising loans through direct agreements with lenders. Gross borrowing excludes the receipt of advances from other government units (ETF 2511). Includes net borrowing from the International Bank for Reconstruction and Development, net borrowing under credit arrangements with foreign governments and authorities, and the issue of stocks and bonds abroad less redemptions.

In line with the current convention or practice in compiling cash flow statements, this item does not include the increase in liability or borrowing related to the initial entry into a finance lease or similar arrangement, since at this point no cash flows have actually occurred. The initial increase in liability accruing at the inception of a finance lease or similar arrangement is classified to ETF 4102 in the supplementary statement.

When cash flows associated with a finance lease or similar arrangement do occur they are reflected in the cash flow statement for that period. Reduction in liability from subsequent lease repayments is split into a principal and an interest component. Repayments of lease principal are included here. Interest repayments in cash are classified to ETF 2125 (Interest paid) in the cash flow statement, and accrued interest repayments are classified to ETF 1262 (Interest expense other than nominal interest on unfunded superannuation) in the operating statement.

253 Deposits received (net)

2530 Increase in deposits received (net)

Refers to the net increase in cash held by a government unit as a result of a net change to its liabilities generated by taking deposits from a private body or other government unit. Includes cash held in public accounts by treasuries on behalf of other government units, e.g. PNFCs which operate through a trust account held in the public accounts. Also includes deposits lodged by PNFCs and other public sector units with central borrowing authorities and by private sector entities with PFCs.

259 Other financing (net)

2591 Distributions paid

Refers to cash transfers by public enterprises to their parent entities and other shareholders in the form of dividends, transfer of profits or other similar distributions.

2599 Other financing (net)

Refers to other financing transactions resulting in cash flows in the period.

26 NET INCREASE/(DECREASE) IN CASH HELD

Cash held refers to cash on hand and cash equivalents. Cash on hand refers to notes and coins held, and deposits held at call with financial institutions. Cash equivalents refer to highly liquid investments which are readily convertible to cash on hand at the investor's option.

260 Net increase/(decrease) in cash held

2601 Funds provided for the IMF (net)

Refers to subscriptions to the International Monetary Fund less receipts representing Australia's share of revenue from the Fund's gold disbursements. Subscriptions are Australia's deposits of gold and currency with the IMF and the level of subscriptions determines Australia's entitlement to borrow from the IMF.

2609 Net increase/(decrease) in cash held n.e.c.

Refers to the net increase in currency and deposits of public authorities. Currency and deposits are notes and coins on hand and funds held in the form of an account with financial institutions, other government authorities, etc., which are recoverable (or transferable) on demand or on relatively short notice. Includes increases in cash and bank balances, funds lodged with treasuries or CBAs, balances at call, and foreign cash and deposits. Also includes funds invested by public authorities for a fixed period of time (short term). Excludes net funds provided for the IMF (ETF 2601).

**SECTION 3:
RECONCILIATION
STATEMENT**

The reconciliation statement reconciles the operating result with net cash flows from operating activities. Note that if the complete reconciliation statement is not used, an attempt should be made to record changes in inventories in ETF 3210 below, as this is an essential national accounting requirement.

31 NON-CASH ITEMS

Refers to those items that are included in the operating statement but do not relate to cash flows from operating activities. Includes provisions for depreciation and other provisions, assets acquired without cost or below fair value, and donated assets.

311 Increase in provisions for depreciation

3110 Increase in provisions for depreciation

Refers to the increase in provisions for depreciation which have resulted from depreciation charges during the period. Includes amounts allowed for amortisation of leased assets. Excludes changes in the provisions for depreciation which result from disposals of depreciated assets.

312 Increase in other provisions

Refers to increases in provisions other than those for depreciation and amortisation (ETF 3110).

3121 Increase in provisions for doubtful debts

Refers to increases in provisions for doubtful debts (see ETF 1221).

3122 Increase in employee related provisions

Refers to increases in those provisions relating to the compensation of employees. Includes increases in provisions for superannuation, long service leave and recreation leave.

3129 Increase in other provisions n.e.c.

Refers to increases in provisions other than provisions for depreciation, amortisation, doubtful debts and employee related provisions. Includes increases in provisions for deferred maintenance, income tax and dividend or income transfers to government.

319 Increase in other non-cash items

Refers to increases in non-cash items other than provisions.

3191 Assets acquired below fair value

Refers to assets acquired below fair value. Includes gifts acquired without cost and free of liability.

3192 Assets donated

Refers to assets disposed of as donations without recompense to the donor.

3199 Increase in other non-cash items n.e.c.

Refers to increases in non-cash items other than provisions, assets acquired without cost and assets donated.

32 CHANGE IN ASSETS AND LIABILITIES

Refers to changes in assets and liabilities related only to operating activities in the current period.

321 Change in inventories

3210 Change in inventories

Refers to net increases in stock account balances and net increases in stocks of materials, stores, wool stocks, spare parts, etc.

322 Change in financial assets and liabilities

3221 Increase in payables and borrowings

Refers to increases in payables and borrowings related only to operating activities. Includes increases in trading debts such as creditors accounts payable, expenses charged to operations but not yet paid (e.g. accrued wages) and prepayments received.

3222 Increase in receivables and investments

Refers to increases in receivables and investments related only to operating activities. Includes increases in trading financial assets such as debtors accounts receivable and prepaid expenses.

323 Profit on sale of assets

Refers to profit on sales of assets disclosed in the operating statement.

3231 Profit on sale of non-financial assets

Refers to profit on sales of non-financial assets disclosed in the operating statement.

3232 Profit on sale of financial assets

Refers to profit on sales of financial assets disclosed in the operating statement.

33 NET CASH FROM OPERATING ACTIVITIES (TRANSFER TO CASH FLOW STATEMENT)

Refers to the transfer (payment) of net cash from operating activities to the cash flow statement as a method of balancing the reconciliation statement.

330 Net cash from operating activities (transfer to cash flow statement)

3300 Net cash from operating activities (transfer to cash flow statement)

Refers to the 'payment' of net cash from operating activities to the cash flow statement from the reconciliation statement. It is essentially an intra-unit type category used for balancing purposes. It has no direct economic or output significance.

SECTION 4: SUPPLEMENTARY STATEMENT

The supplementary statement identifies items of additional 'economic' interest which are not typically included in cash flow statements.

41 FINANCE LEASES ACQUIRED

410 Finance leases acquired

Refers to assets acquired under finance leases and similar arrangements as well as assets acquired on credit.

4101 Assets acquired under finance leases

Refers to leases and other arrangements which effectively transfer most of the risks and benefits associated with ownership of the leased property from the lessor to the lessee. Also includes other arrangements whereby assets are acquired on credit and which are not included in ETF 22.

Assets acquired under finance leases are included as part of fixed capital expenditure for output purposes.

4102 Increase in liability due to finance leases acquired

Refers to the initial increase in liability accruing at the beginning of a finance lease arrangement. Reduction in liability from subsequent lease repayments is split into a principal and an interest component. The principal is classified to ETF 2520 (Borrowing (net)) whereas interest repayments in cash are classified to ETF 2125 (Interest paid) in the cash flow statement, and accrued interest repayments are classified to ETF 1262 (Interest expense other than nominal interest on unfunded superannuation) in the operating statement.

Increase in liability due to finance leases acquired is reflected as borrowing for output purposes.

SECTION 5: INTRA-UNIT TRANSFERS OTHER THAN REVALUATIONS AND ACCRUED TRANSACTIONS

Intra-unit transfers refer to the internal transactions that pass between the various funds and accounts of a public sector unit. They are essentially used for balancing purposes and have no direct economic or output significance. They do not appear in published GFS and are used primarily for the editing of input data.

50 INTRA-UNIT TRANSFERS OTHER THAN REVALUATIONS AND ACCRUED TRANSACTIONS

500 Intra-unit transfers other than revaluations and accrued transactions

5001 Intra-unit payments

Refers to payments of intra-unit transfers.

5002 Intra-unit receipts

Refers to receipts of intra-unit transfers.

SECTION 6: REVALUATIONS AND OTHER CHANGES IN THE VOLUME OF ASSETS

Refers to changes in the value of assets, liabilities and net worth between opening and closing balance sheets that result from flows that are not transactions. Such changes are due to changes in the level and structure of prices and to factors which change the volume of assets by shifting the asset boundary.

In national accounting terms, 'flows' consist of transaction flows and other flows. Other flows refer to revaluations and other changes in the volume of assets. In asset accounts, the opening balance plus transaction flows plus other flows equals the closing balance.

61 REVALUATIONS

610 Revaluations

Revaluations are nominal holding gains that accrue during the accounting period to owners of financial and non-financial assets and liabilities. They may be either positive or negative.

The nominal holding gain on an asset (or liability) is the value of the benefit accruing as a result of a change in its monetary value over time. A positive holding gain increases net worth and is due to an increase in the value of an asset or a decrease in the value of a liability. A negative holding gain decreases net worth and is due to a decrease in the value of an asset or an increase in the value of a liability.

Nominal holding gains consist of neutral holding gains and real holding gains. A neutral holding gain is the value of the gain that accrues if the price of an asset changes at the same rate as the general price level. A real holding gain is the additional value that accrues if the price of an asset changes at a different rate to the general price level.

Under current accounting conventions, some revaluations are taken directly to reserves while others are recognised via the operating statement. Revaluations taken directly to reserves are included here for input purposes. However, for output purposes, revaluations taken directly to reserves and revaluations recognised via the operating statement are combined and reflected as 'valuations and other changes'.

6101 Increase in value of land

Refers to increases in the value of land due to revaluations.

6102 Increase in value of fixed assets

Refers to increases in the value of fixed assets due to revaluations.

6103 Increase in value of other non-financial assets

Refers to increases in the value of non-financial assets other than land or fixed assets due to revaluations.

6104 Increase in value of deposits, investments and advances

Refers to increases in the value of deposits, investments and advances due to revaluations.

6105 Decrease in value of borrowings

Refers to decreases in the value of borrowings due to revaluations.

6106 Decrease in value of employee related liabilities

Refers to decreases in the value of employee related liabilities due to revaluations.

6107 Increase in value of other financial assets and decrease in value of other liabilities

Refers to increases in the value of financial assets other than deposits, investments and advances due to revaluations. Also refers to decreases in the value of liabilities other than borrowings and employee related liabilities due to revaluations.

6109 Revaluations (contra item)

Refers to the contra item to ETF 6101, ETF 6102, ETF 6103, ETF 6104, ETF 6105, ETF 6106 and ETF 6107.

62 OTHER CHANGES IN THE VOLUME OF ASSETS

620 Other changes in the volume of assets

Refers to changes in assets, liabilities and net worth between opening and closing balance sheets that are not due to transaction flows nor to revaluations.

6201 Other changes in the volume of assets

Refers to changes in the volume of non-financial assets and financial assets.

Changes in the volume of non-financial assets are due to non-economic phenomena such as the discovery or depletion of subsoil assets, destruction by war or other political events or destruction by natural catastrophes.

Changes in the volume of financial assets are due to the non-existence of even a notional liability at the time the financial asset was recognised and due to the effect of events not anticipated when the terms of financial claims were set. Includes bad debts written off unilaterally or without mutual agreement between creditor and debtor.

6202 Other changes in the volume of assets (contra item)

Refers to the contra item to ETF 6201.

SECTION 8: BALANCE SHEET

The balance sheet is a statement of an economic entity's financial position at a specific point in time. It contains information on assets, liabilities and owners equity.

81 ASSETS

Refers to probable future economic benefits obtained or controlled by an entity as a result of past transactions and activities undertaken by the entity, and other events. Includes financial assets such as deposits, loans and investments. Also includes non-financial assets such as land, buildings and inventories.

811 Cash and deposits

8110 Cash and deposits

Includes: notes and coins on hand; cheques held but not yet deposited; cash and deposits in both Australian currency and foreign currency at all banks, non-bank financiers and other deposit taking institutions which are recoverable or transferable on demand; deposits placed in the short term money market (for example, grants received from the Commonwealth deposited overnight); and units issued by cash management trusts and withdrawable share capital of building societies. Excludes bank certificates of deposit and fixed deposits held with banks.

812 Investments, loans and placements

8121 Loans and placements

Includes: non-negotiable, non-transferable loans, other than advances; credit foncier loans; and deferred payment schemes (repurchase agreements).

8122 Securities

Includes: promissory notes; bills of exchange; certificates of deposit; fixed term deposits; Treasury notes and bonds; redeemable preference shares; debentures; long term notes; and net value of swaps and other derivatives that are in a net asset position.

813 Accounts receivable

8130 Accounts receivable (net of provisions for doubtful debts)

Includes: short and long term trade credit and accounts receivable; accounts and interest receivable; and prepayments made. Accounts receivable are recorded net of provisions for bad debts.

814 Advances outstanding

8140 Advances outstanding (excludes equity)

Refers to loans motivated by policy considerations rather than for liquidity management purposes. As a general rule, all loans made by general government to other government bodies (except loans made by central borrowing authorities) are deemed to be for policy purposes. Includes: long and short term loans; non-marketable debentures; and long and short term promissory agreements (bonds and bills) issued to public sector units for the purpose of achieving government policy objectives. Excludes: government equity in government-owned enterprises; grants and non-repayable funds; and investment for liquidity management and income generation.

815 Equity investments

8150 Equity investments

Refers to claims on other entities entitling the holder to a share of the income of the entity and a right to a share of the residual assets of the entity should it be wound up.

Includes holdings of the market value of shares of listed enterprises and the market value of assets (non-financial and financial) less liabilities of unlisted enterprises.

816 Non-financial produced assets

Refers to assets held by producers mainly for the purposes of production. Includes produced assets such as buildings, plant and equipment.

8161 Defence weapons platforms (net of depreciation)

Refers to military vehicles and equipment designed to launch weapons of destruction. Includes warships, submarines, military aircraft, tanks, missile carriers and launchers. Excludes missiles, rockets and bombs.

8162 Buildings (net of depreciation)

Includes dwellings and non-residential buildings.

8163 Other construction/infrastructure (net of depreciation)

Includes railways, roads, bridges, tunnels, airports, harbours, pipelines, dams and the like.

8164 Plant and equipment (net of depreciation)

Includes machinery and equipment.

8165 Cultivated assets

Includes breeding livestock, vineyards, orchards and plantations.

8166 Intangible produced assets

Includes mineral exploration, computer software and artistic originals.

8167 Inventories of weapons and weapons platforms

Includes stocks of and parts for defence weapons platforms. Refers to both finished and unfinished goods.

8168 Other inventories

Includes materials and supplies, work in progress, finished goods and goods for resale.

8169 Valuables

Includes precious metals and stones, antiques and objects of art.

817 Non-financial non-produced assets

Refers to assets held by producers mainly for the purposes of production. Includes non-produced assets such as land and cultivated forests.

8171 Land

Includes land and subsoil assets such as mineral deposits.

