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Statistics

# **GOVERNMENT FINANCE STATISTICS AUSTRALIA**

CONCEPTS, SOURCES  
AND METHODS

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**GOVERNMENT FINANCE STATISTICS, AUSTRALIA**  
**CONCEPTS, SOURCES AND METHODS**  
**1994**

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**AUSTRALIAN BUREAU OF STATISTICS**

**CATALOGUE NO. 5514.0**

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## ***Acronyms and abbreviations***

ABS	Australian Bureau of Statistics
ANA	Australian National Accounts
CBA	Central Borrowing Authority
COFOG	Classification of the Functions of Government
ETF	Economic Transactions Framework
FALS	Financial Assets and Liabilities Statistics
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GPC	Government Purpose Classification
IMF	International Monetary Fund
NFR	Net Financing Requirement
NOS	Net Operating Surplus
PFE	Public Financial Enterprise
PTE	Public Trading Enterprise
SISCA	Standard Institutional Sector Classification of Australia
SNA	A System of National Accounts
TFFC	Taxes, Fees and Fines Classification
UN	United Nations





## Preface

This publication is the first to provide a comprehensive account of the concepts applied in government finance statistics in Australia, the sources of data used to compile the statistics and the methods used in compiling them. 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 finance statistics, including those in Commonwealth and State Treasuries or Departments of Finance responsible for preparing information on a 'GFS' basis.

The statistical concepts and classification principles used by the ABS in compiling government finance statistics are based on international standards developed in consultation with member countries by the International Monetary Fund (IMF). The standards were developed to enable the IMF to compile uniform and comparable statistics relating to all member countries and are widely recognised in the international statistical community. The ABS uses the standards to report to the IMF but adapts them to meet specific Australian requirements when compiling government finance statistics for publication in Australia.

Some of the adaptations of the IMF standards are made to enable the statistics to provide concurrent information about the public sector for inclusion in the Australian National Accounts (ANA). The ANA are based on international standards developed by the United Nations which, while generally consistent with the IMF standards, include some features reflecting the different purposes of government finance statistics and national accounts.

Readers familiar with the related ABS publication *Classifications Manual for Government Finance Statistics, Australia 1989* (Cat. No. 1217.0) will note that this new manual includes an appendix that they can use as a useful replacement for Cat. No. 1217.0. It includes less detailed classifications than in Cat. No. 1217.0 and is tailored for users of the statistics. The classifications in Cat. No. 1217.0 are the most detailed to which data can be classified but classification at that level of detail is not always feasible. The classification in Appendix 1 of this manual shows the maximum level of detail that can be made available to users of the statistics.

This manual was drafted primarily by staff of the Public Finance Investigations Subsection in the ABS and their efforts are gratefully acknowledged. Comments and suggestions from potential users, particularly the Departments of Finance and the Treasuries of the Commonwealth, State and Territory governments formed a valuable input into the development of this publication.

Comments from readers would be welcome for incorporation in future editions.

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## Section 1

# Introduction

### Government finance statistics

1.1 The term 'government finance statistics' refers to statistics that measure the financial transactions of governments and reflect the impact of these transactions on other sectors of the economy. The acronym 'GFS', derived from 'government finance statistics', is used in this publication to refer to the data system that supports government finance statistics. This includes the concepts and classifications applied, sometimes called the 'statistical framework', the sources of data used to compile the statistics, and the methods used to compile them. This manual is about 'GFS' in Australia, the data system, whereas 'government finance statistics' are the product of that system.

1.2 GFS focuses on financial transactions such as governments' spending, lending, taxing and borrowing activities. These activities, when carried out by governments, require special attention in statistics given the unique legislative and regulatory authority that governments hold over other institutional units in the economy.

### Related data systems

1.3 GFS in Australia is mainly based on international statistical standards developed in consultation with member countries by the International Monetary Fund (IMF). These standards are widely accepted internationally as an appropriate framework on which to base the preparation and presentation of government finance statistics. A feature of the standards is their attention to the special nature and role of governments and the statistical requirements that their unique features imply. This manual devotes a Section to describing the IMF standards, which are con-

tained in *A Manual on Government Finance Statistics* (IMF, Washington DC, USA, 1986).

1.4 The IMF standards are used by the ABS in reporting government finance statistics to the IMF for inclusion in statistics published by that organisation. These enable comparisons to be made of government activities of all member countries, including Australia. However, in preparing and publishing government finance statistics for Australia, the ABS adapts the IMF standards to meet local needs.

1.5 One of the adaptations made by the ABS is to include some concepts that are specifically related to another (related) international statistical system. That system is the system of national accounts embodied in the United Nations' *A System of National Accounts* (UN, New York, 1968), commonly referred to as 'the SNA'. The 1968 SNA has been revised and the new (1993) edition has just been published. The discussion in this manual is based on the 1968 SNA since it is still the basis underlying the national accounts and GFS in Australia. The 1993 SNA will be implemented in Australia once all the necessary work has been completed.

1.6 The SNA is a statistical framework relating to the whole of an economy and covers governments' activities only as a component. It also has a different emphasis than GFS insofar as its focus is on the production, consumption and accumulation of wealth whereas GFS concentrates mainly on financial transactions of government. Nevertheless, the two data systems overlap and have many concepts in common.

1.7 The ABS GFS system adopts some SNA concepts mainly because it is a system designed to provide statistics for the Australian National Accounts as well as for government finance statistics. In designing its GFS the ABS found a demand from users to include some SNA concepts not found in the IMF standards in the Australian version of GFS. The SNA concepts that are included in the Australian version of GFS are identified in this manual, including those that form part of the IMF standards as well as those that do not.

1.8 Both the IMF and UN standards include recommendations relating to assets and liabilities (stocks or levels) as well as to transactions (flows). Thus, the SNA recommends preparation of full balance sheets and the IMF recommends preparation of debt statistics for governments and full balance sheets for their trading enterprises.

1.9 A component of the Australian GFS is being developed that relates to stocks of financial assets and liabilities (FALS) of governments but has not been developed as yet as an integral part of GFS. It is therefore treated in this manual as a related data system although the aim is to eventually incorporate it in GFS. It comprises what was formerly known as 'public sector debt statistics' and its output is published in *Public Sector Financial Assets and Liabilities, Australia* (Cat. No. 5513.0). Appendix 16 to this manual describes the ABS FALS system at its current stage of development.

1.10 The Commonwealth and each State and Territory government maintains 'public accounts' which are usually published in their respective Budget and related documents. These accounts are largely geared towards financial accountability and control and are in a format reflecting legal and administrative imperatives in each jurisdiction. As well, there are authorities which are components of the public sector according to the international statistical standards that keep and publish their own particular forms of financial accounts. Local governments also form part of the public sector and keep their accounts in a form dictated by administrative requirements and accounting standards.

1.11 These related data systems are the source of most of the information that enters GFS. In their basic form they do not represent a unified data system that can be used to produce comparable information for all governments and their authorities. However, a resolution of the May 1991 Premiers' Conference requires the Commonwealth and each State and Territory government to compile information on a 'GFS' basis for inclusion in their budget documents as a statistical supplement to the usual financial information. This manual will serve as a reference for the officers in each jurisdiction compiling that information.

### Policy focus

1.12 The measure on which developers and analysts of public policy almost always focus to assess the financial well-being of a government and the impact of its transactions on the economy is the government's 'deficit' or 'surplus'.

1.13 The change in the government's overall financial position, as revealed by the deficit, surplus or allied measures, is important in the analysis and understanding of monetary conditions, domestic demand, balance of payments and other macro economic variables.

1.14 GFS organises transactions of all levels of government (Commonwealth, State/Territory and local) according to a standardised set of classifications to focus on the deficits (surpluses) of the component governments and to provide a comprehensive statistical account of component transactions for analytical purposes. The application of standard classifications means that valid comparisons of total outlays, revenue and financing transactions of the various governments can be made, as well as of their outlays for particular purposes (e.g. health, education, welfare, etc.).

1.15 The aggregation and consolidation of information for all governments performed during compilation of government finance statistics makes it possible to monitor total government activity in Australia vis-a-vis other sectors of the economy.

## 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:

- Section 1 is a general introduction;
- Section 2 deals with the IMF standards on which the Australian version of GFS is based, with reference to the SNA where appropriate;
- Section 3 describes the ABS analytical framework for GFS, including the adaptations of the IMF framework which have been incorporated;
- Section 4 deals with data sources and collection methodology used in Australia's GFS;
- Section 5 covers methods used in compilation;
- Sections 6 and 7 respectively cover output, and accuracy, reliability and timeliness;
- Section 8 outlines in more detail the relationship of the ABS's GFS with other statistical systems such as the IMF's GFS and the Australian National Accounts.

1.17 Appendix 1 contains what has been termed as a 'maximum level of output' matrix as well as classification descriptions. This specifies the maximum level of classification detail which can be made available by the ABS on request from its GFS output database. The classification descriptions included are a subset of those used in the compilation of government finance statistics, previously

published as the *Classifications Manual for Government Finance Statistics, Australia 1989* (Cat. No. 1217.0). That publication included the level of detail to which data can be classified but classification at that level is not always feasible.

1.18 In addition, a collection of other appendixes that illustrate the treatment of selected items has been included. These appendixes are targeted at the more technical users who wish to follow the underlying detail.



## Section 2

# International standards

## Introduction

2.1 As indicated in Section 1, GFS in Australia is based on international standards developed by the International Monetary Fund (IMF) and the United Nations (UN). These standards are set out in *A Manual of Government Finance Statistics* (IMF, Washington DC, USA, 1986), and *A System of National Accounts* (UN, New York, USA, 1968) respectively<sup>1</sup>. The Australian system is most accurately described as based on the IMF framework with some adaptations reflecting the UN standard (hereafter referred to as 'the SNA') and some others to meet specific Australian circumstances.

2.2 This Section describes the IMF framework in some detail as it is the primary framework on which the Australian system is modelled. Elements of the framework that do not apply to Australia are omitted from the discussion. Many components of the IMF framework are based on the SNA and these are identified in the discussion. A broad comparison is given of the SNA framework as it applies to the public sector with the IMF framework, with emphasis on the elements that differ from the IMF standard and those that are incorporated in GFS in Australia.

2.3 The aim of this Section is to explain the concepts that underpin GFS in Australia before describing the Australian system in detail in the next Section. Departures and variations from the international conceptual frameworks are identified in that Section.

## IMF framework

### Sectorisation of the economy

2.4 For the most part, the IMF manual follows the SNA in the way it views the sectors of the economy. The SNA recommends that the analysis of income, expenditure and financial flows be made by grouping decision-making 'transactor units' with similar purposes and behavioural patterns into 'institutional sectors'. The five domestic institutional sectors it recommends are:

- Non-financial corporate and quasi-corporate enterprises;
- Financial institutions;
- General government;
- Private non-profit institutions serving households; and.
- Households.