8172 Non-cultivated biological resources and water resources

Includes non-cultivated resources such as virgin forests, fishing grounds and natural water resources.

8173 Intangible non-produced assets

Includes patents, copyrights and goodwill.

819 Other assets

8190 Other assets

Includes assets not elsewhere classifiable under ETF 81.

82 LIABILITIES

Refers to the financial obligations of an entity to creditors or other parties. Includes deposits held, borrowings, accounts payable and certain provisions.

821 Deposits held

8211 Currency on issue

Refers to coins on issue from the Commonwealth Treasury and notes on issue from the Reserve Bank of Australia.

8212 Other deposits held

Includes holdings of cash balances or deposits from other public sector or private sector bodies including trust accounts held on behalf of other public sector or private bodies. Excludes employee superannuation trust fund balances or any trust balances held to reduce employee entitlement liability.

822 Proceeds from advances

8220 Proceeds from advances

Includes loans received from government authorities for policy purposes rather than income generation/liquidity management. Excludes loans from all financial authorities; and grants and non-repayable funds received.

823 Borrowing

Refers to the creation of liabilities through direct agreements with lenders, the sale of securities and finance lease arrangements.

8231 Finance leases

Includes lease arrangements in which most of the risks and benefits of ownership rest with the lessee. Includes all leases defined as finance leases under AAS 17, but can include others where the economic effect is the same as a finance lease. Excludes operating leases.

In a situation where a gain on a finance lease has occurred, and it is viewed by the enterprise as a deferred asset, this should be treated as 'negative' borrowing and netted off against the lease liability.

8232 Loans

Refers to proceeds from foreign and domestic borrowing. Includes: bank overdrafts; long and short term loans in both Australian currency and foreign currency; credit foncier loans; and deferred payment schemes (re-purchase agreements).

8233 Securities

Includes: promissory notes; bills of exchange; certificates of deposit; fixed term deposits; Treasury notes and bonds; debentures; long term notes; net value of swaps and other derivatives in a net liability position.

824 Accounts payable

8240 Accounts payable

Includes short and long term trade debt and accounts payable; accounts and interest payable; and prepayments received.

825 Provisions

Refers to provisions which are in the nature of liabilities. Excludes provisions which are in the nature of reserves and which do not meet the definition of liabilities, e.g. provision for future losses and provision for self-insurance.

8251 Provisions for unfunded superannuation

Refers to the superannuation liability accrued under unfunded schemes.

8252 Provisions for other employee entitlements

Refers to employers' liability to pay future benefits other than for superannuation. Includes: liability for sick leave paid on resignation or retirement; recreation leave; long service leave; workers' compensation (where benefits are paid by an employer and not a separate insurer); and accrued wages and salaries.

8259 Other provisions

Refers to provisions other than those for employee entitlements. Includes provisions for income tax and dividends if the underlying amounts are liabilities of the entity. Excludes provisions for bad debts.

829 Other liabilities

8290 Other liabilities

Includes liabilities not elsewhere classifiable under ETF 82.

83 CAPITAL, RETAINED EARNINGS AND RESERVES

Refers to the interest of shareholders or other owners in the net assets of a public enterprise. Also called owner's equity or shareholder's equity.

831 Shares and other contributed capital

8310 Shares and other contributed capital

Refers to claims on the residual value of public enterprises after the claims of all creditors have been extinguished. Dividends and other income arising from such claims are not predetermined or fixed.

This item includes the paid up value of shares on issue of listed public enterprises. It also includes the value of paid up or contributed capital of unlisted public enterprises.

839 Retained earnings and reserves

8390 Retained earnings and reserves

This item refers to retained earnings and reserves of public entities.

DETAILED GOVERNMENT PURPOSE CLASSIFICATION

21 GENERAL PUBLIC
SERVICES

211 Government superannuation benefits

2110 Government superannuation benefits

Includes outlays on:

- retirement and pension plans for military personnel and other government employees and their survivors under contributory schemes whether or not funded;
- payments under the defence forces retirement and death benefits scheme; and
- payments under Commonwealth, state and local government superannuation schemes.

Excludes outlays on:

- pensions and other benefits paid to ex-service personnel to compensate for invalidity and other permanent disability resulting from service in the defence forces, and to war widows and war orphans classified to GPC 2612; and,
- old age pensions, disability benefits, etc. paid through the general social security system to ex-military personnel, classified to GPC 261.

219 Other general public services

2191 General research

Outlays on administration, support, operation, etc. of research directed towards the increase in scientific knowledge or discovery of new fields of investigation, not connected with a specific function.

Includes outlays on:

- multi-disciplinary research, such as oceanography; and
- single discipline research.
- Excludes outlays on applied research which is undertaken with a specific purpose in mind; for example, applied research into plant diseases or other destructive agents classified to GPC 3014.

2199 General public services n.e.c.

Outlays on administration, support, regulation, research, operation, etc. of general public services. General public services include legislative and executive affairs, financial and fiscal affairs, external affairs, foreign economic aid, general research and general services.

Legislative and executive affairs

Includes outlays on:

- parliaments and councils;
- governor-general, governor and mayoral offices;
- conduct of elections and maintenance of registers of voters;
- legislative drafting offices;
- libraries and other reference services that serve the legislative bodies;
- permanent and ad hoc commissions and committees created by, or acting on behalf of, the legislature; and
- ministerial departments, local government offices and inter-departmental committees not concerned with a specific function.

Excludes outlays on ministerial departments, local government offices and inter-departmental committees concerned with a specific function.

Financial and fiscal affairs

Includes outlays on:

- collection of taxes, including customs duties;
- management of public funds and public debt;

- departmental monitoring and control of monetary and fiscal policy; and
- formulation, review, etc. of government budgets.

Excludes outlays on:

- collection of licences, fees and fines which are associated with a specific function; and
- underwriting and floating of government loans and interest payments classified to GPC 3410.

External affairs

Includes outlays on:

- departments concerned with foreign affairs and diplomatic and consular missions stationed abroad or at offices of international organisations;
- information and cultural activities intended for distribution overseas;
- contributions to meet operating expenses of international organisations; support for research into foreign policy; and
- issuing of passports and visas.

Excludes outlays on:

- military aid to foreign countries and military units stationed abroad classified to GPC 2200;
- production of cultural material intended for overseas broadcasting classified to GPC 2830; and
- foreign trade offices, international financial affairs and other foreign commercial or technical affairs classified to GPC 3390.

Foreign economic aid

Includes outlays on:

- offices and other units administering non-military aid to developing countries;
- grants, advances, technical assistance and training programs for foreign nationals;
- foreign economic aid through international organisations; and
- contributions in cash or in kind to economic development funds administered by international regional or other multinational organisations.

Excludes outlays on:

- military aid classified to GPC 2200; and

- aid to international peace-keeping operations classified to GPC 2200.

General services

Includes outlays on:

- overall economic and social planning and statistical services not connected with a specific function;
- offices, bureaux, or program units which formulate, coordinate and frequently monitor the implementation of overall economic and social policies programs;
- development and implementation of general personnel policies and procedures;
- centralised supply and purchasing services that cannot be split and allocated to specific functions;
- repairs and maintenance; central motor pools;
- maintenance of government archives not connected with libraries; and
- administration of Indian Ocean and Pacific Ocean territories and non-self governing territories where outlays are not elsewhere classified.

Excludes outlays on personnel and other general services connected with a specific function.

22 DEFENCE 220 Defence

2200 Defence

Outlays on administration, supervision, operation and support of military and civil defence affairs, foreign military aid and defence research.

Military and civil defence affairs

Includes outlays on:

- land, sea, air and reservist combat personnel;
- engineering, transport, communications, intelligence, training and recruitment and other non-combatant personnel and associated services;
- provision of equipment, structures and supplies; base hospitals and military schools and colleges;
- dissemination of information; and
- civil defence personnel and acquiring materials and equipment.

Excludes outlays on:

- pension schemes for military personnel classified to GPC 2110; and
- food, materials, equipment, etc. used for emergency peace-time disasters classified to GPC 2629 or GPC 343.

Foreign military aid

Includes outlays on:

- military aid missions accredited to foreign governments or attached to international military organisations; and
- military aid grants and advances and contributions to international peace-keeping forces including assignment of manpower.

Defence research

Includes outlays on:

- research and experimental development related to the armed forces and civil defence;
- development of new and improved equipment; improvements in tactics and strategies; and
- other research and development related to defence.

23 PUBLIC ORDER AND SAFETY

231 Police and fire protection services

2311 Police services

Outlays on all activities concerned with the prevention of illegal activities and apprehension of criminals.

Includes outlays on:

- traffic control by police;
- alien registration;
- internal security forces;
- police colleges;
- police training; and
- police laboratories.

2312 Fire protection services

Includes outlays on:

- contributions to volunteer fire brigades;
- operations of fire brigade boards; and
- roadside clearing operations.

Excludes outlays on forest fire protection services classified to GPC 3021.

232 Law courts and legal services

2320 Law courts and legal services

Outlays on legal representation and advice on behalf of the government and others.

Includes outlays on:

- costs of crown prosecutions;
- trusteeship services and law reform;
- registration of legal titles to property; and
- registration of births, deaths and marriages.

Excludes outlays on:

- industrial law classified to GPC 3339; and
- tribunals and appeals boards that can be classified to specific purpose categories.

233 Prisons and corrective services

2331 Juvenile corrective services

Includes outlays on:

- places of secure detention for juveniles, child offenders and children on remand for alleged offences;
- youth training centres; and
- juvenile corrective institutions.

Excludes outlays on residential child care institutions that are not places of secure detention, such as juvenile hostels, family group homes, campus homes, etc. classified to GPC 2621.

2339 Prisons and other corrective services

Includes outlays on:

- places of secure detention for convicted persons, alleged offenders and non-institutional corrective services;
- prisons, prison farms, remand centres and asylums for the criminally insane; and
- community-based correction activities where the offender or alleged offender is at large in the community, but is required to adhere to certain rehabilitation sessions such as parole and probation services, community service orders and attendance centres.

Excludes outlays on juvenile corrective services classified to GPC 2331.

239 Other public order and safety

2391 Control of domestic animals and livestock

Includes outlays on programs relating to the control of animals such as dog registration, pounds, control of stray cattle and associated veterinary costs.

2399 Other public order and safety

Includes outlays on:

- beach inspectors;
- life saving and beach patrols;
- maintenance of state emergency services (such as through local government contributions) and their operations that cannot be allocated to disaster relief classified to GPC 2629 or GPC 343;
- control of explosives;
- human rights organisations; and
- community relations.

Excludes outlays on road safety classified to GPC 3219.

24 EDUCATION 241 Primary and secondary education

2411 Primary education

Outlays on administration, inspection, support, operation, etc. of educational programs that provide a sound knowledge of reading, writing and simple mathematics and an elementary knowledge of other subjects for children from ages 5 to 7 until ages 10 to 12.

Includes outlays on special education programs integrated into mainstream primary education.

Excludes outlays on:

- transportation services to students classified to GPC 244; and
- school medical and dental programs classified to GPC 2550.

2412 Secondary education

Outlays on administration, inspection, support, operation, etc. of educational programs that extend primary programs on a more subject-oriented pattern for a period of 4 to 6 years. Some vocational and technical training may occur particularly in the final years.

Includes outlays on:

out-of-school secondary education courses for adults and young people other than those offered by colleges of technical and further education; and

special education programs integrated into mainstream secondary education.

Excludes outlays on:

- transportation services to students classified to GPC 244; and
- school medical and dental programs classified to GPC 2550.

2419 Primary and secondary education n.e.c.

Outlays on administration, inspection, support, operation, etc. of primary and secondary educational programs that cannot be assigned to any of the preceding subgroups.

Excludes outlays on:

- transportation services to students classified to GPC 244; and
- school medical and dental programs classified to GPC 2550.

242 Tertiary education

2421 University education

Outlays on administration, inspection, support, operation, etc. of educational programs leading to a university first degree, post-graduate degree or other higher qualifications. Entry generally requires matriculation at secondary level or equivalent.

Excludes outlays on: transportation services to university students classified to GPC 244.

2422 Technical and further education

Outlays on administration, inspection, support, operation, etc. of educational programs in music, fine arts and design; courses designed to meet specific requirements of industry and commerce; and, non-vocational courses offered by colleges of technical and further education. Entry may not require matriculation at secondary level or equivalent.

Excludes outlays on:

- transportation services to technical and further education students classified to GPC 244; and
- vocational training programs not provided by TAFE institutions classified to GPC 3331.

2429 Tertiary education n.e.c.

Outlays on administration, inspection, support, operation, etc. of educational programs provided by tertiary institutions n.e.c. which normally require completion of high school or equivalent as a minimum standard of entry.

Excludes outlays on:

- courses which are essentially non-vocational and associated with leisure time activities classified to GPC 2439 or GPC 2422; and
- transportation services to students classified to GPC 244.

243 Preschool education and education not definable by level

2431 Preschool education

Outlays on administration, inspection, support, operation, etc. of preschool education programs for children up to 5 years of age delivered in a school-type environment designed to bridge the gap between home and school atmosphere.

Includes outlays on:

- preschools and kindergartens; and
- any special education programs integrated into mainstream preschool education.

Excludes outlays on:

- playcentres, creches, day-care centres, etc. (where the main function is not to prepare children for subsequent schooling, but rather to provide services to assist working mothers, one parent families and other families in need) classified to GPC 2621; and
- 'preschools' classified to GPC 2621.

2432 Special education

Outlays on administration, inspection, support, operation, etc. of special education programs provided by special schools.

Includes outlays on:

- education of blind, deaf and mute children, and children with other forms of physical handicap;
- slow learners;
- children with social or emotional problems;
- children in custody or on remand; and
- children in hospital.

Excludes outlays on:

- transportation services to students classified to GPC 244;
- school medical and dental programs classified to GPC 2550;
- special education programs integrated into mainstream primary education classified to GPC 2411; and

- special education programs integrated into mainstream secondary education classified to GPC 2412.

2439 Other education not definable by level

Outlays on administration, inspection, support, operation, etc. of educational programs which are not definable by level.

Includes outlays on:

- adult education courses which are essentially non-vocational and associated with leisure-time activities, other than those offered by colleges of technical and further education;
- migrant education programs; and
- other educational programs not definable by education level.

244 Transportation of students

2441 Transportation of non-urban school students

Outlays on administration, inspection, support, etc. of transportation services to non-urban (rural) school students.

Includes outlays on:

- contract bus services;
- conveyance allowances to parents; and
- reimbursement of private sector bus operators for concessional fares offered to non-urban school students.

Urban areas in each state include the capital city and the commuter population areas for the capital city. Non-urban areas in each state are residual to the urban areas. Data on transport services are sourced from the financial statements of transport authorities which usually specialise in providing either wholly/predominantly urban or wholly/predominantly non-urban services. Depending on the areas serviced by these authorities, some overlap between the urban/non-urban distinction may be unavoidable.