2.5 Each sector performs a principal function: non-financial enterprises produce goods and non-financial services; financial institutions produce financial services; non-profit institutions use voluntary contributions to produce mainly non-market services; households consume and sometimes, as unincorporated businesses, produce non-financial goods and services. In the IMF framework general government carries out the functions described under the heading 'Nature of government' below.

2.6 Institutions and their activities can be further cate-

<sup>1</sup> A revised version of the 1968 SNA is now available — see para 2.90

gorised according to who owns and controls them. In particular, non-financial enterprises and financial institutions can be categorised according to whether they are owned and/or controlled by the public or private sector. Those which are owned and/or controlled by governments are called non-financial public enterprises and public financial institutions respectively. Together with general government they comprise what the SNA calls 'the public sector'.

2.7 The scope of GFS could be defined as all institutions owned and controlled by governments. This would require a consolidation of information for government owned and/or controlled institutions in the general government, non-financial corporate and quasi corporate enterprises and financial institutions sectors.

2.8 However, the IMF manual recommends against consolidating information about government owned and controlled financial institutions with information about the other two sectors. This is because a principal effect of governments' operations is the financing they require from the financial institutions sector. Information about financing obtained from the central bank and other public financial institutions would be 'lost' in the consolidation.

2.9 The primary focus of the IMF standard is on the general government sector. However, the manual includes a chapter on compilation of statistics for non-financial public enterprises and describes how these statistics can be consolidated with statistics for general government to provide information for what it calls the 'non-financial public sector'.

### Nature of government

2.10 The IMF manual places heavy emphasis on the unique characteristics of government<sup>2</sup> and how those characteristics influence the nature of the statistics it recommends be compiled for the general government sector. The government of a country (or region) is described as consisting of 'the public authorities and their instrumentalities, established through political processes, exercising a monopoly of compulsory powers within a territorial area or its parts, motivated by considerations of public purposes in the economic, social, and political spheres and engaged primarily in the provision of public services differing in character, cost elements, and source of finance from the activities of other sectors'.

2.11 The manual describes the 'principal function' of governments as 'to carry out public policy through the production of non-market services primarily for collective consumption and the transfer of income, financed mainly by compulsory levies on units in the other sectors'. Governments' activities are not generally carried out for commercial reasons but can be of a commercial nature though 'not on a major basis or not primarily for a profit'.

2.12 The manual recognises however that governments may carry out industrial or commercial activities. This fact makes it necessary to carefully define the boundaries be-

tween general government and other sectors. The manual says 'When sales of commercial or industrial goods and services to the rest of the economy by a government owned/or controlled unit are large, or the unit is a corporate enterprise, the activity is considered to fall within the non-financial enterprises sector. When sales of goods and services are made by a non-corporate unit to other parts of the government — and are therefore ancillary in nature — or to the rest of the economy but only on a small scale, the activity falls within the general government sector'. Provision of goods and services of a regulatory nature for a fee is also considered part of general government.

2.13 The distinction between general government and public financial institutions is considered of particular importance because governments' dealings with financial institutions play a key role in fiscal policy. Public financial institutions are defined in the manual as comprising:

- all units primarily engaged in both incurring liabilities and acquiring financial assets in the market;
- all units accepting demand, time or savings deposits; and,
- units performing monetary authorities' functions.

2.14 The functions of monetary authorities are generally performed by the central bank which is clearly a financial institution. However, some monetary authority functions (e.g. coin issue) may be performed by other units and it is recommended they be separated from general government and included with the financial institutions sector. Similar recommendations are made to separate other financial activities that might be carried out by government units (e.g. acceptance of time or savings deposits, insurance, superannuation funds, development banking). Superannuation funds of government employees where all the reserves are invested with the employing government are, however, recommended to be included with general government.

2.15 Non-profit institutions serving households are distinguished from general government insofar as they are not owned and/or controlled by government. Non-profit institutions that are wholly or mainly financed by government are considered controlled by government and therefore part of general government.

2.16 Marketing and financial co-operatives that are mainly owned and/or controlled by government are treated as part of the public sector, as non-financial public enterprises or public financial institutions. Any co-operatives of a non-financial, non-commercial nature that are mainly financed or controlled by government are classified as part of general government.

### Subsectors of government

2.17 Having defined the sectors of the economy that are of interest in GFS the IMF manual goes on to recommend further categorisations within those sectors. It recommends preparation of separate information for the various levels or tiers of government that may exist in a country as well

<sup>2</sup> As used here, the term 'government' refers specifically to 'general government' rather than 'government trading enterprises' or a consolidation of the two.



as consolidated statistics for all tiers combined. Recognition is recommended of as many of the following three tiers that may exist in a country: central government; state, provincial or regional government; and local government.

2.18 The manual discusses 'departmental enterprises', which need to be distinguished from non-financial public enterprises. Departmental enterprises are defined as 'industrial or commercial units which are (1) non-corporate, (2) closely integrated with the rest of a government department or agency, and (3) likely to hold small working balances and which are either (4a) mainly selling goods and services to other units of government (as ancillary units) or (4b) mainly selling goods and services to the public but operating on a small scale'.

2.19 Departmental enterprises are classified as part of general government and not as non-financial public enterprises. Examples quoted include munitions factories, repair shops, navy dockyards, printing and publishing services for government, and central transport pools. The manual recommends that only the net proceeds of the sales of departmental enterprises be included in the statistics as their gross sales proceeds are not generally available for use by government.

2.20 As noted above, the manual recommends that information about non-financial public enterprises be compiled separately from information about general government because these enterprises engage in activities different in nature to government and encounter production, cost and financing problems 'involving non-governmental considerations'. It notes that non-financial public enterprises can be owned and/or controlled by any of the three levels of government.

2.21 The question as to whether non-financial public enterprises set prices or charges to make a profit is not considered relevant in distinguishing them from departmental enterprises. This is settled on the criteria described in the previous paragraph. They may also be distinguished through having their 'own working balances and business credit to finance capital formation through retained profits, depreciation reserves, or borrowing, with some independence from government'. The operations of public enterprises are reflected in the statistics of general government only insofar as they undertake transactions with general government (e.g. dividends, subsidies, borrowing, etc.)

2.22 As noted above, the manual indicates that it may be useful to compile statistics for the non-financial public sector, that is the consolidation of information about the activities of general government and non-financial public enterprises. This will depend on the extent to which governments use their non-financial enterprises as instruments for the execution of significant government policies. Also the size of the sector may be such that it may have an important effect on governments' saving, fixed capital formation, and recourse to the financial system. Statistics of the non-financial public sector can be compiled for each of the levels of government in a country.

## Cash basis of reporting

2.23 The IMF standards are based on the assumption that statistics will be compiled by selecting appropriate data sources from governments' accounts, adjusting and classifying the data in those accounts to achieve consistency, and then combining the data from the various accounts to provide statistics for the parts of government described above.

2.24 The manual notes that there are various stages at which transactions might be recorded in government accounts. For example, expenditure could be recorded when it is budgeted, appropriated, allocated or committed, or when deliveries are made, orders are prepared, cheques or warrants are issued or cheques are paid. Even longer lists of possibilities for recording tax revenues are quoted.

2.25 The manual recommends that statistics of total revenue and expenditure should be based on transactions as close to the payment stage as possible. This standard of having data for the general government sector compiled on a cash basis is designed to measure 'aggregate government impact on the monetary accounts and the rest of the economy'. Payments 'represent the best ready approximation of the flows of funds and resources . . . correspond most closely with other financial statistics . . . and constitute the basis on which most governments keep their accounts'.

2.26 It is noted that, by contrast, statistics on business are best recorded on an accruals basis 'so as to measure an enterprise's net worth and income' and that 'such concepts are generally not applicable to government and a full knowledge of liabilities accruing to and from government is not possible'.

## Basic classification distinctions

2.27 The IMF manual sees the financial interactions of governments with other entities in the economy resulting in 'transactions', with every transaction involving two parties, or 'transactors'. Government transactions are seen as giving rise to two flows, one towards and the other away from government. For example, purchases involve goods and services flowing into government and money flowing out as payments for them.

2.28 In exercising certain functions however, government also makes payments for which it receives nothing in return (nothing which is recognisable as a transaction for the purposes of accounting). For example, social security payments involve money flowing out of government and nothing flowing in.

2.29 The manual postulates that 'nothing' can in these cases be treated as a flow, so that it is still possible to view all transactions of government as a combination of two flows, one into and the other out of government. These are illustrated in a matrix format in the manual (see Chart 2.1).

CHART 2.1. CLASSIFICATION OF GOVERNMENT TRANSACTIONS BY KINDS OF FLOWS INTO AND OUT FROM GOVERNMENT

Out \ In	Goods and services	Money	Nothing	Others' fixed-term contractual liabilities	Government's fixed-term contractual liabilities
Goods and services	Barter	Purchases	Transfers, grants, or gifts received in goods and services	Repayments of lending with goods and services	Purchases paid for with contractual debt or debt instruments
Money	Sales, fees, property income	—	Taxes, grants, and gifts received	Repayment of lending	Borrowing
Nothing	Gifts given in goods and services — Public goods and services provided	Transfers, gifts, and grants given	—	Gifts of or cancellation of loans to others	Gifts of government debt to others
Others' fixed-term contractual liabilities	Sales on fixed-term contractual credit or lending in goods and services	Lending	Gifts of others' debts received	Refinancing of lending	Capitalization of enterprises with government debt — Lending with government debt issues
Government's fixed-term contractual liabilities	Amortization paid in goods and services — Sales for government debt issues	Amortization	Cancellation or gift to government of government debt	Repayments of lending with government debt issues	Refinancing of borrowing

Source: International Monetary Fund (ABS emphasis)

2.30 The rows and columns in Chart 2.1 identify the following flows:

- goods and services;
- money;
- nothing;
- others' fixed-term contractual liabilities; and,
- government's fixed-term contractual liabilities.

2.31 At the intersection of each row and column the cell describes the nature of the transaction involved. Since GFS for the general government subsector is concerned with transactions involving money flows, consistent with the cash basis of accounting referred to earlier, the items falling in the 'money' row (receipts) and the 'money' column (payments) of Chart 2.1 are rearranged in the manual, with receipts placed on the left and payments on the right, as a

basis for developing the analytical framework. This is illustrated in Chart 2.2 (see overleaf).