2449 Transportation of other students

Outlays on administration, inspection, support, etc. of transportation services to students other than non-urban school children.

- Includes outlays on:
- contract bus services;
- conveyance allowances to parents; and
- reimbursement of public non-financial corporations and private sector bus operators for concessional fares offered to these students.

Excludes outlays on transportation services to non-urban school children classified to GPC 2441.

249 Education n.e.c.

2490 Education n.e.c.

Outlays on education affairs and services that cannot be assigned to one of the four preceding groups of GPC 24.

25 HEALTH 251 Acute care institutions

This subgroup comprises all activities of acute care hospitals, free-standing hospices, alcohol and drug treatment centres, and same-day establishments except activities involving health research and formal health education.

Acute care hospitals are defined in the National Health Data Dictionary (NHDD) as 'establishments which provide at least minimal medical, surgical or obstetric services for inpatient treatment and/or care, and which provide round-the-clock comprehensive qualified nursing services as well as other necessary professional services. They must be licensed by the state health departments, or controlled by government departments. Most of the patients have acute conditions or temporary ailments and the average stay per admission is relatively short. Hospitals specialising in dental, ophthalmic aids and other specialised medical or surgical care are included in this category'.

Alcohol and drug treatment centres are free-standing centres for the treatment of drug dependence on an in-patient basis.

Same day establishments include day centre/hospitals and free-standing day surgery centres.

2511 Designated psychiatric units

Includes outlays on care in designated psychiatric units in acute care institutions.

2512 Nursing home type patient care

Includes outlays on care of nursing home type patients in acute care institutions (as defined by the Health Insurance Act).

2513 Other admitted patients

Includes outlays on all admitted patient services not included in GPC 2511 and GPC 2512 above.

2514 Non-admitted patient services in acute care institutions

Includes outlays on accident and emergency services, outpatient clinics, dental clinics, outreach services, community health services and other services provided by acute care institutions not included in GPC 2511, GPC 2512, GPC 2513 and GPC 2571.

2519 Acute care institutions (temporary dump)

This category is intended to record expenditures which for reasons of data unavailability at the time of coding, cannot be classified to GPCs 2511 to 2514 above in some jurisdictions. The use of this category should be minimised and amounts recoded to their substantive 4-digit categories when the necessary details are available.

252 Mental health institutions

2520 Mental health institutions

Includes outlays on psychiatric hospitals and psycho-geriatric nursing homes.

The NHDD defines psychiatric hospitals as 'establishments devoted primarily to the treatment and care of in-patients with psychiatric, mental or behavioural disorders'.

253 Nursing homes for the aged

2530 Nursing homes for the aged

Includes outlays on nursing homes which provide long-term care involving regular basic nursing care primarily for persons aged 65 years and over.

Some young disabled persons are cared for by these nursing homes, but the focus of the nursing home is care for older persons. Some of these institutions are located with acute care institutions.

Excluded are outlays on:

- hostels for the aged classified to GPC 2622;
- nursing homes for the young disabled classified to GPC 2623; and,
- psycho-geriatric nursing homes classified to GPC 2520.

254 Community health services

2541 Community health services (excluding community mental health)

- Includes outlays on
- domiciliary nursing services;
- well baby clinics;
- dental health services;
- home nursing services which are not delivered as part of a welfare oriented program;
- services provided by community health centres;
- health services provided to particular community groups such as Aboriginals;

- family planning services;
- alcohol and drug rehabilitation programs not involving admission; and,
- other health services provided in a community setting.

Also includes Commonwealth subsidies for services of private medical and private dental practitioners and optometrists through Medicare and other programs.

Excludes outlays on:

- community health services provided by acute care institutions classified to GPC 2514; and
- community mental health services classified to GPC 2542.

2542 Community mental health

Outlays on specialised mental health programs for the mentally ill treated in a community setting.

Includes outlays on:

- mobile acute assessment;
- treatment and case management services;
- outreach programs; and
- community based residential services.

Excludes outlays on:

- treatment by psychiatrists in private practice which are classified to GPC 2541; and
- psycho-geriatric nursing homes which are classified to GPC 2520.

2543 Patient transport

Includes outlays on:

- emergency transport to hospital;
- inter-hospital transport;
- non-emergency transport to and from treatment centres; and
- travel and accommodation assistance.

255 Public health services

2550 Public health services

Outlays on public health services consisting of population health service programs and preventive health service programs.

Population health service programs are defined as those programs which aim to protect, promote and/or restore the collective health of whole or specific populations (as distinct from activities directed to the care of individuals).

Includes outlays on:

- health promotion campaigns;
- occupational health and safety programs;
- food standards regulation;
- environmental health;
- nutrition services;
- communicable disease surveillance and control; and
- epidemiology.

Preventive health service programs are those programs which have the aim of preventing disease.

Includes outlays on:

- immunisation programs;
- breast cancer screening; and
- screening for childhood diseases.

256 Pharmaceuticals, medical aids and appliances

2560 Pharmaceuticals, medical aids and appliances

Includes outlays on:

- pharmaceuticals provided outside of hospitals;
- aids and appliances used for health purposes and supplied in an ambulatory setting;
- glasses, hearing aids, wheel chairs, etc.

Excludes outlays on prostheses used in operations.

257 Health research

2571 Health research in acute care institutions

Includes outlays on:

- research into health, medical and health sciences; and
- medical instrumentation undertaken in acute care institutions.

2579 Other health research

Includes outlays on:

- research into health, medical and health sciences; and
- medical instrumentation undertaken in institutions other than acute care institutions.

Excludes outlays on research undertaken in acute care institutions classified to GPC 2571.

259 Health administration n.e.c.

2590 Health administration n.e.c.

Outlays on administration, support, operation, etc. of health affairs and services that cannot be assigned to one of the preceding subgroups.

Includes outlays on:

- health insurance schemes designed to cover all or part of the costs of health care;
- the administration of Medicare by the Health Insurance Commission; and
- any subsidies for private health insurance.

26 SOCIAL SECURITY AND WELFARE

261 Social security

Social security services are defined as chiefly transfer payments (including payments in kind) to compensate for reduction or loss of income or inadequate earning capacity.

2611 Sickness benefits

Pensions and other benefits paid to persons who are sick and thereby suffer loss of income due to work incapacity.

Includes outlays on:

- sickness benefits; and,
- miners phthisis compensation.

Excludes outlays on:

- special benefits classified to GPC 2619;
- workers compensation payments classified to purpose; and
- payments for health services classified to the appropriate subgroup of major group GPC 25.

2612 Benefits to ex-service personnel and their dependants

Pensions and other benefits paid to ex-service personnel to compensate for invalidity and other permanent disablement resulting from service in the defence forces, and to war widows and war orphans.

Includes outlays on:

- ex-service personnel disability pensions and allowances; and
- service pensions.

Excludes outlays on:

- pensions from defence forces retirement and death benefits scheme classified to GPC 2110
- old age pensions, disability benefits, etc. paid through the general social security system to ex-service personnel, classified to other GPC 261 subgroups; and
- medical services classified to the appropriate subgroup of major group GPC 25.

2613 Permanent disability benefits

Disability service pensions and other benefits paid to compensate for the permanent loss of income due to full or partial disablement.

Includes outlays on payments to chronically ill and disabled persons.

Excludes outlays on:

- repatriation and other disablement benefits payable only to ex-service personnel classified to GPC 2612; and
- medical services classified to the appropriate subgroup of major group GPC 25.

2614 Old age benefits

Payments of old age pensions.

Excludes outlays on:

- pensions payable only to ex-service personnel and their dependants classified to GPC 2612; and
- medical services classified to the appropriate subgroup of major group GPC 25.

2615 Widows, deserted wives, divorcees and orphans benefits

Pensions and other benefits paid to widows, deserted wives and divorcees that are not made on the grounds of the need to support a dependent child. Pensions and other benefits paid where both parents of a child are deceased or if the whereabouts of a sole surviving parent is unknown.

Includes outlays on class B and C widows pensions and orphans pensions.

Excludes outlays on:

- war widows and war orphans pensions classified to GPC 2612; and

- class A widows pension and supporting parent benefits which are based on the need to support a dependent child classified to GPC 2618.

2616 Unemployment benefits

Unemployment benefits paid to compensate for loss of income due to unemployment.

Excludes outlays on:

- government labour exchanges classified to GPC 3339;
- unemployment relief grants through schemes such as NEAT, CYSS and YESS classified to the purpose which the industry serves or GPC 3339;
- pensions and other benefits paid to persons who are sick and thereby suffer loss of income due to work incapacity classified to GPC 2611;
- special benefits classified to GPC 2619; and
- welfare assistance to the unemployed classified to GPC 2629.

2617 Family and child benefits

Income assistance paid to families irrespective of whether anyone in the household is earning an income.

Includes payments to:

- households on a per child basis such as family allowances; and
- payments to children with a disability not made to institutions, such as child disability allowances.

Excludes payments to:

- dependants of ex-service personnel classified to GPC 2612;
- widows, deserted wives, divorcees and orphans classified to GPC 2615;
- single parent households with dependent children classified to GPC 2618; and
- institutions for children with a disability classified to GPC 2623.

2618 Sole parents benefits

Income assistance payments to single parent households with dependent children.

Includes:

- supporting parents benefits; and
- class A widows pensions.

Excludes:

- payments to single parent households that are not made on the basis of the support of a dependent child (such as class B and C widows pensions) classified to GPC 2615;
- war widows pensions classified to GPC 2612; and
- payments to households on a per child basis (such as child allowances) classified to GPC 2617.

2619 Social security n.e.c.

Outlays on administration, provision, support, operation, etc. of social security affairs that cannot be assigned to one of the preceding sub-groups of GPC 261, including administration costs that can be separated from the provision of welfare services.

Includes:

- special benefits;
- funeral benefits and compassionate allowances;
- assistance to individuals or households with inadequate earning capacity, in the nature of concessions (such as telephone rental, postal, transport and rate concessions); and
- other income assistance not included in the preceding sub-groups of GPC 261.

Also includes outlays by departments, bureaux or program units which serve the social security system including those that disseminate information, prepare budgets and conduct or support research into social security affairs.

Excludes outlays on student transport concessions which are considered to be education outlays and are classified to GPC 244.

262 Welfare services

Welfare services are defined as assistance delivered to clients, or groups of clients with special needs such as the young, the aged or the disabled.

2621 Family and child welfare services

Child care services and services for children which are developmental in nature

Includes outlays on:

- long-day care centres, family-day care, occasional care/other centres and outside school hours care; and
- subsidies for child-care assistance and child-care cash rebate.

Child, youth and family welfare services which are protective (children), developmental (youth), and supportive (families) in nature

Includes outlays on:

- substitute care (short term and permanent);
- information, advice and referral, particularly in adoption;
- development and monitoring of family/household management skills;
- Supported Accommodation Assistance Program for youth (SAAP);
- protective investigation, protective supervision, statutory guardianship management, protective accommodation;
- services delivered by residential institutions, such as centres, villages, shelters, hostels, orphanages, youth refuges, juvenile hostels, campus homes and family group homes;
- marriage and child/juvenile counselling; and
- assessment and evaluation of offenders by non-judicial bodies.

2622 Welfare services for the aged

Welfare services for the aged are programs providing services primarily intended for persons aged 65 and over.

Includes outlays on:

- respite care;
- domestic and personal assistance, e.g. services provided through the Home and Community Care Program;
- services delivered by residential institutions, e.g. hostels, villages, group homes;
- financial assistance not primarily related to inadequate earning capacity, e.g. concessions for aged persons (transport and material assistance, etc.); and
- community centres, e.g. senior citizens centres.

Excludes outlays on nursing homes for the aged which are classified to GPC 2530.

2623 Welfare services for people with a disability

Include outlays on:

- respite care;
- development care;
- substitute care;
- domestic and personal assistance, e.g. services provided through the Home and Community Care Program;

- services delivered by residential institutions, e.g. hostels, group homes and other services provided under the Commonwealth/state disability agreement;
- transport other than public transport;
- supported employment and rehabilitation, e.g. sheltered employment, training centres for people with a disability;
- community centres, e.g. day care centres for people with a disability;
- nursing homes for people with a disability; and
- financial assistance not primarily related to inadequate earning capacity, e.g. concessions specifically for people with a disability (transport and material assistance, etc.).

2629 Welfare services n.e.c.

Includes outlays on:

- homeless persons' assistance, e.g. Supported Accommodation Assistance Program (SAAP) for people other than youth;
- information, advice and referral services;
- prisoners' aid;
- care of refugees;
- premarital education;
- Aboriginal welfare services;
- women's shelters;
- general casework services which lead to the determination of eligibility for income assistance or welfare services;
- multi-client services (food and clothing) in times of personal and family emergencies and relief of victims of man-made disasters;
- departments, bureaux or program units which serve the welfare services system including those that disseminate information, prepare budgets, policy and research; financial assistance (other than for the aged and the disabled) not primarily related to inadequate earning capacity; and
- community and management support.

269 Social security and welfare n.e.c.

2690 Social security and welfare n.e.c.

Outlays on administration, inspection, support, operation, etc. of both social security and welfare affairs and services that cannot be assigned to one of the two preceding groups of major group 26, including administration costs that cannot be classified to either social security or welfare affairs.

Includes:

- outlays by departments, bureaux or program units which serve the social security and welfare system including those that disseminate information, prepare budgets and conduct or support research into social security and welfare affairs and services; and
- financial compensation to individuals or their families, who as victims of criminal activities suffered injury, illness or death.

27 HOUSING AND
COMMUNITY AMENITIES

271 Housing and community development

2711 Housing

- Outlays on administration, provision, support, operation, etc. of housing affairs and services.
- Includes outlays on:
 - provision of housing for the general public and people with special needs;
 - acquisition of land for dwelling construction;
 - slum clearance;
 - administration of rent controls and eligibility standards for public housing;
 - conditional financial assistance for the construction of homes;
 - rental subsidies and allowances;
 - mortgage financing of homes for ex-service personnel and other low cost mortgage financing for home building or purchase;
 - producing and disseminating information about housing; and,
 - applied research into and experimental development of housing standards and design.

Excludes outlays on:

- residential institutions mainly providing living quarters classified to the appropriate sub-group of GPC 262;
- provision of accommodation to serving members of the defence forces classified to GPC 2200; and
- construction methods, materials or standards classified to GPC 3130.

2712 Aboriginal community development

Outlays on administration, provision, support, operation, etc. of Aboriginal community development.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

2719 Other community development

Outlays on administration, provision, support, operation, etc. of overall community development mainly concerned with the planning of new or rehabilitated communities with the aim of improving the quality of life.

Includes outlays on

- plans involving housing and industries;
- facilities for the health, education, culture and recreation of the community;
- schemes for financing construction;
- relocating existing populations;
- administrating zoning laws;
- regulations on land use;
- building standards other than standards covering housing;
- administrating concessions to decentralised industries;
- research into community development; and
- dissemination of information.