2.32 As can be seen in Chart 2.2, government transactions have been slotted into specific parts of the matrix based on their characteristics. These characteristics are distinguished in terms of six basic classification distinctions, as follows:

<i>Distinction</i>	<i>Applicability</i>
Receipt or payment	All transactions
Repayable or nonrepayable	All transactions
Required or unrequired	Non-repayable transactions only
Current or capital	Non-repayable transactions only

CHART 2.2. ORGANISATION OF GOVERNMENT TRANSACTIONS BY NATURE OF FLOWS

		RECEIPTS		PAYMENTS	
NONREPAYABLE	Required	Current Fees and charges Nonindustrial sales Property income	Capital Sales of capital	Capital Acquisition of capital	Current Wages and salaries Purchases of goods and services Interest
	Unrequired	Current TAXES Fines, forfeits, licenses Current grants	Capital Capital transfers from nongovernmental sources Capital grants	Capital Capital transfers	Current Current transfers
REPAYABLE	Financial assets	Acquired for liquidity management purposes	Acquired for public policy purposes Repayment of past government lending	Acquired for public policy purposes Gross government lending	Acquired for liquidity management purposes
	Liabilities	Borrowing		Amortization	

Source: International Monetary Fund

Financial asset or liability

For public policy or liquidity management purpose

Repayable transactions only

Financial asset transactions only

and payments on a gross basis except for lending and financing items, where borrowing and repayments are offset, and a small selection of other exceptions relating to corrective, agency, private trust funds and departmental enterprise transactions.

### Repayable or non-repayable?

2.33 These classification criteria are fundamental in that they determine the location of individual transactions in the classification framework. They are elaborated upon below.

### Receipt or payment?

2.34 The 'direction' of a transaction as indicated by whether it is flowing into or out of government is a basic classification criterion in the framework. Receipts represent incomings or credits and payments represent outgoings or debits.

2.35 The separation of transactions into receipts and payments can be made difficult by accounting systems that allow offsetting of some receipts against payments, or vice-versa. The standard calls for compilation of receipts

2.36 A payment or receipt is repayable when a fixed term contractual liability flows in return and non-repayable when no such contractual liability flows in return. Fixed term contractual liabilities are defined in the manual as including equities. A government's claims on others in respect of repayable amounts are represented by that government's financial assets while claims by others on the government are represented by the government's liabilities. Non-repayable transactions do not generate or extinguish such claims.

2.37 Repayable transactions are distinguished from non-repayable transactions in the framework as the former indicate the extent to which a government's obligations to others (and others obligations to that government) that extend beyond the accounting period change in that period.

### Required or unrequired?

2.38 All non-repayable receipts and payments are categorised as required or unrequired depending on the presence or absence of a *quid pro quo*. A payment is required if it involves goods and/or services, which can be recorded in accounts, flowing in return. A payment is unrequired if no specific, quantifiable benefit, product, or service flows to the payer in return for the payment.

2.39 The rationale for distinguishing between required and unrequired transactions arises from their different impacts on the SNA concept of Gross Domestic Product (GDP). Since unrequired transactions involve no goods and/or services flowing into government, and since government product is measured in the national accounts as equal to the input of resources to government, unrequired transactions involve no addition to government product and GDP. Stated alternatively, required transactions (other than those relating to property income transfers e.g. interest, land rent and dividends) add to government product and GDP.

### Current or capital?

2.40 All non-repayable transactions are categorised into current and capital in the manual. Capital transactions are defined in the manual in the same way as in the national accounts; they involve payments or receipts for the acquisition, construction, or sale of non-financial assets which are to be used for more than one year in the process of production.

2.41 Capital transactions include:

- (a) all required payments or receipts relating to:
  - (i) fixed capital assets (purchased or self-constructed);
  - (ii) stocks (of an emergency/strategic nature rather than the ordinary stores or inventories of general government);
  - (iii) land; or
  - (iv) intangible assets; and.
- (b) all unrequired payments or receipts which:
  - (i) enable recipients to acquire above assets;
  - (ii) compensate for damage/destruction of above assets; or,
  - (iii) increase the financial capital of recipients.

All other non-repayable transactions are regarded as current.

### Financial asset or liability?

2.42 Repayable transactions are distinguished between

those relating to government's claims on others (financial assets) and to others' claims on government (liabilities).

2.43 The rationale for the separation of repayable transactions into those related to financial assets and liabilities is based on the motivation underlying government actions. Unlike commercial enterprises which match their asset and liability positions solely to optimise returns, governments' acquisitions of financial assets may be more often motivated by public policy purposes with the need to managing liquidity and optimising financial returns a secondary consideration.

### Public policy or liquidity management?

2.44 The need to determine whether financial assets acquired by government are for public policy purposes or for liquidity management purposes arises from the unique nature and function of the general government sector.

2.45 As outlined under 'Nature of government' above, the principal function of government is to carry out public policy mainly through the production of non-market goods and services for the collective consumption of the community and the transfer of income, financed mainly by compulsory taxes and levies. Government is not principally motivated by commercial gain or profit considerations in its operations.

2.46 Governments conduct their public policies largely through direct expenditure programs. They often also set out to achieve policy objectives by lending or by acquiring equity in particular enterprises. Reflecting this non-commercial aspect of government lending, the manual groups the acquisition of financial assets resulting from such lending and acquisition of equity with expenditure rather than with financing.

2.47 Lending for policy purposes thereby contributes directly to increasing the deficit (or decreasing the surplus) and repayment of such lending increases the surplus (or decreases the deficit). Financial assets acquired for liquidity management purposes (as opposed to public policy purposes) are treated as financing transactions, which do not affect the deficit/surplus.

2.48 Distinguishing repayable transactions representing financial assets acquired for public policy purposes from those acquired for liquidity management purposes is fundamental to the correct derivation of the government's deficit or surplus.

2.49 To determine whether financial assets are acquired for public policy or liquidity management purposes, the IMF advocates consideration of a number of criteria, such as:

- (a) type of instruments involved, whether:
  - (i) negotiable, marketable (e.g. bonds); or,
  - (ii) non-negotiable, non-marketable (e.g. loans);

CHART 2.3. ANALYTICAL FRAMEWORK FOR CLASSIFICATION OF GOVERNMENT OPERATIONS

		RECEIPTS		PAYMENTS	
Goods and services	Current	Goods and services	Capital	Capital	Goods and services
	Nothing		Nothing	Nothing	
		REVENUE		EXPENDITURE	
		GRANTS			
DEFICIT/ SURPLUS *	Others' liabilities	Others' liabilities	Others' liabilities	Others' liabilities	Others' liabilities
	Acquired for liquidity management purposes	Acquired for public policy purposes	LENDING REPAY	MINUS MENTS	Acquired for liquidity management purposes
		F		G	
Government liabilities	-			Government liabilities	-
		N		N	
		A		C	
		Change in cash balances			

Source: International Monetary Fund

Note: (i) As the receipts into and the payments out of government also affect its holdings of currency and deposit balances, the framework has been completed by an additional, undivided row or rectangle representing change in cash. The change in cash thus represents the algebraic result of receipts and payments between the beginning and the end of the accounting period, excluding changes due to revaluations. (ii) The deficit/surplus has been determined with lending for policy purposes less repayments counted 'above-the-line' (see line of asterisks in Chart 2.3) alongside outright expenditure. This treatment is based on the doctrine that the general government sector lends money for the same reason it spends money, i.e. to achieve public policy objectives rather than earn a commercial return. Where financial assets are acquired for liquidity management purposes, the transactions are treated 'below-the-line' as financing items, without affecting the deficit/surplus.

(b) level of government(s) involved, whether:

- (i) higher; or,
- (ii) lower; or,
- (iii) same;

(c) intention in acquiring the financial assets, whether:

- (i) a government statement is available; or,
- (ii) statement not available.

2.50 Where a statement indicating the reasons or purposes of acquiring the financial assets is available or where such reasons or purposes can be readily deduced from the nature of the agency involved, distinguishing financial as-

sets acquired for public policy purposes from those for liquidity management purposes is relatively straightforward. In the absence of such statement or information, the marketability of the financial assets and the level of government or sector of the parties can be considered.

2.51 The acquisition of a marketable financial asset, in the absence of other information, may be viewed as being more likely to be for liquidity management purposes. In a similar situation, acquisition of a non-marketable financial asset, such as a loan, may be more indicative of an asset acquired for policy purposes.

2.52 The level of government (national/federal, state/provincial, local/municipal) or the sectors (public, private) of the parties may also be relevant. An entity at a lower level of government, say a local government, is unlikely to lend to another at a higher level of government,

say at the federal or national level, to implement its public policy objectives. A loan from a general government entity (in the public sector) to a private sector enterprise is likely to be for public policy purposes.

2.53 The criteria discussed above need to be considered collectively rather than in isolation to determine the nature of the financial asset in question. Obviously, considerable weight needs to be given to the reasons or purposes of the acquisition as expressed in ministerial statements or other public documents. The application of some of the above criteria in the Australian context may be illustrated with examples, see below:

- purchase of a State government's securities (whether marketable or unmarketable) by the Commonwealth Government would be seen as being for public policy purposes, in the absence of any Commonwealth statement to the contrary;
- purchase of Commonwealth Government bonds by a local government would be seen as being for liquidity management purposes.

2.54 Unlike general government enterprises, non-financial public enterprises are considered not to lend for public policy purposes. In the IMF framework, all financial assets acquired by these enterprises are therefore considered to be for liquidity management purposes.

### **Main IMF aggregates: composition**

2.55 The application of the above classification distinctions to individual transactions of government enables each transaction to be classified to the appropriate part of the framework. A summation of the transactions with common characteristics produces the main analytical aggregates of the IMF system (*Revenue and Grants, Expenditure, Lending Minus Repayments, Financing*), identified in upper case in Chart 2.3 above.

2.56 A brief description of the composition of the IMF's main aggregates is provided below.

#### ***Revenue and grants***

2.57 In concept, revenue covers all non-repayable receipts from non-governmental sources. These receipts may be required or unrequired in nature. They may also be current or capital in nature. Capital revenue includes required receipts from the sale of capital assets and unrequired capital transfers from non-governmental sources. Current revenue includes all tax revenue and current non-tax revenue. Taxation receipts are unrequired and non-repayable. They represent compulsory contributions extracted by government for public purposes. Non-tax revenue includes required receipts such as property income and unrequired receipts such as fines.

2.58 Grants are considered to be non-compulsory receipts by government from other governmental or non-governmental sources which are both unrequired and non-repayable in nature. Grants may be tied to specific ex-

penditure items which would otherwise not be undertaken, or they may provide general budget support for expenditures which the recipient has already undertaken or would undertake in any case. Grants which allow the recipient government to acquire financial assets and capital assets, or to compensate for damage or destruction of capital assets are classified as capital grants.

2.59 Revenue and grants are sub-divided into:

#### **TAX REVENUE**

- Taxes on income, profit, and capital gains
- Social security contributions
- Taxes on payroll and work force
- Taxes on property
- Domestic taxes on goods and services
- Taxes on international trade and transactions
- Other taxes

#### **NON-TAX REVENUE**

- Entrepreneurial and property income
- Administrative fees and charges, and incidental sales
- Fines and forfeits
- Other non-tax revenue

#### **CAPITAL REVENUE**

- Sales of fixed capital assets
- Sales of stocks
- Sales of land and intangible assets
- Capital transfers

#### **GRANTS**

- From abroad
- From other levels of national government
- Other

#### ***Expenditure***

2.60 Expenditure covers all non-repayable payments by government. These payments may be required or unrequired. They may be for current purposes or for capital purposes. Payments of grants or transfers to other governments are included within expenditure.

2.61 Only required expenditures are counted in the SNA measurement of government consumption, capital forma-

tion and product. The distinction between current and capital expenditures determines the measure of government saving which is defined as the difference between revenue and current expenditure.

2.62 Expenditure is sub-divided as follows:

#### CURRENT EXPENDITURE

- Expenditure on goods and services
- Interest payments
- Subsidies and other current transfers

#### CAPITAL EXPENDITURE

- Acquisitions of fixed assets
- Purchases of stocks
- Purchases of land and intangible assets
- Capital transfers

#### *Lending minus repayments*

2.63 Lending minus repayments reflects the acquisition of financial assets by government for purposes of public policy. It consists of government lending for public policy purposes less subsequent repayment to government, and government acquisition of equity capital for public policy purposes less any subsequent sale of such equities by government. The underlying transactions are therefore repayable in nature.

2.64 Lending minus repayments is grouped with expenditure as determining the deficit (surplus). This lending reflects the pursuance of policy objectives by government rather than the acquisition of financial assets for liquidity management.

2.65 Lending minus repayments is categorised into:

- Domestic
- Abroad

2.66 The IMF also recommends classification of expenditure and lending minus repayments according to the purpose or function toward which the expenditure is intended. The classification it recommends is the *Classification of the Functions of Government (COFOG)* developed by the United Nations. It is a hierarchical classification with three levels. The categories at the major group level are as follows:

- General public services
- Defence affairs and services
- Public order and safety affairs
- Education affairs and services

- Health affairs and services
- Social security and welfare affairs and services
- Housing and community amenity affairs and services
- Recreational, cultural, and religious affairs and services
- Fuel and energy affairs and services
- Agriculture, forestry, fishing, and hunting affairs and services
- Mining and mineral resource affairs and services, and other fuels; manufacturing affairs and services; and construction affairs and services
- Transportation and communication affairs and services
- Other economic affairs and services
- Expenditure not classified by major group

2.67 While the unit of classification is in principle individual transactions, the manual recognises that it will often only be feasible to classify whole transactor units or parts of units to the purpose classification categories.

#### *Deficit/surplus*

2.68 Expressed simply, the deficit/surplus concept is a measure of the extent to which government is able (or unable) to match its payments (for expenditures, transfers and policy related lending) against receipts (from taxes, other revenues and grants).

2.69 A deficit therefore implies expenditure, transfers and net policy lending exceed receipts from taxation, other revenues and grants. A surplus, on the other hand, indicates receipts from taxation, other revenues and grants exceed outlays on expenditure, transfers and net policy lending.

2.70 A deficit may be financed by increasing obligations for future repayments (borrowings) or by decreasing cash and liquidity holdings or some combination of the two. A surplus may be utilised to reduce obligations for future repayments (repayment of debt) or increase cash and liquidity holdings, or both. The purpose of the 'Financing' aggregate (see below) is to show the manner in which the deficit has been financed or the surplus invested.

#### *Financing*

2.71 By definition, total financing is equal in amount to the deficit or surplus with opposite sign (IMF convention records a deficit with a negative sign and a surplus with a positive sign). Financing is therefore equal to government expenditure plus lending minus repayments less its receipts

from revenue and grants. It shows how a deficit was financed or how a surplus was invested.

2.72 Financing covers transactions involving government liabilities, government acquisition of financial assets for liquidity management purposes, and the repayment of liabilities and sale of financial assets. It also includes the net change in government holdings of currency and deposits. Financing transactions are therefore repayable in nature.

2.73 Financing is sub-divided into:

#### DOMESTIC FINANCING

- From other general government
- From monetary authorities
- From deposit money banks
- Other domestic financing

#### FINANCING FROM ABROAD

- From international development institutions
- From foreign governments
- Other borrowing abroad
- Change in cash, deposits, etc., for liquidity purposes

#### Main IMF aggregates: relationship to deficit/surplus

2.74 In any cash-based accounting system, such as that utilised for the general government sector, technically a deficit/surplus cannot exist since receipts plus decreases in cash holdings must, by definition, equal payments plus increases in cash holdings. In the IMF framework however, the aggregates are arranged so that certain transactions of government are seen as determinants of the deficit/surplus while others explain its composition. This arrangement results in the following relationship between the aggregates:

Expenditure and transfers

*plus*

Net policy lending

*minus*

Revenue and grants

*equals*

Deficit/surplus

#### Analytical framework: non-financial public enterprises

2.75 The framework for analysing the transactions of

non-financial public enterprises differs from that for general government. This difference reflects that, while non-financial public enterprises can be used to implement government policy, they do so mainly through the production of market rather than non-market goods and services.

2.76 However, governments may choose to use their non-financial public enterprises to, in effect, supplement their taxation revenue, or subsidise non-financial public enterprises to, in effect, implement income re-distribution policies. A partial measure of the net contribution to government of these enterprises (or cost to it) may be established by deducting the flows from government to these enterprises (subsidies and capital transfers) from flows in the opposite direction (dividends, taxes, interest and other transfers). A more complete measure would also encompass injections or withdrawal of equity and the balance of borrowing and repayments between them.

2.77 For the above reasons, and because of the sheer magnitude of the operations of some of these enterprises, the IMF manual also provides guidance for the consolidation of information about them with information about general government, giving an analysis for the non-financial public sector as a whole.

2.78 As producers of market goods and services, the revenues received by non-financial public enterprises do not represent income available to government for disposal as it wishes, unlike the tax revenues of general government. Non-financial public enterprises therefore need to fix prices at which their output is disposed to recover costs and achieve the desired rate of return.

2.79 In fixing these prices, commercial or business notions of profitability are employed to account for labour, material and other costs, including depreciation. Indeed, the market orientation of these enterprises compels them to embrace the same accrual accounting principles used by private profit-making enterprises.

2.80 The application of accrual accounting principles by non-financial public enterprises means that profitability, net worth, liquidity and related measures may be gauged from their financial statements such as profit and loss, balance sheet and cash flow statements.

2.81 The IMF's analytical framework for non-financial public enterprises is accordingly on an accruals basis. This is considered appropriate given the market orientation of these enterprises and the fact that most keep their accounts on an accruals basis. It is also the accounting basis used for all non-financial trading enterprises, public and private, in the SNA. For consolidation of the information with the general government sector however, conversion to a cash or an approximate cash basis is required.

#### *Principal indicators*

2.82 The range of financial performance indicators that could be compiled to suit different analytical purposes is potentially quite large. In its framework, the IMF relies on a format comprising an operating statement and a balance



sheet, each with sufficient detail to enable derivation of a range of commonly used financial ratios and measures.

2.83 In addition to the financial ratios and other measures which may be used to evaluate the operations of non-financial public enterprises, either individually or against industry norms, the nature and magnitude of the financial flows between these enterprises and their parent governments are also of considerable interest.

#### *Operating statement*

2.84 The IMF's 'Operating Statement for Non-financial Public Enterprises' (Table K) covers both flows or transactions of these enterprises and stocks or levels of debt outstanding at the end of a period. The statement is structured into a number of parts from which key aggregates may be derived conveniently. The parts include:

- operating account, including revenues and expenses of production;
- nonoperating account, including direct taxes and distributions;
- capital assets;
- financing classified by type of debt instrument;
- financing classified by type of debt holder;
- outstanding debt by type of debt holder.

2.85 The difference between operating revenues and operating expenses gives a measure of the *operating surplus or deficit* for a period. By adding non-operating income and deducting direct taxes, dividends and other entrepreneurial distributions, a measure of the enterprises' *retained income* is obtained. The extent to which net acquisition of capital assets is not covered by this retained income provides a measure of the enterprises' *net financing requirement* for the period that has to be accounted for by changes in its liabilities and financial assets.

#### *Balance sheet*

2.86 The balance sheet provides an indication of the non-financial public enterprises financial position at the end of a reporting period and is constructed around the equality of total assets to total liabilities plus net worth.

2.87 The presentation, content and basis of preparation of these balance sheets is very similar to that employed by private business enterprises. Both assets and liabilities, for example, are categorised into current and non-current on the basis of their liquidity. The relationship with the general government sector is highlighted where necessary through the subdivision of selected items into 'government' and 'other'.

## Comparison with the SNA

### Introduction

2.88 As indicated in the introduction to this Section, GFS in Australia is based on the IMF standards for government finance statistics but incorporates some adaptations related to the United Nations' *A System of National Accounts* (SNA). These adaptations are made partly because the Australian GFS system serves the dual purposes of providing government finance statistics and providing information for the general government and public trading sectors for inclusion in the Australian National Accounts. The adaptations are also made because it is considered they add useful information to the IMF presentation of government finance statistics.

2.89 A full description of the SNA will not be given here. Rather, the discussion will focus on the similarities and differences of the SNA compared with the IMF's GFS framework. Those elements of the SNA incorporated in the Australian GFS framework will be highlighted.

2.90 It should be noted that the 1968 SNA has been revised and the new (1993) edition has just been published. The following discussion is based on the 1968 SNA since it is still the basis underlying the national accounts and GFS in Australia. The 1993 SNA will be implemented in Australia once all the necessary work has been completed.

### Purpose

2.91 The SNA is designed to measure production, income and outlay, consumption, capital accumulation and financing of capital accumulation. In its full articulation it includes balance sheets, input-output tables and flow of funds accounts. GFS on the other hand is organised into a single 'account' designed mainly to show the impact of government activities on the economy, particularly the effect on financial markets and saving. Despite these different purposes the two systems as they relate to government activities have much in common and data from one system can be converted to the other without a great deal of transformation.

### Scope, sectorisation and basic design

2.92 The SNA is designed to cover all sectors in the economy, including a 'rest of world' sector whereas the IMF's GFS framework focuses on general government, with a section on non-financial public enterprises. The transactor units in these common sectors and the sectors they comprise are defined, for the most part, identically in each system. The SNA does not specifically recommend presentation of information for the non-financial public sector and for most sectoral presentations groups non-financial public enterprises with non-financial private enterprises. Public financial institutions are similarly grouped with private financial institutions. Nevertheless,

the SNA framework does not prevent the presentation of separate information for these public enterprises.