Excludes outlays on:

- Aboriginal community development which is classified to GPC 2712; and
- plan implementation—that is, actual construction of housing, industrial buildings, streets, public utilities and cultural facilities classified to the appropriate major group according to functional role.

272 Water supply

2721 Aboriginal community water supply

Outlays on administration, regulation, research, support, etc. of Aboriginal community water supply services.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

2729 Other water supply

Outlays on administration, regulation, research, support, etc. of water supply services other than for Aboriginal communities.

Includes outlays on:

- assistance for the development, expansion or operation of water supply systems; and
- production and dissemination of information and research into the conservation, collection, purification and distribution of water.

Excludes outlays on:

- government activities in connection with irrigation systems classified to GPC 3012; and
- Aboriginal community water supply classified to GPC 2721.

273 Sanitation and protection of the environment

2731 Aboriginal community sanitation services

Covers outlays on administration, regulation, support, etc. of Aboriginal community sanitation services.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

2739 Other sanitation and protection of the environment n.e.c.

Covers outlays on administration, regulation, support, etc. of household garbage collection and disposal services, other sanitary services, sewerage collection, sewerage treatment and disposal operations, urban stormwater drainage services, pollution abatement and control, and other environmental protection programs.

Includes outlays on:

- development, expansion or operation of household garbage systems and other systems;
- trade and industrial waste disposal;
- cleaning of streets, gutters, foreshores and recreation areas;
- special rubbish clean-ups and anti-litter enforcement;
- disposal of radioactive wastes;
- deep mains town systems;
- effluent drainage systems;
- septic tank cleaning and inspection;

- nightsoil disposal ('sanitary service');
- urban drainage systems and stormwater drains, including the linking or lining of creeks and the provision of open or deep draining systems;
- development and monitoring of standards covering pollution and air quality such as outlays on construction, development and operation of monitoring stations (e.g. stations to monitor noise levels near airports), and support of the development and use of anti-pollution devices;
- environmental protection programs such as the control and prevention of erosion of beaches and foreshores;
- flood mitigation in urban areas;
- research and experimental development into problems of pollution abatement and control and other environmental protection programs; and
- production and dissemination of information.

Excludes outlays on:

- Aboriginal community sanitation services classified to GPC 2731;
- construction of drains associated with roadworks classified to GPC 3214;
- rural flood mitigation and agricultural drainage classified to GPC 3012; and
- pollution abatement and control and other environmental protection programs classified to the purpose which the industry serves.

279 Other community amenities

2791 Aboriginal community amenities

Covers outlays on administration, provision, operation, etc. of Aboriginal community amenities.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps

2799 Other community amenities

Covers outlays on administration, provision, operation, etc. of street lighting and other community amenities that cannot be assigned to one of the preceding subgroups of major group GPC 27.

Includes outlays on:

- design, installation, operation, maintenance, upgrading and other aspects of street lighting such as developing and monitoring street lighting standards;
- public conveniences;
- pedestrian shopping malls;
- drinking fountains;
- bus shelters; and
- cemeteries and crematoria.

Excludes outlays on:

- Aboriginal community amenities classified to GPC 2791; and
- public conveniences at recreational areas classified to GPC 2819.

28 RECREATION AND CULTURE

281 Recreational facilities and services

2811 National parks and wildlife

Covers outlays on administration, regulation, support, provision, operation, etc. of national parks and wildlife services.

Includes outlays on aspects of the national estate such as historic houses and sites which are part of national parks and wildlife services.

2819 Recreational facilities and services n.e.c.

Covers outlays on administration, regulation, support, provision, operation, etc. of public halls and civic centres, swimming pools (both indoor and outdoor) and other recreational swimming areas, and other recreational facilities and services.

Includes outlays on:

- multipurpose halls used for recreation and cultural pursuits;
- dressing sheds and diving platforms;
- football and cricket grounds;
- tennis courts;
- golf-links;
- indoor sporting complexes;
- recreational parks and gardens;
- playgrounds;
- barbecue areas;
- walking and cycling paths;

- sport fishing and hunting;
- racing and gaming commissions;
- lotteries commissions;
- national, regional or local team representation in sporting events;
- equipment, coaching, training and other items needed to field a team or player; and
- professional teams or individual competitors.
- Excludes outlays on:
 - national parks and wildlife services classified to GPC 2811;
 - life saving, beach patrols and beach inspection classified to GPC 2399; and
 - predominantly cultural facilities such as zoological and botanical gardens, and aquariums classified to GPC 2820.

282 Cultural facilities and services

2820 Cultural facilities and services

Outlays on administration, support, provision, operation, etc. of libraries open to the public, facilities and services for the creative and performing arts, museums which store and exhibit objects illustrating antiquities, natural history, etc., art galleries, and other cultural facilities and services.

Includes outlays on:

- lending and reference libraries and book mobiles;
- provision of books;
- library archives;
- support of library research;
- theatres, concerts, stage productions and orchestras;
- support to individual artists, writers, designers, composers and others working in the arts;
- state museums and war museums;
- exhibition halls;
- monuments;
- historic houses and sites;
- zoological and botanical gardens;
- aquariums and arboreta;

- national, regional and local celebrations; and,
- organisations engaged in promoting cultural activities.

Excludes outlays on:

- cultural activities intended for distribution overseas classified to GPC 2199;
- production of cultural material intended for overseas broadcasting classified to GPC 2830; and
- aspects of the national estate, which are part of national parks and wildlife services, classified to GPC 2811.

283 Broadcasting and film production

2830 Broadcasting and film production

Outlays on administration, regulation, support, provision, operation, etc. of broadcasting services and film production.

Includes outlays on:

- support for the construction or acquisition of facilities for television or radio broadcasting and for the production and presentation of broadcasting material;
- production of cultural material intended for overseas broadcasting;
- administering the collection of commercial radio and television licence fees; and
- support of film production.

Excludes outlays on support of cultural activities intended for distribution overseas classified to GPC 2199.

289 Recreation and culture n.e.c.

2890 Recreation and culture n.e.c.

Outlays on administration, support, provision, operation, etc. of recreational and cultural affairs and services that cannot be assigned to one of the preceding subgroups of major group GPC 28.

29 FUEL AND ENERGY 291 Fuel affairs and services

2911 Coal

Outlays on administration, regulation, planning, support, operation, etc. of solid mineral fuel affairs and services which concern coal of all grades, lignite and peat irrespective of the method used in their extraction, as well as conversion of these fuels to other forms such as coke or gas.

Includes outlays on:

- price control;
- research;
- dissemination of information;
- measures designed to reduce consumption or increase production; and
- support in the form of advances, grants or subsidies.

2912 Petroleum

Outlays on administration, regulation, planning, support, operation, etc. of petroleum affairs and services which concern oil from wells or other sources such as shale.

Includes outlays on:

- price control;
- research;
- dissemination of information;
- measures designed to reduce consumption or increase production; and
- support in the form of advances, grants or subsidies.

Excludes outlays on transportation of petroleum classified to the appropriate subgroup of GPC 32.

2913 Gas

Outlays on administration, regulation, planning, support, operation, etc. of gas affairs and services which concern natural gas, liquefied petroleum gases and refinery gases.

Includes outlays on:

- price control;
- research;
- dissemination of information;
- measures designed to reduce consumption or increase production; and
- support in the form of advances, grants or subsidies.

Excludes outlays on transportation of gas classified to the appropriate subgroup of GPC 32.

2914 Nuclear affairs

Outlays on administration, regulation, planning, support, operation, etc. of nuclear affairs and services which cover extraction as well as processing of fissionable and fertile materials and manufacture of fuel elements.

Includes outlays on:

- price control;
- research;
- dissemination of information;
- measures designed to reduce consumption or increase production; and
- support in the form of advances, grants or subsidies.

Excludes outlays on radioactive wastes classified to GPC 2739.

2919 Fuel affairs and services n.e.c.

Outlays on administration, regulation, planning, support, operation, etc. of fuel affairs and services that cannot be assigned to one of the preceding sub-groups of GPC 291.

Includes outlays on alternative fuels such as alcohol, wood and wood wastes.

292 Electricity and other energy

2921 Aboriginal community electricity services

Outlays on administration, provision, support, operation, etc. of Aboriginal community electricity services.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

2922 Other electricity

Outlays on administration, regulation, planning, support, operation, etc. of other electricity affairs and services which concern conventional sources of electricity such as thermal, nuclear or hydro supplies, and nonconventional sources such as electricity from wind or solar heat.

Includes outlays on:

- price control;
- research;
- dissemination of information;
- measures designed to reduce consumption or increase production; and
- support in the form of advances, grants or subsidies; and
- support for the construction of dams and other works mainly designed to provide electricity.

Excludes outlays on electricity services to Aboriginal communities which are classified to GPC 2921.

2929 Other energy

Outlays on administration, regulation, planning, support, operation, etc. of energy affairs and services other than electricity. This mainly concerns the production of heat in the form of steam, hot water or hot air such as solar heat not used for the generation of electricity.

Includes outlays on:

- price control;
- research;
- dissemination of information;
- measures designed to reduce consumption or increase production; and
- support in the form of advances, grants or subsidies.

299 Fuel and energy n.e.c.

2990 Fuel and energy n.e.c.

Outlays on administration, regulation, planning, support, operation, etc. of fuel and energy affairs and services that cannot be assigned to one of the two preceding groups of GPC 29.

Includes outlays on measures designed to reduce consumption or increase production of both fuel and energy (for example, the National Energy Conservation Program).

30 AGRICULTURE, FORESTRY, FISHING AND HUNTING

301 Agriculture

3011 Agricultural land management

Outlays on administration, regulation, planning, support, management, etc. of agricultural land in general.

Includes outlays on:

- grants, subsidies and other assistance for agricultural land clearing, reclamation and control of soil erosion;
- land settlement schemes such as grants, interest subsidies and other assistance for farm acquisition;
- programs of rural debt reconstruction, farm rehabilitation and retraining displaced farmers; and
- provision of veterinary and pest control services.

Excludes outlays on:

- agricultural water resources classified to GPC 3012;

- support for research and development into problems of land conservation, reclamation, expansion etc. classified to GPC 3014; and
- price and income support schemes classified to GPC 3013.

3012 Agricultural water resources management

Outlays on administration, regulation, planning, support, management, etc. of agriculture water resources.

Includes outlays on:

- provision of land irrigation, rural drainage and flood mitigation systems; and
- subsidies, grants and advances for such work.

3013 Agricultural support schemes

Outlays on administration, regulation, support, etc. of agricultural affairs designed to stabilise or improve farm prices and farmers' incomes.

Includes outlays on:

- price support and marketing schemes for unprocessed agricultural products;
- schemes to encourage or restrict output of particular products; and
- subsidies to induce farmers to purchase and employ fertilisers, improved seeds and so forth.

3014 Agricultural research and extension services

Outlays on administration, regulation, support, operation, etc. of agricultural research and extension services.

Includes research into:

- land conservation, reclamation and expansion;
- problems of land reform and settlement;
- fertiliser use and other means of improving output;
- veterinary medicine and animal husbandry; and
- eradication or control of pests, vermin, plant diseases and other destructive agents.

Agricultural extension services mainly involve the dissemination of knowledge with the principal aim of increasing productivity, improving quality of products, conserving land and reducing labour or other costs.

3019 Agriculture n.e.c.

Outlays on administration, regulation, support, operation, etc. of agricultural affairs that cannot be assigned to one of the preceding subgroups of GPC 301.

302 Forestry, fishing and hunting

3021 Forestry

Outlays on administration, regulation, preservation, exploitation and management, etc. of timber resources.

Includes outlays on:

- efforts to conserve, extend or rationalise exploitation of forest resources;
- field management, operation or support of re-forestation work;
- pest and disease control activities;
- forest fire fighting and fire prevention services;
- research into all aspects of forest management and exploitation;
- commercial forest operations;
- extension services; and
- dissemination of information.

3022 Fishing

Outlays on administration, regulation, preservation, exploitation and management, etc. of commercial fishing. Fishing covers freshwater, ocean and coastal fishing and fish farming.

Includes outlays on:

- fish hatcheries, stocking or culling activities;
- licensing of fishing;
- research into fish management and related problems of this industry;
- extension services; and
- dissemination of information.

Excludes outlays on sport fishing classified to GPC 2819.

3023 Hunting

Outlays on administration, regulation, preservation, exploitation and management, etc. of hunting. Hunting covers the taking of wildlife and animal propagation, protection and preservation.

Includes outlays on:

- game preserves;
- licensing of hunting;
- research into wild animal management and related problems of this industry;
- extension services; and
- dissemination of information.

Excludes outlays on sport hunting classified to GPC 2819.

31 MINING AND MINERAL
RESOURCES OTHER THAN
FUELS; MANUFACTURING;
AND CONSTRUCTION

311 Mining and mineral resources other than fuels

3110 Mining and mineral resources other than fuels

Outlays on administration, regulation, inspection, research, support, operation, etc. of activities relating to prospecting, mining and mineral resources development. In addition to metal bearing minerals, these activities cover sand, clay and stone, chemical and fertiliser minerals, salt, gemstones, asbestos and gypsum.

Includes outlays on advances and bounties to foster mineral developments and production.

Excludes outlays on all activities relating to mineral fuels classified to major group GPC 29.

312 Manufacturing

3120 Manufacturing

Outlays on administration, planning, support, regulation, inspection, promotion, operation, etc. of manufacturing activities and research into manufacturing methods, materials and industrial management.

Includes outlays on:

- marketing schemes, etc. for processed primary products such as meat, timber, dried fruits and packaged fish;
- factory inspection;
- protection of consumers against dangerous products;
- the book bounty;
- payments supporting industrial research and development and export marketing; and
- maintaining liaison with manufacturers' associations and other organisations interested in manufacturing affairs and services.

Excludes outlays on manufacturing relating to the production of fuel and energy (for example, petroleum and gas refineries, coal processing or nuclear fuel industries) classified to major group GPC 29.

313 Construction

3130 Construction

Outlays on administration, planning, support, regulation, inspection, research, promotion, etc. of the building and construction industry.

Includes outlays on:

- inspections enforcing building standards; and
- research into construction methods, materials and productivity affecting construction.

Excludes outlays on specific building and construction projects such as dwellings, factories, roads, mines, farm buildings and so forth classified to the appropriate purpose category.

32 TRANSPORT AND COMMUNICATIONS

321 Road transport

Outlays on administration, regulation, support, operation, etc. of road and highway construction affairs, road and highway maintenance affairs, both off and on street parking, and other road transport affairs and services.