2.93 The SNA is a system of multiple accounts employing double entry principles such that a debit entry in one account must be matched by a credit entry in another. By contrast GFS is a single account framework where transactions are recorded once, in addition to their effect on government cash balances. The interdependencies are therefore limited to the equality of deficit/surplus and financing.

#### Accounting basis

2.94 The SNA recommends use of an accrual basis of accounting for all sectors, although in some cases (e.g. 'transfer payments' such as taxes, grants and subsidies) it describes the accounting basis as 'due for payment'. The accounting basis is therefore different from GFS in relation to the general government sector, which is on a cash basis. The SNA and GFS both recommend an accrual basis for non-financial public enterprises.

2.95 A major effect of the use of different accounting bases for general government in the two systems is that the SNA records consumption of fixed capital (depreciation), whereas that concept cannot be applied in the IMF's cash based system. This difference is one of the reasons why no equivalent of the GFS concept of general government deficit/surplus occurs in the national accounts.

2.96 SNA also records payments in kind and some imputed transactions which are not applicable in the cash-based GFS system.

#### Transaction classification principles

2.97 All except one of the basic transaction classification distinctions applied in GFS and discussed above also apply in the SNA. The exception is that no distinction is made in the SNA between lending for policy purposes and lending for liquidity management purposes. This means

that lending for policy purposes is treated in the SNA as a financing transaction.

2.98 While GFS does not allow offsetting of receipts against expenditures and vice versa for all except repayable transactions (and a small selection of other exceptions relating to corrective, agency, private trust funds and departmental enterprise transactions), the SNA provides for offsetting of some non-repayable transactions. Two main areas are affected.

2.99 Firstly, the SNA offsets general government receipts from sales of goods and services against gross current expenditure to derive the item 'government final consumption expenditure'. This treatment reflects the concept that, because general government provides its services free of charge, its output is valued at the costs to government of providing the services. However, general government does make small amounts of sales to other sectors: these are netted off output valued at cost to preserve the identity of output and (net) costs.

2.100 Secondly, the SNA offsets receipts from sales of fixed assets against expenditure on fixed assets. This treatment reflects a desire to measure capital accumulation for each sector in a way that makes the results additive across sectors without the need to net out sales and purchases of capital equipment between sectors.

#### Other differences

2.101 There are a number of other differences between the SNA and the IMF's GFS but they do not affect circumstances in Australia and so are not discussed here. More information on comparing the two systems can be obtained from the *Handbook of National Accounting: Public Sector Accounts* (United Nations, New York, 1988). This handbook provides guidance on how information relating to the public sector can be presented in an SNA format.

## Section 3

# Australian GFS framework

## Introduction

3.1 The previous Section outlined the main features of the IMF analytical framework for compiling GFS and the SNA framework for compiling national accounts information relating to the public sector. This Section describes the analytical framework developed by the ABS from the IMF and SNA standards, taking Australian requirements into account. It includes a description of the broad objectives of the system, the transactor units that fall within the scope of GFS in Australia and the classifications that are applied to those units. It also describes the coverage of those units in the statistics. The Section goes on to describe the transactions that are recorded in the statistics and the classifications that are applied to those transactions.

## Broad objectives of the system

3.2 The analytical framework adopted by the ABS for compiling government finance statistics has been structured to:

- provide a comprehensive view of the fiscal stance and role of the Commonwealth, each State, Territory and local government individually;
- provide for the aggregation and consolidation of all government transactions to establish a global statement reflecting the fiscal stance of the whole non-financial public sector in Australia;

- cater for the analysis of the transactions of the two sectors comprising the non-financial public sector (general government and public trading enterprises) within an integrated classification scheme; and,
- enable convenient derivation of data relating to the two sectors for input into the Australian National Accounts.

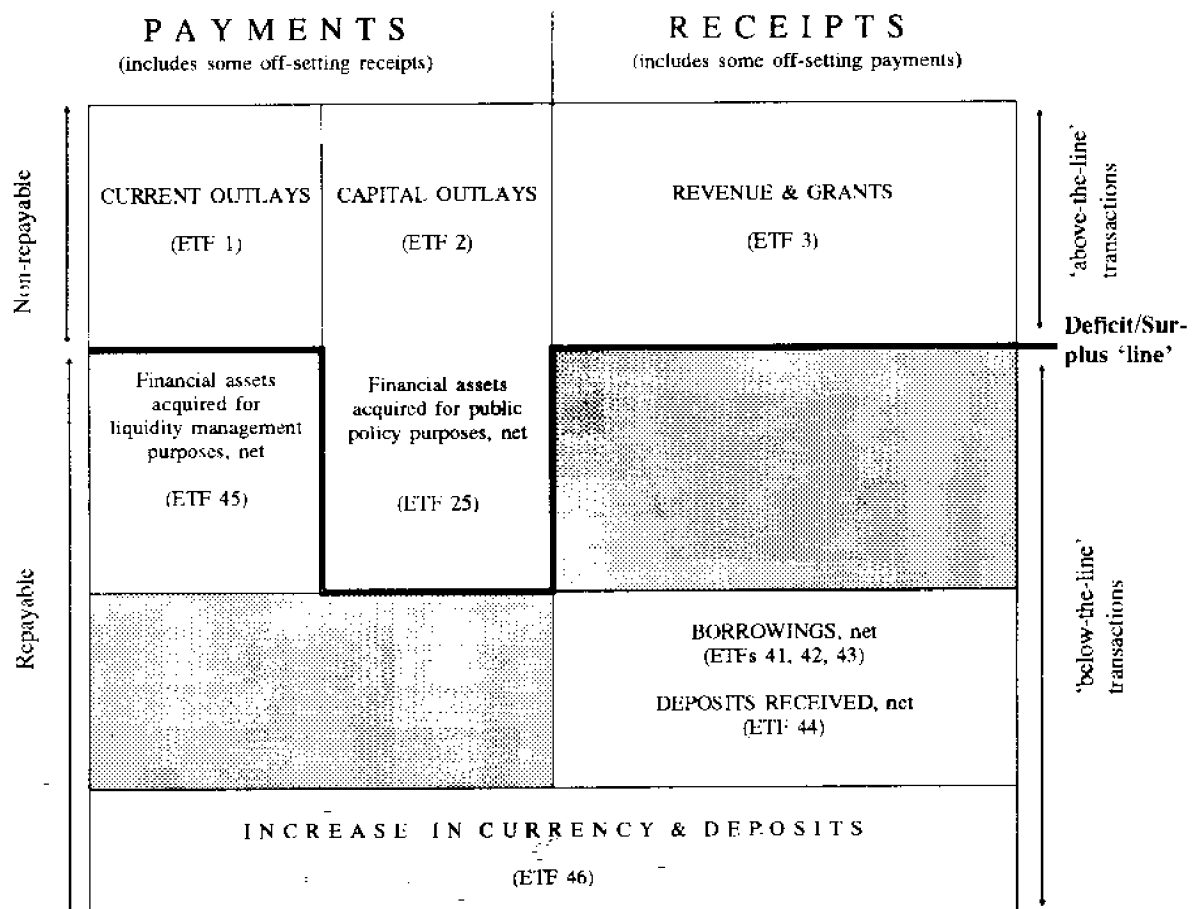
3.3 At the highest level of consolidation, the Australian GFS framework brings together all governments' financial operations into a single 'account'. The main aggregates of this account show outlays (current and capital) and advances (or lending for policy purposes), revenue raised through taxation and other sources, including grants received and the changes in governments' borrowings and liquidity position.

3.4 Although the physical structure of the Australian GFS framework differs from its IMF counterpart, it is easily recast in terms of the IMF model discussed in Section 2 (refer to Chart 3.1 below).

3.5 In the Australian GFS framework, selected receipts are offset within outlays to compile net flows commonly required on this basis in national accounting. However, the underlying gross flows (i.e. the receipt/payment data) are separately maintained for GFS purposes.

3.6 It may be noted that while some ABS aggregates

CHART 3.1. AUSTRALIAN GFS FRAMEWORK FOR GENERAL GOVERNMENT SECTOR



*Note:* No items are logically classifiable to the shaded areas because transactions relating to financial assets and liabilities are presented on a net basis in GFS. To compile these net data, the underlying receipts and payments are however separately recorded.

are labelled so as to reflect Australian terminology, the 'building blocks' (i.e. the most detailed classification categories) underlying them are all derived through the application of IMF classification principles, covered in paragraphs 2.27 to 2.54. The building blocks are designed to satisfy, through different combinations, either national accounting or government finance statistics requirements.

## Statistical units

3.7 A statistical unit is the unit of observation used to compile a given set of statistics. The statistics comprise aggregations of information recorded for all the statistical units falling within the defined scope of the field of statistics, and for sub-sets of those units grouped according to characteristics of the units. In the SNA and the IMF's GFS systems statistical units are usually described as 'transactor units' but in this manual the term 'statistical units' will be used. 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 into information relating to more than one statistical unit.

3.8 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 the SNA. 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.

3.9 In GFS in Australia the statistical unit employed is the 'enterprise'. It is the second highest unit in the hierarchy of standard statistical units. At the top of the hierarchy is the 'enterprise group', which comprises one or more 'legal entities' that are under common ownership and control. (A 'legal entity' in this context is an individual business proprietor, company, partnership, trust or entity created by legislation — see elaboration below). In the public sector in Australia most enterprise groups comprise only one legal entity, though there are some exceptions (see below).

3.10 The enterprise is defined as all legal entities within an enterprise group classified to the same institutional sub-sector. (The institutional sectors and subsectors are based on the SNA and are described in detail under 'Classification of units' below). As noted above, most enterprise groups in the public sector comprise only one legal entity, so that the enterprise unit generally equates with a single legal entity. An exception occurs with government-owned companies that are related as parent and subsidiaries. In that case, related companies in the same institutional sub-sector are combined to form an enterprise unit. However, if each company prefers to report individually, they can each be treated as individual collection units.

3.11 The concept of a 'single legal entity' as it applies to the public sector includes the following entities that might not be commonly regarded as such:

- *statutory authorities* — these are entities established by the Constitution or by an Act of Parliament of the Commonwealth or one of the States/Territories. This concept includes as enterprises 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. The concept is not restricted to entities created as 'bodies corporate' but includes any other entity which is described in legislation as having been established by the legislation. Included are entities established under legislation which provide for the establishment of a class of entities (e.g. local government authorities) 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 comprised of several statutory offices named in the legislation.
- *government departments* — these are entities created as 'Departments of State' (including sub-departments in Western Australia and Queensland, 'administrative offices' in New South Wales and the so-called 'parliamentary departments' in the Commonwealth and those States where they occur) 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.