Includes outlays on:

- departments, bureaux or program units planning, designing, constructing, extending and improving roads and highways and associated structures such as bridges, tunnels, traffic lights and bus terminals;
- supervising, licensing or regulating such work;
- research into road design, construction methods or materials relating to specific projects;
- dissemination of information on road construction affairs;
- departments, bureaux or program units that maintain roads and highways and associated structures such as bridges, tunnels, traffic lights and bus terminals, and supervising, licensing or regulating such work;
- research on specific maintenance related projects;
- parking attendants and inspectors;
- construction and operation of parking facilities;
- research into the design and efficiency of parking facilities;
- all road plant purchases;
- road safety;

- vehicle registration and driver licensing;
- vehicle safety inspection;
- size and load specifications;
- tariffs and passenger fares;
- granting of franchises and frequency of operations;
- subsidies, grants or advances to public non-financial corporations and private sector system operators; and
- general administration, planning, research, dissemination of information not directly related to construction, maintenance and parking.

Excludes outlays on:

- reimbursement of public non-financial corporations and private sector bus operators for concessional fares offered to students classified to GPC 244;
- traffic control involving direct action by police classified to GPC 2311;
- street cleaning classified to GPC 2739;
- street lighting classified to GPC 279;
- regulation and monitoring of pollution arising from motor vehicle operation classified to GPC 2739;
- grants, advances, subsidies, etc. to motor vehicle manufacturers classified to GPC 3120; and,
- integrated urban transit systems where separate road transport data are not available classified to GPC 3281.

3211 Aboriginal community road transport services

Outlays on administration, regulation, support, operation, etc. of road transport affairs and services in Aboriginal communities.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

3212 Road maintenance

Outlays on servicing and operating the road system, road pavement and shoulder maintenance, and bridge maintenance and rehabilitation.

Relates to National Transport Commission (NTC) expenditure reporting categories A, B and C.

3213 Road rehabilitation

Outlays on reinstating failed road pavements to existing standards to improve the ride quality without improving the design standard.

Relates to NTC expenditure reporting category D.

3214 Road construction

Outlays on improving the design standard of existing roadways and bridges, building new roadways and bridges, land acquisition, earthworks, and other extensions and improvements to road systems.

Relates to NTC expenditure reporting category F.

3219 Road transport n.e.c.

Outlays on safety and traffic improvements, and miscellaneous road transport activities.

Relates to NTC expenditure reporting categories E and G.

322 Water transport

Outlays on administration, planning, construction, regulation, operation, etc. of water transport facilities and inland, coastal and ocean passenger and freight water transport affairs and services.

Includes outlays on:

- harbour facilities and navigation aids, canals, channels, dockyards, breakwaters, piers, wharves and terminals and advances, grants and subsidies for such work;
- research into the design, construction, etc. of water transport facilities;
- registration, licensing and inspection of vessels and crews, safety of passengers or goods, granting of franchises, tariffs and passenger fares, operation of navigational aids, pilots and tugs;
- subsidies, grants or advances to public non-financial corporations and private sector systems operations; and
- research and dissemination of information on water transport affairs and services.

Excludes outlays on:

- control of water traffic involving direct action by police classified to GPC 23;
- customs authorities classified to GPC 2199;
- grants, advances, subsidies, etc. to shipbuilders classified to GPC 3120; and
- integrated urban transit systems where separate water transport data are not available classified to GPC 3281.

Urban areas in each state include the capital city and the commuter population areas for the capital city. Non-urban areas in each state are residual to the urban areas. Data on transport services are sourced from the financial statements of transport authorities which usually specialise in providing either wholly/predominantly urban or wholly/predominantly non-urban services. Depending on the areas serviced by these authorities, some overlap between the urban/non-urban distinction may be unavoidable.

3221 Aboriginal community water transport services

Outlays on administration, planning, construction, regulation, operation, etc. of water transport facilities, affairs and services in Aboriginal communities.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

3222 Urban water transport services

Outlays on administration, planning, construction, regulation, operation, etc. of passenger and freight water transport facilities, affairs and services in urban areas.

3223 Non-urban water transport freight services

Outlays on administration, planning, construction, regulation, operation, etc. of freight water transport facilities, affairs and services in non-urban areas.

3224 Non-urban water transport passenger services

Outlays on administration, planning, construction, regulation, operation, etc. of passenger water transport facilities, affairs and services in non-urban areas.

323 Rail transport

Outlays on administration, planning, construction, regulation, operation, etc. of rail transport facilities and long-haul, inter-urban and urban rapid transit railway affairs and services.

Includes outlays on:

- planning, designing, constructing, extending and improving railways and associated structures such as terminals, tunnels, bridges, etc.;
- research into the design, construction, etc. of rail transport facilities;
- tariff and passenger fares, passenger safety and frequency of service;
- subsidies, grants or advances to public non-financial corporations and private sector system operators; and
- research and dissemination of information on rail transport affairs and services.

Excludes outlays on:

- integrated urban transit systems where separate rail transport data are not available classified to GPC 3281; and
- grants, advances and subsidies to rolling stock manufacturers classified to GPC 3120.

Urban areas in each state include the capital city and the commuter population areas for the capital city. Non-urban areas in each state are residual to the urban areas. Data on transport services are sourced from the financial statements of transport authorities which usually specialise in providing either wholly/predominantly urban or wholly/predominantly non-urban services. Depending on the areas serviced by these authorities, some overlap between the urban/non-urban distinction may be unavoidable.

3231 Urban rail transport services

Outlays on administration, planning, construction, regulation, operation, etc. of urban passenger and freight rail transport facilities, affairs and services.

3232 Non-urban rail transport freight services

Outlays on administration, planning, construction, regulation, operation, etc. of non-urban rail transport freight facilities, affairs and services.

3233 Non-urban rail transport passenger services

Outlays on administration, planning, construction, regulation, operation, etc. of non-urban rail transport passenger facilities, affairs and services.

324 Air transport

Outlays on administration, construction, planning, support, operations, etc. of air transport facilities, air traffic control, passenger and freight services and controls on aircraft operation.

Includes outlays on:

- planning, designing, constructing, extending or improving airports, runways, terminals, hangars, air navigation aids and the supervision, licensing and regulating of such work;
- research into the design, construction, etc. of air transport facilities;
- tariff and passenger fares, passenger safety, registration, licensing and inspection of aircraft, pilots and crews including ground crews and allocation of routes;
- subsidies, grants or advances to public non-financial corporations and private sector system operators; and
- research and dissemination of information on air transport affairs and services.

Excludes outlays on:

- establishment and regulation of pollution standards classified to GPC 2739; and

- grants, advances and subsidies to aircraft manufacturers classified to GPC 3120.

3241 Aboriginal community air transport services

Outlays on administration, construction, planning, support, operations, etc. of air transport facilities and services in Aboriginal communities.

Aboriginal communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Aboriginal land and within pastoral leases, reserves, town camps and transit camps.

3249 Other air transport services

Outlays on administration, construction, planning, support, operations, etc. of air transport facilities, air traffic control, passenger and freight services and controls on aircraft operation.

Excludes outlays on Aboriginal community air transport services classified to GPC 3241.

325 Pipelines

3250 Pipelines

Outlays on administration, construction, operation, etc. of pipelines.

Includes outlays on:

- designing, constructing, extending, improving, and maintaining pipelines and associated structures such as pumping stations, used for the transportation of petroleum, natural gas, etc.;
- supervising, licensing or regulating such work;
- registration, licensing and inspection of equipment, safety standards, operator skills and training, granting of franchises and tariffs;
- subsidies, grants or advances to public non-financial corporations and private sector system operators;
- provision of equipment; and
- research and provision of information on pipeline transport affairs services.

328 Other transport

3281 Multi-mode urban transit systems.

Outlays on administration, provision, support, regulation, operation, etc. of public transport systems where road, rail and ferry transport outlays cannot be separated.

Includes outlays on:

- registration, licensing and inspection of equipment;
- safety standards and tariffs;
- subsidies, grants or advances to public non-financial corporations; and
- research and dissemination of information on multi-mode urban transit systems.

Excludes outlays that can be classified to a specific transport mode.

3289 Other transport n.e.c.

Outlays on administration, regulation, support, operation, etc. of transport affairs and services that cannot be assigned to one of the preceding subgroups in major group GPC 32.

329 Communications

3290 Communications

Outlays on administration, provision, construction, regulation, operation, etc. of communication affairs and services including postal, telephone, telegraph, cable and wireless communication systems and communication satellites.

Includes outlays on:

- planning, designing, constructing, extending and improving communication systems;
- development and administration of regulations;
- assignment of frequencies;
- specification of markets to be served;
- setting of tariffs;
- research into communication equipment and technology;
- information dissemination services; and
- grants, advances and subsidies for communication equipment and services.

Excludes outlays on:

- radio and television broadcasting systems classified to GPC 2830; and
- water or air navigation aids classified to GPC 322 and GPC 324 respectively.

33 OTHER ECONOMIC
AFFAIRS

331 Storage, saleyards and markets

3310 Storage, saleyards and markets

Outlays on administration, planning, licensing, support, regulation, inspection, construction, maintenance, operation, etc. of storage and warehousing

Includes outlays on:

- grants or other assistance for the provision or operation of storage facilities, such as grain elevators, bulk sugar terminals, wool stores, and government bonded warehouses; and
- development and monitoring of storage and warehousing regulations.

Excludes outlays on development and monitoring of regulations concerning sales practices, labelling of packaged food and other goods intended for household consumption classified to GPC 3390.

Outlays on administration, planning, licensing, support, regulation, inspection, construction, maintenance, operation, etc. of yards and markets where sales of rural produce, livestock and other goods are conducted

Includes outlays on fishmarkets, produce markets and saleyards.

Excludes outlays on development and monitoring of regulations concerning sales practices, labelling of packaged food and other goods intended for household consumption classified to GPC 3390.

332 Tourism and area promotion

3320 Tourism and area promotion

Outlays on administration, regulation, planning, development, research, support, operation, etc. of tourism and area promotion to attract tourists. Also covers local government promotion to attract development.

Includes outlays on:

- tourist bureaux both in Australia and overseas, information offices, caravan parks and camping areas; and,
- liaison activities with transportation establishments, the hotel and restaurant industry and other industries benefiting from the presence of tourists.

Excludes outlays on national parks and wildlife services classified to GPC 2811.

333 Labour and employment affairs

3331 Vocational training

Outlays on administration, support, regulation, research, etc. of training programs such as apprenticeship schemes designed to facilitate entry into the workforce of people currently not employed or in need of retraining.

Excludes outlays on training programs provided by TAFE institutions classified to GPC 2422.

3339 Other labour and employment affairs

Outlays on administration, support, regulation, research, etc. of other labour and employment affairs.

Includes outlays on:

- regulation of working conditions;
- conciliation and arbitration;
- operation of employment offices;
- schemes to promote employment, such as unemployment relief grants through NEAT, CYSS, YESS and other similar schemes that cannot be allocated to specific industries;
- anti-discrimination programs; and,
- other programs in which general labour affairs is the chief component.

Excludes outlays on:

- vocational training classified to GPC 3331; and
- labour and employment affairs of a particular industry classified to the purpose which the industry serves.

339 Other economic affairs n.e.c.

3390 Other economic affairs n.e.c.

Outlays on administration, regulation, promotion, research, operation, etc. of distributive trades

Includes outlays on:

- consumer interest and protection affairs;
- licensing, sales practices, labelling of packaged food and other goods intended for household consumption;
- regulation of weights and measures, including metric conversion;
- price control and rationing schemes operating through retailers or wholesalers;
- wholesale or retail shop inspection; and,
- all services relating to distributive trade affairs and services n.e.c.

Excludes outlays on:

- affairs related to storage and warehousing classified to GPC 3311; and

- price control and rationing schemes which can be identified with a specific industry sub-group (e.g. petroleum and gas classified to GPC 291).

Outlays relating to the hotel industry

Includes outlays on:

- licensing, liquor control commissions; and
- all hotel and restaurant affairs n.e.c.

Outlays on administration, regulation, promotion, support, research, operation, etc. of general economic and commercial services

Includes outlays on:

- economic and commercial matters which cannot be allocated to a functional subgroup such as general regulation of monopolies and other restraints on trade and market entry and foreign commercial affairs;
- weather bureaux;
- patent offices; and
- survey institutions.

Excludes outlays on economic and commercial services classified to a particular industry.

Outlays relating to other economic affairs and services n.e.c.

34 OTHER PURPOSES **341 Public debt transactions**

3410 Public debt transactions

Outlays on underwriting and floating of government loans and interest payments, including interest on government securities or under special credit arrangements with other countries.

Excludes outlays on administrative costs of public debt management classified to GPC 2199.

342 General purpose inter-government transactions

3420 General purpose inter-government transactions

Grants, advances or other inter-government transactions that cannot be allocated to purpose.

343 Natural disaster relief

3431 Drought relief

Outlays on administration, planning, support, provision, etc. of programs concerned with the immediate relief of victims of drought.

3439 Other natural disaster relief

Outlays on administration, planning, support, provision, etc. of programs concerned with the immediate relief of victims of fires, floods, cyclones and other natural disasters, and with the initial restoration of community services and facilities.

Includes outlays on food, materials, equipment, etc. used in connection with natural disasters.

Excludes outlays on:

- drought relief classified to GPC 3431;
- maintenance of state emergency services, such as through local government contributions, classified to GPC 2399;
- state emergency service operations that cannot be allocated to natural disaster relief classified to GPC 2399 or GPC 2629;
- relief of victims of man-made disasters classified to GPC 2629;
- reconstruction activities following man-made disasters classified to purpose; and
- long term reconstruction and relief activities following natural disasters classified to purpose.

349 Other purposes n.e.c.

3490 Other purposes n.e.c.

Outlays that cannot be assigned to one of the major groups GPC 21 to GPC 33 and the preceding sub-groups of GPC 34.

Includes transactions relating to plant and equipment which cannot be classified to specific purposes and residual items (such as the cost of works on private land, purchases of land and buildings, the rent of premises, works depots and engineering and employment overheads) that cannot be classified to purpose.