3.12 Each statutory entity and each departmental entity, as defined above, is defined as a separate legal entity, with the following exceptions:

- (a) legal entities which operate as an integral part of another legal entity (e.g. they have no separate accounts and no separate employees) are merged with that entity to form an enterprise; and
- (b) legal entities which engage in activities relevant to both the 'public trading enterprises' and 'general government enterprises' sectors (see below) are

split into separate enterprises in the following circumstances:

- (i) the legal entity is a local government authority which operates any of the following types of trading undertakings:
  - electricity undertakings;
  - gas undertakings;
  - abattoir undertakings;
  - bus transport undertakings;
  - water supply undertakings with a total annual current expenditure for all such undertakings greater than \$0.2m measured in 1992-93 prices;
  - sewerage undertakings with a total annual current expenditure for all such undertakings greater than \$0.2m measured in 1992-93 prices;
  - any other trading undertaking with annual revenue greater than \$1.6m measured in 1992-93 prices.
- (ii) the legal entity is not a local government authority and carries out both general government and trading activities of which the lesser is either:
  - annual revenue classifiable to the public trading enterprises sector in excess of \$6.6m measured in 1992-93 prices; or,
  - annual purchases of goods and services classifiable to the general government enterprises sector in excess of \$6.6m, measured in 1992-93 prices.

3.13 Where circumstances in subparagraph (b)(i) above apply, the legal entity is split into separate enterprises, one for each of the types of undertakings listed which exist (i.e. one enterprise for all electricity undertakings, one enterprise for all gas undertakings and so on) and one for the balance of the entity.

3.14 Where circumstances in subparagraph (b)(ii) above apply, the legal entity is split into two separate enterprises, one incorporating the secondary activities and the other constituting the balance of the legal entity. However, in some circumstances the legal entity may be split into more than two enterprises where this accords better with the organisational or accounting structure of the entity.

3.15 While the enterprise as discussed above is the 'logical' statistical unit in GFS, there are occasions when operational convenience dictates that a different collection unit be used. Collection units are usually delineated to take advantage of the ease with which data for them can be

made available by respondents. Quite often, all units funded from the budget in a jurisdiction, less any trading enterprises, form a GFS collection unit.

## Classification of units

3.16 Each statistical unit included in GFS is classified according to a number of unit classifications, including:

- Institutional sector (i.e. whether general government or public trading sector);
- Level of government;
- State of jurisdiction;
- Industrial sector; and,
- Administrative sector.

### Institutional sector

3.17 Australia's standards for defining institutional sectors and sub-sectors are based on the standards in the SNA. The standards are published in *Standard Institutional Sector Classification of Australia 1987* (SISCA) (Cat. No. 1218.0). These standards are applied in the classification of public sector units in GFS in Australia.

3.18 The SISCA incorporates definitions of the public and private sectors. In general terms, the wide spectrum of entities (departments, authorities, boards, commissions, agencies, etc.) which the different levels of government in Australia (Commonwealth, State/Territory and local) control and through which they implement their social and economic policies all fall within the Australian public sector.

3.19 The degree of government control rather than the extent of government ownership or equity is used to determine whether the entities are 'public', although it is recognised that majority ownership by government often constitutes control by government. Control refers to the government's ability to influence the policies and operations of an entity directly rather than indirectly through the legislative or regulatory powers exercised commonly over the whole electorate.

3.20 While majority ownership of equity is often synonymous with effective control, it is possible for government to have minority or token ownership in an enterprise and still retain effective control, for example, by holding a 'golden' share giving it veto powers over key operational, managerial and strategic aspects of the operations.

3.21 An enterprise in which such a golden share is held would be treated as public only if it results in effective overall control by government rather than control over lesser factors such as the physical location of the head office or use of a particular corporate name.

3.22 In SISCA the institutional units comprising the public sector are:

- General government enterprises
- Public trading enterprises
- Public financial enterprises

3.23 'Public trading enterprises' is the term used in Australia to refer to the public components of the SNA sector 'Non-financial corporate and quasi-corporate enterprises' and 'Public financial enterprises' is used in lieu of the SNA's 'Public financial institutions'.

3.24 Although the SISCA divides some institutional sectors into sub-sectors these sub-sectors are not used in GFS, which compiles statistics at the sector level.

3.25 The vast majority of enterprises or units in the public sector are unambiguously classifiable to a particular sector. However, there are occasions when boundary problems occur.

3.26 To resolve the classification of units having multiple functions and/or seemingly falling on the boundary between sectors (public/private, financial/non-financial, and general government/public trading), the following operational rules are used, resulting in some units being classified to sector on a residual basis. For example, if an entity is not unequivocally classifiable as a:

- public enterprise, it is treated as private;
- financial enterprise, it is treated as non-financial; and,
- public trading enterprise, it is treated as general government.

3.27 A broad description of the three institutional sectors comprising the public sector is given below.

### General government sector

3.28 The primary function of the general government sector is to provide public services which are *mainly non-market* in nature, are mainly for the *collective consumption* of the community, involve the *transfer or redistribution* of income, and are financed mainly through *taxes and other compulsory levies*.

3.29 Clearly, the most prominent feature of the units comprising the general government sector is that their output differs in character, cost structure and source of finance from all other entities in the economy.

3.30 Examples of general government units include:

- Commonwealth Government — departments such as Foreign Affairs and Trade, Treasury, Attorney

General's, Finance; authorities such as the Australian Broadcasting Corporation;

- State/Territory Government — departments such as Treasury, Social Welfare, Education and authorities and other entities such as, roads and fire authorities, regulatory boards and commissions, etc. and universities (established under State legislation).

3.31 The SNA concept of 'departmental enterprises' is applied insofar as government enterprises which produce goods and services mainly for other units in the general government sector are also included in that sector, even though they may be regarded as 'commercial' and recover costs through charges.

3.32 Central borrowing authorities (CBAs), established under State government legislation to coordinate borrowing and undertake liability management functions for or on behalf of public entities within the same jurisdiction are treated as general government enterprises. However, some of the CBAs have separate subsidiaries that undertake arbitrage and investment operations on behalf of the parent CBAs. These subsidiaries are treated as financial institutions outside the scope of GFS.

#### **Public trading sector**

3.33 The primary function of enterprises in the public trading sector is to provide goods and services which are mainly *market, non-regulatory* and *non-financial* in nature, financed mainly through *sales* to the consumers of these goods and services.

3.34 Enterprises in the public trading sector differ from those in the general government sector in their mode of financing, as all or most of the production costs are recovered from individual consumers who, in a market-like environment, receive tangible goods or services directly in exchange for their payments.

3.35 Expressed alternatively, enterprises in this sector do not set out to finance the bulk of their operations from the general taxation revenue of government. Some enterprises however receive subsidies to make up for shortfalls incurred as a result of deliberate government policy, for example, in the provision of the so-called 'community service obligations' at concessional rates.

3.36 Public trading enterprises vary in their degree of 'commerciality'. The spectrum varies from those which are quite often heavily reliant on their parent governments for subsidies e.g. rail and bus transport undertakings, to those which are net contributors to government revenue.

3.37 Examples of public trading enterprises include:

- Commonwealth Government — Telstra and Australia Post;
- State/Territory Government — electricity authorities such as Pacific Power, railway authorities such as StateRail, port authorities, etc.;

- Local Government — water and sewerage undertakings.

#### **Public financial sector**

3.38 Public financial sector comprises enterprises which are government controlled and which have one or more of the following characteristics:

- they perform central bank functions;
- they accept demand, time or savings deposits; or,
- they have the authority to incur liabilities and acquire financial assets in the market on their own account.

3.39 Examples of public financial enterprises include the Reserve Bank of Australia, the Commonwealth Bank and State government-owned banks and insurance offices. As noted above, central borrowing authorities of State governments, while having some of the characteristics of financial enterprises, are classified to the general government sector.

#### **Level of government**

3.40 Three distinct levels or tiers of government are recognised for GFS purposes in Australia. These distinctions take into account their different powers and functions. The levels are:

- Commonwealth;
- State and Territory; and,
- Local.

3.41 Separate statistics on each level of government are essential to an understanding of the relationship and interplay that exists between these levels. Statistics on all levels of government combined or consolidated highlights the overall impact of the government on the economy.

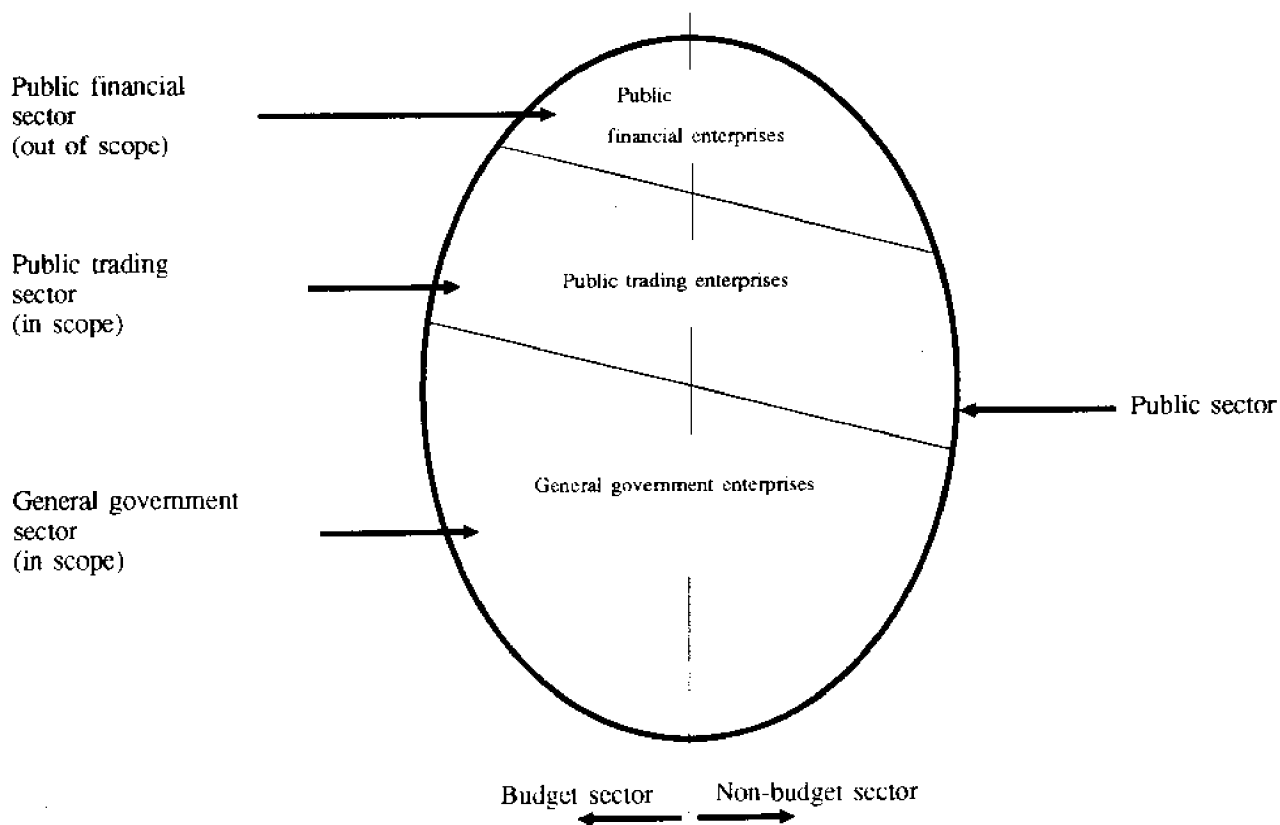
3.42 The three levels of government are briefly discussed below in so far as they affect government finance statistics.

#### **First level — Commonwealth Government**

3.43 The Commonwealth Government has exclusive responsibility under the Constitution for the administration of a wide range of functions including defence, foreign affairs and trade, and immigration. A distinctive feature of the Australian federal system is that the Commonwealth Government levies and collects all income tax, from individuals as well as from enterprises. It also collects a significant portion of other taxes, including taxes on the provision of goods and services.

3.44 The taxes levied by the Commonwealth Government are used to finance the Commonwealth's 'own-purpose' policy programs and are also distributed to

CHART 3.2. SCOPE OF GOVERNMENT FINANCE STATISTICS



other levels of government, principally the States and Territories, as grants. The distributions are based on complex rules administered by the Commonwealth Grants Commission.

3.45 The Commonwealth Government's access to its central bank (the Reserve Bank of Australia), coupled with its tax base and its influence over the distribution or sharing of taxes with State and Territory governments, gives it major influence over many key financial parameters of the national economy.

#### *Second level — State and Territory governments*

3.46 The functional responsibilities of State and Territory governments are confined to their respective geographical boundaries. Essentially, State and Territory governments, in association with local governments within their jurisdictions (except in the Australian Capital Territory which has no separate local governments), perform the full range of government functions other than those the Constitution deems the exclusive domain of the Commonwealth. The functions mainly administered by State and Territory governments include public order, health, education, administration, transport, maintenance of infrastructure, etc.

3.47 The revenue base of State and Territory governments is narrower in comparison to the Commonwealth. In the main, the State and Territory tax base consists of taxes on property, employers' payrolls, and on the provision and use of goods and services.

3.48 The revenue base of State and Territory governments is supplemented by distributions of grants from the Commonwealth Government as discussed above. State and Territory governments also have direct access to the capital market, albeit within the parameters agreed to within the Australian Loan Council.

3.49 This second level of government is markedly different in that its sphere of influence is confined. In particular, State and Territory government policies have much less direct influence on key economic variables at the national level.

#### *Third level — Local governments*

3.50 Local governments, by definition, have an even narrower geographic focus. Although, the range of functions undertaken by them varies somewhat between the different jurisdictions, they all include municipal services typically provided by cities, towns, shires, boroughs, municipalities or district councils.

3.51 Local governments' own-source revenue is derived mainly from property taxes. They also rely on grants from the Commonwealth and their parent State or Territory governments.

#### *Application of level of government classification*

3.52 The majority of public sector statistical units can be classified unambiguously to a level of government. Some contention surrounds the classification of universities and,



at the time of writing, a review was in progress. Most universities are owned by State or Territory governments but are mainly funded by the Commonwealth. Currently they are classified to the level of government that enacted the legislation by which each university was founded. That legislation provides for the enacting governments to exercise some degree of control over the universities as well as giving a degree of control to the universities' ruling bodies. Application of this rule results in all except two universities being classified to the State/Territory level of government.

3.53 There are other bodies where application of the level of government classification is not straight forward. Bodies run jointly by two levels of government where it is unclear which level has control are generally classified by convention to the higher level of government.

### State of jurisdiction

3.54 This classification refers to State or Territory jurisdiction under which units at the State/Territory and local government levels of government operate. The classification is as follows:

- New South Wales
- Victoria
- Queensland
- South Australia
- Western Australia
- Tasmania
- Northern Territory
- Australian Capital Territory

3.55 All units can be classified unambiguously to State of jurisdiction by reference to the legislation or administrative procedure by which they were established. It should be noted that there are no units classifiable to local government in the Australian Capital Territory.

### Industry

3.56 All enterprise units are classified to an industry based on the predominant industry of establishments comprising the enterprise. Establishments are lower-level units in the hierarchy of standard statistical 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* (Cat. No. 1292.0), or "ANZSIC".

### Administrative sector

3.57 This classification applies to Commonwealth and

State/Territory enterprise units and categorises them as either:

- Budget sector, or
- Non-budget sector

3.58 Budget sector units are units whose day to day receipts and payments, apart from some minor transactions with financial institutions, are recorded in the Public Accounts of their jurisdiction. For this purpose the Public Accounts means revenue, loan, trust fund and special deposit and advance accounts maintained by each government. Such units will have no deposits with financial institutions in their own name, or only minor deposits regularly cleared to the Public Accounts.

3.59 Non-budget sector units make up the balance of units in each jurisdiction. They hold balances with financial institutions in their own name, and operate independently of the Public Accounts.

3.60 An exception is made in applying the classification to central borrowing authorities of State governments. Even though they operate outside the Public Accounts, because of their close ties with the Treasury in each jurisdiction they are classified to the budget sector.

3.61 It should be noted that the administrative sector classification is used mainly for editing purposes in GFS and is not a substitute for the institutional sector classification. Thus, the budget sector includes both general government and public trading enterprises, as does the non-budget sector. It should also be noted that the administrative sectoring used in GFS may not coincide with how jurisdictions classify units as budget and non-budget. Chart 3.2 illustrates the relationship between the institutional and administrative sector classifications.

## Scope and coverage

3.62 This subsection describes the government entities (statistical units) that should be included in GFS (the scope) and those that are actually included (the coverage). Ideally, the scope and the coverage should be identical. In practice, however, they are not identical. This occurs primarily because some entities are very small and do not contribute significantly to the statistics. They are not included because the cost of obtaining data about them would not be justified by the insignificant effect on the statistics.

### Scope

3.63 Following the IMF recommendations, only statistical units in the non-financial public sector fall within the scope of GFS in Australia. This includes all general government units and all public trading enterprises at each level of government.

3.64 In keeping with the IMF recommendations all public financial enterprises are excluded from GFS. This is based on the rationale set out in Section 2, para 2.8.

3.65 Chart 3.2 indicates the sectors that are in-scope and out-of-scope of GFS.

### Coverage of units

3.66 Not all of the in-scope units (i.e. units in the non-financial public sector) are currently covered by GFS. Moreover, some in-scope units are only covered in an indirect manner. Non-coverage may occur for a number of reasons, for example when:

- units, transactions or values are judged to be relatively insignificant;
- information for units is captured indirectly; or
- data are not readily available.

3.67 Units not directly covered include most public universities and other tertiary education institutions and most hospitals. The smaller commodity marketing authorities are not covered at all.

3.68 Where organisations are largely funded from the Commonwealth or State budgets (e.g. public hospitals and universities), some measures of their activities are indirectly covered by GFS. While such an indirect approach results, in most cases, in the bulk of the transactions being effectively recorded in GFS, it does leave out the 'own-source' or 'own-account' transactions.

3.69 The ABS's ultimate objective is to ensure direct coverage of the units currently covered only indirectly and to bring into coverage the more significant of the units not covered at all. The non-coverage and the indirect coverage of these units does not affect the overall accuracy of GFS adversely (see Section 7 'Accuracy, reliability and timeliness').

### Transactions

3.70 When a unit is determined to fall within the scope of GFS, the principle applied is that all of its transactions are also in scope of GFS. However, most internal accounting or book-keeping entries are excluded from the output as these are not regarded as transactions. A transaction occurs where something of economic or monetary value is exchanged between parties to the transaction and is capable of being recorded in their accounts.

3.71 This part discusses some general principles relating to the recording of transactions in GFS in Australia and the classifications applied to those transactions.

#### Cash or accrual data

3.72 In accordance with the IMF's recommendation that a cash basis of accounting be adopted for the general government sector, transactions which represent internal accounting or book-keeping entries are generally excluded for that sector. On the other hand, again following the IMF standard, transactions for public trading enterprises are generally recorded on an accruals basis.

3.73 For the purposes of GFS, the concept of the cash basis is widened to include certain transactions undertaken in a particular period which would not otherwise be included in that period if a strict cash basis were applied. The rationale for including these 'as if cash' transactions is that they have an economic impact similar to cash transactions (had the related cash transactions taken place in the particular period) and their inclusion in that period enhances the usefulness of GFS.

3.74 Some examples of these 'as if cash' transactions will help to illustrate the underlying principle. Imports of goods and services acquired by government on extended credit should be recorded in GFS both as outlays and financing in the period of importation and use of these commodities even though, on a cash basis of accounting, no transactions would have been recorded in this period. Likewise, commodities consumed by government but 'paid for' in debt instruments redeemable in some future accounting period should be recorded as outlays and financing in the current period.

3.75 Although the primary focus of GFS is to reveal the financial impact of all government operations in a given period, including the impact of the 'as if cash' type transactions in that same period, imputation of transactions is kept to a minimum as far as possible. However, where non-cash or in-kind transactions are of significant value it is sometimes prudent to impute the equivalent transactions or to otherwise highlight their occurrences.

3.76 The rationale of these imputations is best illustrated through an example. An asset acquired at no cost to a recipient government, such as a gifted capital asset, is treated in the Australian GFS as 'capital expenditure' and receipt of 'other capital revenue'. This imputation helps to keep track of the sectoral movement of such assets and, in the case of the general government sector, assists in the estimation of depreciation for national accounts purposes.

3.77 Imputations of this nature are limited to assets which are of economic significance and where valuations can be realistically obtained. Those which are of historical significance are avoided mainly for reasons of valuation.

3.78 The IMF recommends that in consolidating information for the two sectors the information for public trading enterprises should be converted to a cash or approximate-cash basis. In Australia it has been found that making such adjustments would be difficult and expensive. Consequently, very few cash adjustments are made to data for public trading enterprises in the process of compiling consolidated data for the non-financial public sector.

#### Gross or net data

3.79 GFS in Australia generally follows the IMF standards and records non-repayable transactions (expenditure and revenue) on a gross basis so as to reveal the full magnitude of governments' interactions with the economy. Repayable transactions (lending or advances and financing) on the other hand are shown on a net basis.