TAXES CLASSIFICATION

EXPANDED TAXES CLASSIFICATION

GROUP, SUBGROUP AND CLASS	DESCRIPTOR
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1	TAXES ON INCOME, PROFITS AND CAPITAL GAINS
11	Income and capital gains taxes levied on individuals
111	Personal income tax
112	Government health insurance levy
113	Mining withholding tax
114	Capital gains tax on individuals
115	Prescribed payments by individuals
119	Other income tax levied on individuals
12	Income and capital gains taxes levied on enterprises
121	Company income tax
122	Income tax paid by superannuation funds

	123	Capital gains taxes on enterprises
	124	Prescribed payments by enterprises
13		Income taxes levied on non-residents
	131	Dividend withholding tax
	132	Interest withholding tax
	133	Other income tax levied on non-residents
2		TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE
	21	General payroll taxes
	211	Payroll taxes
	22	Selective payroll taxes
	221	Stevedoring industry charges
	23	Other employers' labour force taxes
	231	Fringe benefits tax
	232	Superannuation guarantee charge
3		TAXES ON PROPERTY
	31	Taxes on immovable property
	311	Land taxes
	312	Municipal rates
	313	Metropolitan improvement rates
	314	Property owners' contributions to fire brigades
	319	Taxes on immovable property n.e.c.
	32	Estate inheritance and gift taxes
	321	Estate, inheritance and gift taxes
	33	Taxes on financial and capital transactions
	332	Financial institutions transactions taxes
	333	Government borrowing guarantee levies
	334	Stamp duties on conveyances
	335	Stamp duty on shares and marketable securities
	336	Other stamp duties on financial and capital transactions
4		TAXES ON PROVISION OF GOODS AND SERVICES
	41	General taxes on provision of goods and services
	411	Sales tax
	412	Goods and services tax (GST)
	42	Excises
	421	Excises on crude oil, LPG and petroleum products
	423	Excises on beer and potable spirits
	424	Excises on tobacco products
	425	Excise Act duties n.e.c. and refunds of Excise Act duties
	426	Agricultural production taxes
	427	Levies on statutory corporations
	43	Taxes on international trade
	431	Customs duties on imports
	432	Customs duties on exports
	433	Agricultural produce export taxes
	44	Taxes on gambling
	441	Taxes on government lotteries
	442	Taxes on private lotteries
	443	Taxes on gambling devices
	444	Casino taxes
	445	Race betting taxes
	449	Taxes on gambling n.e.c.
	45	Taxes on insurance
	451	Insurance companies' contributions to fire brigade
	452	Third party insurance taxes
	459	Taxes on insurance n.e.c.
5		TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES
	51	Motor vehicle taxes
	512	Stamp duty on vehicle registration

	514	Road transport and maintenance taxes
	515	Heavy vehicle registration fees and taxes
	516	Other vehicle registration fees and taxes
52		Franchise taxes
	521	Gas franchise taxes
	522	Petroleum products franchise taxes
	523	Tobacco franchise taxes
	524	Liquor franchise taxes
53		Other taxes on use of goods and performance of activities
	532	Broadcasting station licences
	533	Television station license
	534	Departure tax
	539	Other taxes on the use of goods and performance of activities n.e.c.

DETAILED TAXES
CLASSIFICATION

1 TAXES ON INCOME,
PROFITS AND CAPITAL
GAINS

11 Income and capital gains taxes levied on individuals

Covers taxes levied on the net income of, and capital gains made by, resident households, individual proprietorships and partnerships.

111 Personal income tax

Covers taxes levied on the net income or profits (i.e. gross income minus allowable tax deductions) of individuals.

112 Government health insurance levy

A tax on the income of taxpayers, without other health insurance cover, to finance the payment of Commonwealth medical and hospital benefits (Medibank in operation during the period 1 October 1976 to 1 November 1978, Medicare from 1 February 1984).

113 Mining withholding tax

Covers income tax on royalty payments made after 30 June 1979 to Aboriginals and Aboriginal groups and bodies in respect of mining and exploration activities on Aboriginal land. Whilst the liability for the tax rests with the Aboriginals, the tax payable is deducted from the mining royalty payments and paid directly by the mining companies involved.

114 Capital gains tax on individuals

Refers to taxes levied on capital gains made by resident households, individual proprietorships and partnerships.

115 Prescribed payments by individuals

Covers taxes collected from individuals by the Commonwealth under the Prescribed Payments System.

119 Other income tax levied on individuals

Includes amounts collected from non-custodial parents under child support legislation.

12 Income and capital gains taxes levied on enterprises

Covers taxes levied on the net profits and capital gains made by resident trading and financial enterprises. Excluded are taxes assessed on gross sales or turnover.

121 Company income tax

Covers taxes levied on the net income or profits (i.e. gross income minus allowable tax deductions) of companies.

122 Income tax paid by superannuation funds

Covers taxes levied on the profits made by superannuation funds. The tax varies according to the portfolio mix chosen by the fund. Superannuation funds investing in government securities are subject to lower tax assessment and may be exempt under certain circumstances.

123 Capital gains taxes on enterprises

Refers to taxes levied on capital gains which form part of the taxable income of trading and financial enterprises.

124 Prescribed payments by enterprises

Covers taxes collected from enterprises by the Commonwealth under the Prescribed Payments System.

13 Income taxes levied on non-residents

Covers taxes specifically levied on non-residents (either individuals or corporations) on income derived in Australia.

131 Dividend withholding tax

Covers taxation payments by companies levied on dividends accruing to non-residents of Australia.

132 Interest withholding tax

Covers taxation payments by companies levied on interest accruing to non-residents of Australia.

133 Other income tax levied on non-residents

Covers income taxes levied on non-residents other than dividend and interest withholding taxes.

2 TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE

This group covers taxes collected from employers, levied either as a proportion of payroll or as a fixed amount per person employed.

21 General payroll taxes

211 Payroll taxes

Covers payroll taxes levied on a broad range of industries.

22 Selective payroll taxes

221 Stevedoring industry charges

Covers payroll taxes levied on particular industries.

23 Other employers' labour force taxes

231 Fringe benefits tax

Covers taxes collected from employers in relation to fringe benefits accruing to employees.

232 Superannuation guarantee charge

Covers charges paid by employers under the Superannuation Guarantee Charge Act 1992.

3 TAXES ON PROPERTY Covers taxes on the use or ownership of property, and taxes on property transfers.

31 Taxes on immovable property

Covers taxes levied in respect of the use or ownership of immovable property. The tax is calculated as a percentage of assessed property value, which may take into account the value of land and improvements, and is based on a notional rental income, estimated sale price, or capitalised yield. Other characteristics of real property, such as size or location, can also be used to derive a rent or capital value. These taxes may be levied on proprietors, tenants, or both.

311 Land taxes

Covers taxes on the ownership of land based on the assessed value of the land.

312 Municipal rates

Covers levies imposed by local government authorities on the assessed value of property, for the purpose of financing the provision of ordinary local services. Excluded are amounts collected with municipal rates, but identified as charges for direct supply of goods and services (e.g. water and sewerage rates, garbage charges).

313 Metropolitan improvement rates

Covers levies on property owners intended specifically for financing the planning and development of land within the metropolitan region, e.g. acquisition of land for the development of metropolitan parks, support of regional studies, financing open space improvements.

314 Property owners' contributions to fire brigades

Covers levies on property owners that are raised to finance the operation of fire protection services.

319 Taxes on immovable property n.e.c.

Covers taxes, not elsewhere classified, on owners or users of immovable property. These taxes are usually collected to finance specific services, e.g. control of vermin or noxious weeds. Excluded are charges for direct supply of goods and services, e.g. water and sewerage rates.

32 Estate inheritance and gift taxes

321 Estate, inheritance and gift taxes

Covers taxes levied on the transfer of property of deceased persons and on gifts. These taxes are levied on the value of the transferred assets.

33 Taxes on financial and capital transactions

Covers taxes on the issue, transfer, purchase and sale of securities, taxes on cheques, and taxes levied on specific legal transactions such as validation of contracts and the sale of immovable property. Excluded are taxes on use of goods and performance of activities (TC 5) and taxes on immovable property (TC 31).

332 Financial institutions transactions taxes

Covers taxes on debits or credits to accounts with financial institutions. Includes the state government duties on credits to accounts held with financial institutions. Excludes stamp duties on cheques.

333 Government borrowing guarantee levies

Covers guarantee fees/charges levied on the borrowings of public authorities by government.

334 Stamp duties on conveyances

Covers the revenue earned from stamp duty on conveyances and transfer of real estate, business and other property. Excluded are stamp duties on motor vehicle registration (TC 513), insurance (TC 45) and gambling (TC 44).

335 Stamp duty on shares and marketable securities

Covers the revenue earned from stamp duty on transfers of shares and marketable securities. Excluded are stamp duties on motor vehicle registration (TC 513), insurance (TC 45) and gambling (TC 44).

336 Other stamp duties on financial and capital transactions

Covers the revenue earned from stamps affixed to or franked on documents which evidence financial and capital transactions. Included are stamp duties on contracts, cheques, admission tickets and sales receipts. Excluded are stamp duties on conveyances (TC 334), shares and marketable securities (TC 335), motor vehicle registration (TC 513), insurance (TC 45) and gambling (TC 44).

4 TAXES ON THE
PROVISION OF GOODS
AND SERVICES

Covers taxes levied on the production, sale, transfer, leasing or delivery of goods and rendering of services. Excluded are taxes levied on the use of goods or on permission to use goods or to perform activities (TC 5).

41 General taxes on provision of goods and services

411 Sales tax

Covers all taxes (other than those on international trade) levied on the production, leasing, transfer, sales or delivery of a wide range of goods, and on the rendering of services. In Australia, currently the only general tax is the sales tax. Sales tax is a single stage tax designed substantially to fall on sales by manufacturers and wholesalers to retailers. The sales tax applies to goods only and not to services. Secondhand goods that have been used in Australia are not ordinarily taxed, but imported goods that have been used overseas are normally taxable in a similar fashion to new goods. Although termed a sales tax, the levy is not limited to sales only. Where goods have not already borne tax, it would (for example) fall on the leases of those goods or on the application of those goods to a taxpayer's own use. It may also be levied on importation of goods where they are not imported for sale by wholesalers, e.g. where they are imported by retailers or consumers. The tax is payable on what is termed a 'sale value' which is equivalent to a fair wholesale price.

412 Goods and services tax (GST)

Commencing from 1 July 2000, this is a broad based tax on the supply of goods and services at virtually all stages of production and distribution. Includes GST revenue receivable by the Commonwealth Government, gross of the cost of collection but net of input tax credits payable.

42 Excises

Covers taxes levied on a specified good, or range of goods, intended for domestic consumption other than taxes levied exclusively on the importation of goods (TC 431). Excises may be imposed at any stage of production or distribution and the assessment for tax may take into account such factors as weight, strength, quantity or value of the goods. Excises are not limited to those taxes collected under Excise Acts and include taxes on electricity, gas and agricultural production.

421 Excises on crude oil, LPG and petroleum products

Covers excises levied on the production of crude oil and naturally occurring LPG from Australian fields. The levy varies depending on volume and quality of the crude and the date the field came into production. Also covers excises levied on petroleum products. Includes duties collected under the Excise Act. Also includes the diesel fuel oil tax.

423 Excises on beer and potable spirits

Covers Excise Act duties levied on beer and potable spirits.

424 Excises on tobacco products

Covers Excise Act duties levied on tobacco products.

425 Excise Act duties n.e.c. and refunds of Excise Act duties

Covers Excise Act duties not elsewhere classified and all refunds under the Excise Act.

426 Agricultural production taxes

Covers levies raised on specified agricultural products usually assessed by reference to weight or quantity. Liability may be assessed at any stage of processing or distribution. Agricultural production taxes include taxes levied on wool, dairy products, poultry, cattle, sheep, wheat and wine grapes.

427 Levies on statutory corporations

Covers contributions which are required under legislation to be paid by specified statutory corporations to state governments. The taxes are a fixed proportion of the revenue earned by statutory corporations. Excluded are taxes assessed on net profits and capital gains (see TC 12).

43 Taxes on international trade

Covers taxes and stamp duties levied on specified imported or exported goods. Excluded are taxes collected on imports as part of a general tax on goods, and excises applicable to both imported and domestically produced goods.

431 Customs duties on imports

Covers taxes levied on specified goods (or ranges of goods) imported into Australia for home consumption. The various charges and exemptions which apply are based on country of origin, type of goods and value or quantity of goods.

432 Customs duties on exports

Covers taxes levied on specified goods exported from Australia. The main item which attracts export duty is coal. The rates which apply vary with the type of coal and the method of extraction. Excluded are agricultural produce export taxes (TC 433).

433 Agricultural produce export taxes

Covers taxes payable on specified agricultural produce exported from Australia. The rate is usually based on the quantity of products exported.

44 Taxes on gambling

Covers taxes levied on gambling and betting stakes. Includes taxes on lottery tickets, poker machines, casinos, racing and football pools. The taxes may be collected either from the gambler as a percentage of his/her stake or from entities providing the gambling service either as a licence fee or percentage of their gross income from gambling. Excluded are taxes on individual gains from gambling.

441 Taxes on government lotteries

Covers profits of lotteries, 'lotto' games, etc. organised by the government. Excludes revenue share of privately organised lotteries.

442 Taxes on private lotteries

Covers stamp duty, licences and share of gross revenue of privately organised lotteries, 'lotto' games, football pools, etc.

443 Taxes on gambling devices

Covers taxes and licences imposed on clubs for the operation of poker machines and other gambling devices. The licence fee may be assessed as a percentage of gross profits generated by the club's poker machines or as a fixed rate that is dependent on the number and classes of machines operated by the club. These imposts are regarded as taxes (not fees from regulatory services) because of the substantial revenue they generate. A club may be granted a refund in proportion to its expenditure on community welfare.

444 Casino taxes

Covers licence fees and taxes levied on the holders of casino licenses. Taxes and licence fees may be assessed as a proportion of gross profit or according to a fixed rate. The fees are deemed to be taxes (not fees from regulatory services) because of the substantial revenue they generate.

445 Race betting taxes

Covers taxes levied on all forms of racing and both on and off course betting. Includes stamp duty on betting instruments, bookmakers licences and registration fees, and taxes on gross revenue of bookmakers.

449 Taxes on gambling n.e.c.

Covers taxes levied on forms of gambling other than football pool, racing, casino, poker machine or lottery taxes. Includes, for instance, revenue raised from the issue of bingo permits.

45 Taxes on insurance

Covers taxes levied specifically on insurance companies. Includes taxes levied on insurance premiums and contributions collected to finance services which reduce insurable risk.

451 Insurance companies' contributions to fire brigades

Covers levies imposed on insurance companies to finance fire-fighting authorities.

452 Third party insurance taxes

Covers surcharges and stamp duties on third party insurance premiums.

459 Taxes on insurance n.e.c.

Taxes on insurance not elsewhere classified. Includes such payments as stamp duties on insurance (other than third party insurance) and contributions of insurance companies to Workers Compensation Board Funds and Casual Firefighters Compensation Funds.

5 TAXES ON THE USE OF
GOODS AND
PERFORMANCE OF
ACTIVITIES

Covers taxes levied on the use of goods and taxes levied in respect of permission to perform activities. Excluded are taxes levied on the value or quantity of the goods themselves (TC 4).

51 Motor vehicle taxes

Covers taxes levied on the operation of motor vehicles whether paid by households or corporations. These imposts are treated as taxes, rather than regulatory fees, because of the significant amount of revenue they generate. Excluded are taxes on third party insurance (TC 452).

512 Stamp duty on vehicle registration

Covers stamp duties imposed on motor vehicle registration and transfer.

514 Road transport and maintenance taxes

Covers taxes levied on the carriage of goods and passengers by road including taxes collected specifically for road maintenance. These taxes are often assessed on the basis of weight of vehicle using the road.

515 Heavy vehicle registration fees and taxes

Covers motor vehicle registration, transfer, and number plate fees for vehicles under the InterState (IS) scheme.

516 Other vehicle registration fees and taxes

Covers other motor vehicle registration, transfer, and number plate fees. Excluded are heavy vehicle registration fees and taxes for vehicles under the InterState (IS) scheme (TC 515).

52 Franchise taxes

Covers taxes levied in respect of the permission to sell certain goods. This includes the permission to sell gas, petrol, tobacco and liquor.

521 Gas franchise taxes

Covers licence fees levied on gas suppliers. The fee is assessed by reference to the suppliers previous gross receipts of gas retailed to the public.

522 Petroleum products franchise taxes

Covers licence fees paid by petroleum wholesalers and petroleum retailers to conduct their business. The tax may be assessed on the marked or prescribed value or volume of petroleum products sold.

523 Tobacco franchise taxes

Covers fees collected from wholesale tobacco merchants and retail tobacconists for licences that people in the business of tobacco wholesaling or retailing are required to hold. The taxes are usually assessed on the basis of value sold.

524 Liquor franchise taxes

Covers fees collected for licences and permits to supply liquor. They are levied on hotelkeepers, wholesale and retail liquor merchants and clubs, etc. Includes permits for the supply of liquor with meals. These fees are regarded as taxes, not fees from regulatory services, because of the substantial revenue they generate. The fees are usually assessed on the basis of volume and alcoholic content of sales. Some states offer an exemption or concession to encourage consumption of low alcohol liquor.

53 Other taxes on use of goods and performance of activities

Covers taxes, other than franchise and motor vehicle taxes, levied on the use of goods or in respect of permission to use goods or perform activities. Included are permits to carry on a business which provides a service (e.g. broadcasting and television services), pollution taxes not based on the value of particular goods and taxes in respect of permission to perform an activity (e.g. departure tax).

532 Broadcasting station licences

Covers fees for licences for commercial radio stations to transmit their service. The licence fees are classified as taxes (not fees from regulatory services) because of the substantial revenue they raise. The tax is assessed on gross earnings.

533 Television station licenses

Covers fees for licences for commercial television stations to transmit their service. The licence fees are re classified as taxes (not fees from regulatory services) because of the substantial revenue they raise. The tax is assessed on gross earnings.

534 Departure tax

Covers the levy imposed on all people leaving Australia. The 50 per cent indirect component consists of the estimated tax collected from Australian residents going abroad for business purposes.

539 Other taxes on the use of goods and performance of activities n.e.c.

Covers other levies on the use of goods or performance of activities, e.g. entertainment taxes.

TYPE OF ASSET
CLASSIFICATION

EXPANDED TYPE OF ASSET CLASSIFICATION

CODE	DESCRIPTOR
1	PRODUCED ASSETS (EXCLUDING INVENTORIES)
11	Tangible produced assets (excluding inventories)
111	Dwellings
112	Other buildings
113	Other construction/infra-structure
114	Transport equipment
115	Computer equipment
116	Equipment other than transport and computer equipment
117	Defence weapons platforms
118	Cultivated assets
12	Intangible produced assets (excluding inventories)
121	Mineral exploration
122	Computer software
123	Entertainment, literary or artistic originals
129	Other intangible produced assets
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DETAILED TYPE OF ASSET
CLASSIFICATION

1 PRODUCED ASSETS
(EXCLUDING
INVENTORIES)

Produced assets are those non-financial assets that are outputs from the processes of production. In economic accounting, produced assets consist of fixed assets, inventories and valuables. However, inventories are not included in the scope of this classification. Consists of tangible produced assets, intangible produced assets and valuables.

11 Tangible produced assets (excluding inventories)

Consists of buildings, structures, machinery, equipment and cultivated assets that are continuously used in the processes of production for more than one year.

111 Dwellings

Consists of buildings used primarily as residences, associated structures such as garages and all permanent fixtures usually installed in residences. Also consists of costs of site clearance and preparation. Includes houseboats, barges, caravans and mobile homes used as principal residences of households. Also includes historic monuments identified primarily as dwellings and uncompleted dwellings where the ultimate user is deemed to have taken ownership.

112 Other buildings

Consists of non-residential buildings and all fixtures, facilities and equipment which are integral parts of these buildings. Also consists of costs of site clearance and preparation. Includes warehouses, factories, banks, theatres, hotels, restaurants, medical centres and schools. Also includes historic monuments identified as primarily non-residential buildings and uncompleted buildings where the ultimate user is deemed to have taken ownership.

113 Other construction/infra-structure

Consists of structures other than buildings, and site clearance and preparation not associated with the cost of buildings. Includes shafts, tunnels and other structures associated with mining subsoil assets; roads; railways; airfield runways; bridges; tunnels and subways; waterways and harbours; long distance pipelines, communication and power lines; local pipelines and cables; and mining, manufacturing, sporting and recreational constructions. Also includes historic monuments which cannot be identified as buildings. Excludes major improvements to land such as dams and dykes for flood control

114 Transport equipment

Consists of equipment for moving people and objects. Includes motor vehicles and trailers; ships; railway and tramway locomotives and rolling stock; and aircraft and spacecraft. Excludes transport equipment acquired by households for final consumption and houseboats, barges, mobile homes and caravans used by households as principal residences (TAC 111).

115 Computer equipment

Consists of computer hardware such as processors, hard drives, monitors and keyboards. Excludes computer equipment acquired by households for final consumption and computer software.

116 Equipment other than transport and computer equipment

Consists of equipment other than transport and computer equipment. Includes furniture; office equipment; radio, television and communications equipment; medical instruments and appliances; fuel elements for nuclear reactors; musical instruments and sporting goods. Excludes equipment acquired by households for final consumption, machinery which is integral to buildings and defence weapons platforms. Also may exclude relatively inexpensive tools, and uncompleted machinery and equipment unless produced for own use.

117 Defence weapons platforms

Consists of military vehicles and equipment designed to launch weapons of destruction. Includes warships, submarines, military aircraft, tanks, missile carriers and launchers. Excludes missiles, rockets and bombs.

Defence weapons platforms are identified separately because they are treated as final consumption expenditure in the ANA.

118 Cultivated assets

Consists of livestock for breeding and plantations of trees yielding repeat products that are under the direct control, responsibility and management of institutional units. Includes animal, fish and poultry breeding stocks; dairy cattle; draft animals; animals for wool production; animals used for transportation, racing or entertainment; and trees, shrubs and vines cultivated for fruit and nuts, sap and resin, and bark and leaf products. Also includes immature cultivated assets if produced for own use.

12 Intangible produced assets (excluding inventories)

Consists of mineral exploration, computer software, entertainment, literary or artistic originals and other intangible produced assets intended to be used in the processes of production for more than one year.

121 Mineral exploration

Consists of expenditures on exploration for petroleum, natural gas and non-petroleum deposits. Includes all preliminary expenditure such as licences, surveys and transportation as well as the costs of tests.

122 Computer software

Consists of computer programs, program descriptions and supporting materials for both systems and applications software. Includes purchased software and software developed on own account where the expenditure is large. Also includes large expenditures on the purchase, development or extension of computer databases that are expected to be used for more than a year.

123 Entertainment, literary or artistic originals

Consists of original entertainment, literary or artistic works. Includes original films, sound recordings, manuscripts, tapes and models. Also includes works purchased or produced on own account recording or embodying original works or performances.

129 Other intangible produced assets

Consists of intangible produced assets not elsewhere classified. Includes new information and specialised knowledge owned by units or licensed by units for use by others.

13 Valuables

130 Valuables

Consists of assets acquired and held primarily as stores of value. Valuables are distinguished from the assets classified to ETF 11 and ETF 12 because they are not used primarily for production or consumption. Includes precious metals and stones, antiques and other art objects, and other valuables not used primarily for production or consumption and which are expected not to deteriorate nor to decline in real value over time.

2 NON-PRODUCED ASSETS Non-produced assets are those non-financial assets that are not outputs from the processes of production. Consists of tangible non-produced assets and intangible non-produced assets. Includes costs of ownership transfer and major improvements to these assets.

21 Tangible non-produced assets

Consists of non-produced assets that occur in nature and over which ownership may be acquired and transferred. Includes land, sub-soil assets, non-cultivated biological resources and water resources. Excludes environmental assets over which ownership rights cannot be acquired such as the open sea or air.

211 Land

Consists of ground over which ownership rights are enforced. Includes the soil covering, any associated surface waters and any major improvements which cannot be separated from the land. Excludes items on the land such as any buildings or other structures situated on it or running through it; cultivated crops, trees and animals; subsoil assets; and non-cultivated biological resources and water resources below the ground.

The purchase of land and buildings as a package is treated as a purchase of fixed assets if a separate value cannot be derived for the land. The purchase of land with a building which is to be demolished (e.g. for road construction) is treated as a purchase of land. In this case the building has no value to the purchaser.

219 Other tangible non-produced assets

Consists of non-produced assets that occur in nature and over which ownership rights can be enforced and transferred but which are not land. Includes subsoil assets, non-cultivated biological resources and water resources.

22 Intangible non-produced assets

220 Intangible non-produced assets

Consists of assets that are constructs of society as evidenced by legal or accounting actions. Includes patented entities, leases and other transferable contracts, and purchased goodwill.

TREATMENT OF TAX REFUNDS, ALLOWANCES, REBATES AND CREDITS IN GOVERNMENT FINANCE STATISTICS

- Introduction** **A4.1** This Guidance Note provides statistical guidelines for the classification of tax related transactions in government finance statistics (GFS). Tax schemes vary considerably. These guidelines are not intended to be prescriptive, but are intended to be an aid to the classification of tax related transactions by elaborating a set of broad principles. Each scheme will need to be examined on a case-by-case basis in finalising the classification.
- Principles** These guidelines are based on international statistical standards: the International Monetary Fund's *Government Finance Statistics Manual (2001 edition)* and the *System of National Accounts, 1993 (SNA93)*.
- A4.2** Flows are recorded on an accrual basis, which means that flows are recorded at the time the economic value is created, transformed, exchanged, transferred, or extinguished. Flows are classified as transactions and other economic flows. Transactions can be classified as revenue or expense or as transactions in assets and liabilities. Revenue is defined to be an increase in net worth resulting from a transaction and for many government units tax revenue forms the dominant share of revenue. Expense is defined as a decrease in net worth resulting from a transaction and includes grants and social benefits associated with the redistribution of income and wealth.
- A4.3** Taxes are compulsory, unrequited, non-repayable payments made by institutional units to general government. Taxes are unrequited because the government gives nothing of economic value directly in return to the individual unit making the tax payment. Tax revenues are made up of these compulsory transfers from other sectors to the general government sector. Some compulsory transfers (such as fines and penalties) are excluded from tax revenue and certain regulatory fees may also be excluded. Refunds, i.e. corrections of erroneously collected tax revenue, may be treated as negative tax revenue.
- A4.4** Stocks and flows are recorded on a gross basis in the GFS system. Paragraph 3.84 of the *IMF GFS Manual* states that 'revenue categories are presented gross of expense categories for the same or related category and likewise for expense categories'. Recording on a gross basis provides the greatest detail, transparency and flexibility in data elements and has a high analytical utility. This does not mean that there is no netting in GFS. Some GFS data categories are net (explicitly or implicitly) by their nature or because they are subject to correction for errors, refunds and unauthorised transactions.

GUIDELINES FOR THE CLASSIFICATION OF TAX REFUNDS, ALLOWANCES, REBATES AND CREDITS

- Tax refunds** **A4.5** Tax refunds are repayments by government to a taxpayer of overpayments of tax made by a taxpayer. Tax overpayments include erroneously overpaid taxes and taxes assessed at a level greater than that which they should have been. Refunds are the return of incorrect tax payments up to the amount of the tax liability, i.e. they are corrective transactions.
- A4.6** Tax refunds:
- are only available to the taxpayer who paid the tax;

- are the return of incorrect (overpaid) tax payments;
- may not be greater than the amount of tax paid in the tax assessment period;
- belong to the period in which the event that generated the tax overpayment occurred.

A4.7 Tax refunds are treated as offsets to tax revenues in GFS. Amounts of tax returned to taxpayers which are greater than tax payments made are not considered tax refunds in GFS and are classified as government expenses.

A4.8 However, refunds of value-added taxes and taxes on goods and services are treated differently. Under such tax schemes, only taxpayers other than final consumers are normally entitled to a refund of taxes they have paid on purchases of goods and services. In this case, if the net refund exceeds the tax paid by the taxpayer in the period then it is treated as a negative tax in GFS.

Tax rebates, allowances and credits

A4.9 No distinction between tax rebates, allowances and credits is made in GFS. All of these items are regarded as the same thing: amounts deductible from tax that otherwise would be payable by taxpayers.

A4.10 Tax rebates, etc. can be planned allowances resulting from government economic policy. The term 'government economic policy' is a broad one which includes things such as general fiscal and monetary policies, savings incentives, income redistribution goals, corrections of market failure, etc.

A4.11 Amounts described as tax allowances, rebates or credits may only be treated as offsets to taxes in the same way as tax refunds if they are judged to be integral to the taxation system. Generally, a rebate would have to be part of the normal process for calculating tax liabilities to be considered an integral part of the tax system.

A4.12 Deciding whether a rebate is integral to the taxation system can be difficult because schemes can be devised which make a rebate seem to be so. For instance, an allowance or rebate can be administered as part of tax system. Some would argue that such allowances are integral to the system. However, such a judgement should depend upon the substance of the case and not its appearance. Being administered within a tax system is not the same thing as being integral to the tax system. Assessments have to be made on a case-by-case basis.

A4.13 The following list provides examples of indicators that can be used as an aid to deciding whether an allowance or rebate is integral to the tax system or not. As a general rule, a tax rebate, etc. should not be considered integral to the tax system if one or more of the following conditions hold;

- it is available to taxpayers and non-taxpayers alike;
- it provides the same benefit to taxpayers by way of a tax 'rebate' and to non-taxpayers by way of a cash benefit;
- it is assessed over a different period to that of the tax assessment period (unless this is part of the normal procedure for determining tax liability) ;
- it is calculated independently of the normal procedure for determining tax liability;

- it is payable to an entity other than the taxpayer holding the tax liability (unless this is part of the normal procedure for determining tax liability); or
- it could lead to a situation where the amount payable to the taxpayer is greater than the tax originally paid for the period.

A4.14 It follows that where the above conditions apply, treating a rebate as an offset against tax revenue would not be appropriate. It would be appropriate to treat these payments as an expense.

A4.15 'Mixed' schemes under which taxpayers may either claim rebates through the tax system or receive equivalent benefits through another mechanism are an example of situations where the rebate should be treated as an expense and not as a 'negative tax'.

A4.16 In borderline cases where it may be difficult to determine the status of an allowance or rebate, it would be preferable to classify the rebate as an expense. Taking this approach has advantages: it is consistent with the philosophy underlying GFS that transactions should be recorded on a gross basis; it allows the rebate to be easily identified in the event of a different GFS treatment being decided on; and it provides a more complete picture of the flows.

A4.17 It should be noted that the treatment of rebates as expenses, and not as negative taxes, does not affect key GFS balances such as the GFS Net Operating Balance.

HIGHER EDUCATION CONTRIBUTIONS SCHEME (HECS)

A4.18 The Higher Education Administration Charge was introduced in 1987 and applied again in 1988. From January 1989 this charge was replaced by the Higher Education Contribution Scheme (HECS).

A4.19 HECS is shown in GFS as payments for a service provided by higher education institutions i.e. classified as ETF 1120, sales of goods and services.

A4.20 The legislation establishing HECS requires students to pay a 'contribution' towards the cost of their higher education. Payments may be made direct to the institution attended at the time the education course is undertaken, or students may enter into a loan agreement with the Commonwealth Government to discharge their obligation on their behalf. Students then repay the loan at a later date through the taxation system. These loans are paid out of a trust fund to institutions and are not paid to students directly.

A4.21 In GFS, the HECS loans are recorded as advances from the Commonwealth government to the students, and the payment of contributions out of the trust fund are treated as payments for a service by students to higher education institutions.

A4.22 Below is a summary of how HECS transactions are recorded in GFS:

SUMMARY OF HECS TRANSACTION RECORDING IN GFS

TRANSACTION	ETF CLASSIFICATION
HECS payment by students direct to higher education institutions	1120 sales of goods and services – payments received directly by higher education institutions from the household sector
Commonwealth loan to students to allow them to discharge the HECS liability	2311 advances paid by the Commonwealth government to the private sector
Indexation of loans to students to the Consumer Price Index (CPI)	1131 interest revenue - all changes in the volume of a security arising from indexation are treated as interest.
Repayments of loans by students via the taxation system	2312 repayments of advances from the private sector to the Commonwealth government
Payment of HECS contributions to higher education institutions on behalf of students from the HECS Trust Fund	1120 sales of goods and services – payments received by higher education institutions from the private sector (via HECS Trust Funds)
Balance of fees (25%) in respect of discounted payments for up-front payments by students to institutions	1241 Commonwealth current grant expenses to institutions

GLOSSARY

Accrual basis of recording

A recording method in which revenues, expenses, lending and borrowing are recorded as they are earned, accrued or incurred regardless of when payment is made or received.

Assets

Instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by the assets' owner by holding them, or using them, over a period of time.

Auxiliary financial services

Services that are closely related to, and designed to facilitate, financial intermediation but are not financial intermediation.

Balance sheet

A statement of an entity's financial position at a specific point in time. Contains information on assets, liabilities and owners' equity at a specific date.

Capital taxes

Taxes imposed at irregular and very infrequent intervals on the value of assets or net worth owned by institutional units, or on the values of assets transferred between institutional units.

Capital transfers

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred.

Capitalised interest

Interest payable that is debited to an asset account and not expensed.

Cash

Notes and coin held, deposits at call with a bank or other financial institution, and highly liquid investments which are readily convertible to cash on hand at the investor's option.

Cash basis of recording

Basis of recording in which transactions are recorded only when cash receipts or payments occur and in which only cash flows are recorded.

Cash flow statement

The GFS financial statement that records cash flows from operating, investing and financing activities.

Central bank

The central bank is the public financial corporation which is a monetary authority; that is, which issues banknotes and coins and holds the international reserves of the country. In Australia, this is the Reserve Bank of Australia.

Central borrowing authority

A public financial corporation established by a state or territory government primarily to provide finance for public corporations and quasi-corporations and other units owned or controlled by the government, and to arrange investment of their surplus funds.

Change in inventories

The change in the value of inventories over the accounting period.

Change in net worth

The closing value of net worth minus the opening value of net worth.

Compensation of employees

The remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done during the accounting period.

Consolidation

The process of elimination of all within-sector asset-liability positions, and all transactions between two units of the same sector. Consolidation can be applied to the statistics of any group of units of analytical interest.

Consumption of fixed capital

Consumption of fixed capital is the decline during the course of an accounting period in the value of fixed assets owned and used as a result of physical deterioration, normal obsolescence, or normal accidental damage. It is valued in the average prices of the period. To calculate consumption of fixed assets, the fixed assets purchased in the past and still in use have to be revalued at the average prices of the current period and assumptions have to be made regarding the remaining service lives of each asset and the rate at which their efficiency is expected to diminish.

Contingencies

Conditions that may affect the financial performance or position of the unit depending on the occurrence or non-occurrence of one or more future events.

Coverage

The extent to which the defined scope of a statistical system is actually achieved in practice.

Credit

Accounting entry representing revenue, a decrease in an asset or an increase in a liability.

Current transfers

Amounts payable or receivable for current purposes for which no economic benefits are receivable or payable in return.

Debit

Accounting entry representing expense, an increase in an asset or a decrease in a liability.

Depreciation

The accounting process of systematically allocating the cost less estimated residual value of an asset over its expected useful life. Depreciation as recorded in government financial records may deviate considerably from consumption of fixed capital as depreciation is normally calculated using the original costs of fixed assets.

Derivatives

See 'Financial derivatives'.

Economic flow

See 'Flow'.

Economic territory

The geographic territory administered by a government within which persons, goods and capital circulate freely.

Economically significant prices

Prices that have a significant influence on the amount producers are willing to supply or purchasers wish to buy.

Economic stocks

See 'Stocks'.

Economic type framework (ETF)

The Australian GFS classification used to classify economic flows and stocks according to their economic nature.

Enterprise group unit

A statistical unit comprising a group of legal entities under common ownership and control.

Enterprise unit

A statistical unit comprising all legal entities within an enterprise group that are classified to the same institutional subsector.

Equity assets

Financial claims on other entities entitling the holder to a share of the income of the entities and a right to a share of the residual assets of the entities should they be wound up.

Expenses

Transactions that reduce net worth.

Exchanges

Transactions in which one unit provides goods, services, assets or labour to another unit and receives something in return of the same value.

Financial asset

An asset in the form of a financial claim on another economic unit, monetary gold or a statutory reserve deposit at the IMF.

Financial derivatives

Financial instruments that are linked to a specific financial instrument or indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right.

Financial intermediation

A productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market.

Financial intermediation services indirectly measured (FISIM)

FISIM measures the service implicitly provided by financial intermediaries, such as banks, on deposit and loan facilities. It is measured as the difference between the interest rates on loans and deposits and a pure or reference rate of interest, multiplied by the level of loans and deposits, respectively.

Financing

Changes to financial assets, liabilities, shareholders' funds or other contributed capital that arise from transactions; and, in the GFS cash flow statement, cash receipts or payments resulting from borrowing.

Fixed assets

Produced assets that are used repeatedly, or continuously, in processes of production for more than one year.

Flow

Flows are momentary expressions of economic actions engaged in by units and other events affecting the economic status of units that occur within an accounting period.

Functional classification

Classification of expenses and other transactions according to functions (e.g. health, education) of government (See also 'Government purpose classification').

General government sector

Institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government.

Government final consumption expenditure

SNA93 concept that refers to government use of goods and services for the satisfaction of individual or collective human needs or wants.

Government purpose classification (GPC)

The GFS classification used to classify transactions according to their government purpose (e.g. health, education, defence).

Government units

Unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area and which: (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and (ii) redistribute income and wealth by means of taxes and other compulsory transfers.

Grants

All transfers other than subsidies.

Gross fixed capital formation

The value of acquisitions of new and existing produced assets, other than inventories, less the value of disposals of new or existing produced assets, other than inventories.

Gross operating balance

In the IMF GFS system, total revenue less all expenses except consumption of fixed capital.

Institutional sectors

The SNA groupings of all resident institutional units according to their institutional characteristics and functions. Five institutional sectors are recognised: the non-financial corporations sector, the financial corporations sector, the general government sector, the households sector and the non-profit institutions serving households sector.

Institutional unit

An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

Intangible non-financial assets

Patents, copyrights, mineral concessions, and similar non-physical non-financial assets.

Interest

Form of property income earned by making financial assets available to other units which is equal to the amount the debtor becomes liable to pay to the creditor over a given period of time without reducing the amount of the principal outstanding.

Inventories

Stocks of goods held that are intended for sale, use in production, or other use at a later date.

Jurisdiction

The public sector units over which the Commonwealth Government or an individual state or territory government has direct control or, in the case of local government authorities, the government which administers the legislation under which the authority was established.

Legal entity unit

A statistical unit covering all the operations in Australia of an entity that possesses some or all of the rights and obligations of individual persons or corporations or that behaves as such in respect of those matters of concern for economic statistics.

Level of government (LOG)

The classification comprising the three tiers of government (national, state and territory, local) for which Australia's GFS are compiled.

Liabilities

Obligations to provide economic value to another economic unit, including the issued shares and other contributed capital of corporations and the net worth of quasi corporations.

Local level of government

The level of government of public sector units that have a local role or function i.e. the political authority underlying their functions is limited to a local government area or other region within a state or territory or the functions involve policies that are primarily of concern at a local level.

Market output

Output that is sold at economically significant prices.

Monetary gold

Gold owned by a country's monetary authorities which is held as a financial asset and is a component of the country's foreign reserves.

Multi-jurisdictional unit

A unit for which jurisdiction is shared between two or more governments, or its classification to jurisdiction is otherwise unclear. The main type of units currently falling in this sector are public universities.

National level of government

The level of government of public sector units that have a national role or function, i.e. the political authority underlying their functions extends over the entire territory of Australia or the functions involve policies that are primarily of concern at a national level (i.e. the consolidated total of the Commonwealth level of government and all multi-jurisdictional units).

Net acquisition of non-financial assets

Gross fixed capital formation less depreciation plus change in inventories plus other transactions in non-financial assets.

Net assets

Total assets less total liabilities, shareholders' funds and other contributed capital.

Net debt

Net debt, previously published in the now discontinued publication Public Sector Financial Assets and Liabilities, Australia (cat. no. 5513.0), is included in the balance sheet presentation for information. It is equal to (deposits held plus proceeds from advances plus borrowing) minus (cash and deposits plus investments plus advances outstanding).

Net financial worth

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt in that it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net lending/borrowing

The financing requirement of government, calculated as the GFS net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance

This is calculated as GFS revenue minus GFS expenses. It is equivalent to the change in net worth arising from transactions.

Netting

The process of deducting one set of stocks or flows from another and recording only the difference.

Net worth

Assets less liabilities and shares/contributed capital. For the general government sector, net worth is assets less liabilities since shares and contributed capital is zero. It is an economic measure of wealth and reflects the contribution of governments to the wealth of Australia.

Non-financial asset

Any asset that is not in the form of a financial claim on another economic unit, monetary gold or a statutory reserve deposit at the IMF.

Non-financial public sector

The Non-financial Public Sector is a subsector formed by the consolidation of the General Government and Public Non-financial Corporations sectors.

Non-market output

Goods and services that are supplied free or at prices that are not economically significant to other institutional units or the community as a whole.

Non-produced assets

Assets used for production that have not themselves been produced.

Non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or financial gain for the units that establish, control or finance it.

Operating statement

The Operating Statement presents details of transactions in GFS revenues, GFS expenses and the net acquisition of non-financial assets for an accounting period. GFS revenues are broadly defined as transactions that increase net worth and GFS expenses as transactions that decrease net worth. Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes in inventories plus other transactions in non-financial assets. Two key GFS analytical balances in the operating statement are GFS Net Operating Balance (NOB) and GFS Net Lending(+)/Borrowing(-).

Other changes in the volume of assets

Changes in the value of assets, liabilities and net worth arising from events other than transactions and revaluations.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets).

Output

Goods and services that are produced within an establishment and become available for use outside that establishment.

Output produced for own final use

Output of goods and services to be retained for their own final use by the owners of the institutional units in which they are produced.

Produced assets

Non-financial assets that have come into existence as outputs of production processes.

Production

Activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital, and goods and services to produce outputs of goods and services.

Property expenses

Current expenses for the use financial assets or tangible non-produced assets such as land and sub-soil assets (e.g. interest, dividends, land rent).

Property income

Current income accrued from the ownership of financial assets or tangible non-produced assets such as land and sub-soil assets (e.g. interest, dividends, land rent).

Public corporations

Resident government controlled corporations and quasi-corporations that are created for the purpose of producing goods and services for the market and may be a source of profit or other financial gain to their owner(s).

Public financial corporations

Resident government controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.

Public non-financial corporations

Resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.

Public sector

The combination of the general government sector, the public non-financial corporations and the public financial corporations.

Quasi-corporation

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

Quasi-fiscal activities

Functions of governments performed by units outside the general government sector.

Rent

A form of property income and expense that refers to rent for the use of land and other non-produced assets.

Required transactions

Transactions in which each transactor receives something of economic value.

Resident unit

A unit with a centre of economic interest in the economic territory of the country.

Revaluations

Changes to the value of assets, liabilities and equity arising from price changes, including exchange rate movements.

Revenue(s)

Transactions that increase net worth.

Scope

The group of statistical units that defines the intended boundary of a statistical system.

Seigniorage

The profit earned by a government on the issue of coins and notes (i.e. the difference between the face value of coins and notes and the costs of their production).

Social benefits

In SNA93 and the IMF GFS system, current transfers (in cash or kind) to households to provide for needs arising from events such as sickness, unemployment, retirement, housing, education, or family circumstances.

Special Drawing Rights (SDRs)

International reserve assets created by the IMF and allocated to its members to supplement existing reserve assets.

State/territory level of government

The level of government of public sector units that have a state or territory role or function, i.e. the political authority underlying their functions is limited to a state or territory or the functions involve policies that are primarily of concern at a state or territory level.

Statement of stocks and flows

The GFS financial statement that records: (i) the opening balance sheet values of assets and liabilities; (ii) the changes to the assets and liabilities arising from transactions, revaluations and other volume changes; and (iii) the resultant closing balance sheet values of assets and liabilities.

Statistical units

Units about which statistics are tabulated, compiled or published.

Statutory authority

An entity established by the Australian Constitution or by an Act of Parliament of the Commonwealth or one of the states or territories.

Stocks

An institutional unit's assets, liabilities, shareholders' funds and other contributed capital at a point in time.

Subsidies

Current transfers that government units make to enterprises either on the basis of the levels of their production activities or on the basis of the quantities or values of the goods or services that they produce, sell, or import.

Surplus/deficit

Supplementary balance in the GFS cash flow statement that is derived as net cash flows from operating activities plus net cash from investments in non-financial assets less distributions paid less value of assets acquired under finance leases.

Taxes

Compulsory, unrequited transfers to the general government sector.

Transactions

Interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions.

Transfers

Transactions in which one unit provides goods, services, assets or labour to another unit and receives nothing in return.

Use of goods and services

In the IMF GFS system, the total value of goods and services used by the general government sector in production, including use of goods acquired for resale.

Valuables

Produced assets that are not used primarily for purposes of production or consumption, but are held as stores of value over time.

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2551400001046
ISBN 0 642 17330 3

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Produced by the Australian Bureau of Statistics

RRP \$63.00