3.80 The main exceptions to the principle of recording gross flows, recommended by the IMF and followed in the Australian GFS, are for 'agency', 'corrective' and 'private trust fund' transactions as illustrated in the examples below:

- 'agency transactions' such as those undertaken by one government on behalf of or as an agent for another are netted off the transactions of that government and shown against those of the government which was the principal in the transaction;
- 'corrective' amounts such as refunds for overpayments are netted off the transactions that are corrected;
- 'private trust fund' transactions, where governments operate trust funds without ownership of the funds but with effective control over use of the fund balances; in such cases the balances of the trust funds are recorded in GFS as financing for government but the trust funds are not otherwise treated as part of government operations.

3.81 Another exception to the general principle of recording gross flows recommended by the IMF relates to what it terms 'departmental enterprises'. Only the cash operating surpluses of such enterprises are to be included in government revenues (and deficits in expenditures). Non-operating and capital transactions of these enterprises are however to be treated on a gross basis. In the Australian GFS, the preferred approach would be to treat such enterprises as part of the public trading sector if they have significant sales to the private sector and if full accounting data are available.

3.82 It should be noted that while the Australian GFS generally follows the IMF's recommendation for the recording of transactions on gross or net basis, for output or presentational purposes, it adopts the following two variations:

- The SNA item, *government final consumption expenditure*, which is a net item, is derived from *gross current expenditure* less *receipts from sales, reimbursements, etc.* to other sectors;
- the SNA item, *gross fixed capital expenditure*, which is also a net item, is derived from *expenditure on new and second-hand capital assets* less *receipts from sales* of similar items (the term 'gross' in the name indicates that the item is measured before deduction of depreciation).

### Consolidated data

3.83 Internal transfers or transactions between units comprising a chosen grouping for which data may be presented have to be eliminated to produce an unduplicated measure of the transactions of the chosen grouping with the rest of the economy. GFS is compiled for groupings comprising each institutional sector in the Commonwealth, State, Territory and local governments separately as well

as various combinations of levels of government and institutional sector.

3.84 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-grouping transactions of small magnitudes, commonsense dictates that the aggregates be left on a gross basis.

3.85 In practice, the consolidation process therefore produces aggregates which may lack absolute precision and only give an indicative estimate of a grouping's transactions with other entities.

3.86 The practicalities of consolidation aside, the requirements differ between the two major statistical frameworks (GFS and SNA) relevant to government operations. Because of the single account structure of GFS, all transactions between units of a chosen grouping (all intra-grouping transactions) should be identified and eliminated through consolidation. On the other hand, the multiple account structure of the SNA national accounting framework requires elimination of a transaction only if both sides of the transaction are to be recorded in the same account. Where a transaction is recorded in one account and its counter-part is in another, consolidation would give misleading results and is therefore not recommended. For example, indirect taxes paid by public trading enterprises (a component of the public trading sector's production account) are not consolidated with the general government's receipts of indirect taxes (a component of the general government sector's income and outlay account).

3.87 In the Australian GFS system, the following types of transactions are eliminated on consolidation:

- interest;
- income transfers;
- grants;
- direct taxes and levies;
- lending (advances);
- borrowings;
- investments; and,
- deposits held.

3.88 The consolidation methodology used by the ABS in compiling GFS is driven by a compromise reflecting the requirements of both the IMF's GFS and the UN's SNA frameworks. While this approach enables convenient derivation of aggregates for both uses from a single compilation process, it results in some lesser aggregates (especially at the lower levels in the classification hierarchy) not being consolidated in the manner recommended

by the IMF (see Section 7 'Accuracy, reliability and timeliness'). However, major aggregates such as the deficit or surplus are not affected by this approach and are therefore recorded in accordance with the IMF standard.

### Data required only for SNA sectoral income and outlay accounts

3.89 As the ABS GFS system is designed to produce national accounting as well as GFS data, it includes some additional classification items to satisfy national accounting purposes in a simultaneous compilation process. For example, transfer payments such as interest, grants, etc. are broken down by institutional sector for the purposes of preparing sectoral income and outlay accounts of the Australian National Accounts.

### Data required for other purposes

3.90 The use of various financial accounts as the primary source of information for GFS has advantages arising from the completeness and the balancing nature of the accounts. It is not uncommon for these accounts to contain certain information which represents internal accounting or 'book' entries rather than 'real' or 'economic' transactions.

3.91 'Book' entries have to be recorded in the system so as to keep a particular unit's records in balance, as a checking device. The system therefore includes such items but these do not enter the statistical output as such.

## Classification of transactions

3.92 Transaction classifications are applied to individual transactions of transactor units. Certain transaction classifications apply exclusively to the transactions of general government or public trading enterprises while others are applicable to both.

3.93 The main transaction classification, the economic type classification (ETF), classifies transactions according to their economic nature (e.g. outlays, revenues, financing).

### Economic type classification

3.94 The economic type classification (ETF) has four 'sections' (current outlays, capital outlays, revenue and grants received, and financing transactions). A fifth section (intra-unit transfers) also exists. This is used for internal processing purposes only and has no direct significance for statistical output.

3.95 The ETF also has a four-level hierarchic structure which enables storage and dissemination of data at different levels of detail, i.e. at the corresponding 4, 3, 2 and 1 digit levels. At the 1 and 2-digit levels, i.e. at the 'section' and 'group' levels, the classification structure is as follows:

## ECONOMIC TRANSACTIONS FRAMEWORK FOR GOVERNMENT FINANCE STATISTICS

### Section Group

- |          |  |
|----------|--|
| <b>1</b> | <b>Current outlays</b>                           |
| 11       | General government final consumption expenditure |
| 12       | Required current transfer payments               |
| 13       | Unrequired current transfer payments             |
| <b>2</b> | <b>Capital outlays</b>                           |
| 21       | Gross fixed capital expenditure                  |
| 22       | Increase in stocks                               |
| 23       | Expenditure on land and intangible assets (net)  |
| 24       | Capital transfer payments                        |
| 25       | Advances paid (net)                              |
| <b>3</b> | <b>Revenue and grants received</b>               |
| 31       | Taxes, fees and fines                            |
| 32       | Net operating surpluses of PTEs(a)               |
| 33       | Property income                                  |
| 34       | Other revenue                                    |
| 35       | Intra-sector grants received                     |
| <b>4</b> | <b>Financing transactions</b>                    |
| 41       | Intra-sector advances received (net)             |
| 42       | Domestic borrowing (net)                         |
| 43       | Borrowing from abroad (net)                      |
| 44       | Deposits received (net)                          |
| 45       | Increase in investments                          |
| 46       | Increase in currency and deposits                |
| 47       | Increase in provisions                           |
| 48       | Equity capital (net)                             |
| 49       | Other funds available (net)                      |
| <b>5</b> | <b>Intra-unit transfers(b)</b>                   |

(a) When the term 'net' precedes an aggregate name it generally indicates that consumption of fixed capital (i.e. depreciation) has been deducted. Conversely, when the term 'gross' precedes an aggregate name it generally indicates that consumption of fixed capital has been included. When the term 'net' follows an aggregate name it generally indicates that related receipts and payments have been offset within the aggregate. (b) This Section is used for internal processing purposes only and has no significance for statistical output.

## Main aggregates: composition

3.96 The composition of the main aggregates, their characteristics and features are discussed below. For a description of the actual output categories, refer to Appendix 1.

### Current outlays

#### FINAL CONSUMPTION EXPENDITURE

3.97 *Final consumption expenditure (ETF 11)* relates only to enterprises in the general government sector and, conceptually, it is a measure of the net value of current goods and services produced by the government. Since these goods and services are mainly provided free of charge they are valued at cost. General government production is treated as being consumed by government on the community's behalf. In practice, this item is compiled by recording all current required expenditures on a gross

basis and netting off amounts recouped through sales, charges and fees which are non-compulsory and required in nature.

3.98 *Gross current expenditure (ETF 111)* includes all purchases of current goods and services, all ordinary stocks and stores i.e. those which are non-strategic or non-emergency in nature, superannuation, all wages and salaries other than those capitalised through own-account activities and all defence expenditures except those on residential type accommodation.

3.99 *Sales, reimbursements, etc. (ETF 112)* includes all receipts from the community's purchases of goods and services from government which are required and non-regulatory in nature and which are essentially acquired at the purchaser's own discretion e.g. fees paid for multiple copies of birth certificates. Such fees are charged to recover the cost (or part of the cost) of providing a service which directly benefits the payer. They are distinct from fees which primarily serve as an instrument of government policy. Fees for regulatory services are treated as revenue and included in taxes, fees and fines. Receipts from sales to other general government enterprises in the same jurisdiction are excluded.

3.100 The distinction between government charges for goods and services (user charges) and government revenue from taxes, regulatory fees and fines can often cause problems in classification. Difficulties can arise when determining if a transaction should be treated as:

- a user charge or a regulatory fee;
- a user charge or a tax; and,
- a regulatory fee or a tax

3.101 Appendix 2 is a detailed paper on the treatment of transactions as either user charges or revenue in GFS.

3.102 *Reimbursements received for current expenditure (ETF 1123)* refers to amounts received by general government authorities as payment for work done acting as an agent for other government and private bodies. The general treatment of reimbursements received for current expenditure and for capital work done for others is outlined in Appendix 3.

3.103 *Employer contributions to superannuation schemes (ETF 1111)* and *Amounts received from employees, superannuation funds or other employers in respect of superannuation (ETF 1124)* have been incorporated into the ETF under general government final consumption expenditure to facilitate the analysis of general government enterprises that make provisions in relation to superannuation transactions. Appendix 4 outlines the treatment of superannuation transactions in GFS.

#### REQUIRED CURRENT TRANSFER PAYMENTS

3.104 *Required current transfer payments (ETF 12)* refers to payment for the use of property rights. These payments include interest payments, income transferred by PTEs,

land rent, royalties, and dividends paid. Most components are recorded on a gross basis. Income transferred by PTEs consists of a gross payments component which is offset by a gross receipts component.

3.105 *Interest payments (ETF 121)* is broken down into categories that reflect the institutional sector to which the payments are made. This facilitates the compilation of sectoral income and outlay accounts in the Australian National Accounts. These categories also distinguish, to a lesser extent, the type of financial instrument involved and whether interest is paid to Australian or overseas entities.

3.106 *Interest paid on loans from CBAs (ETF 1219)* is a special category under interest payments. It is used to net off the interest flows between central borrowing authorities and their client authorities. This category includes the interest paid by units of the non-financial public sector on borrowings from their CBA. The receipt of this interest by the CBA is treated as a negative payment. Interest recovered on investments or deposits by authorities with CBAs is not netted off in this category. Appendix 5 outlines the treatment of CBA transactions in GFS.

3.107 Some units charge interest payments to capital accounts in their financial statements. Such 'capitalised interest' is not treated as capital expenditure in GFS and is recorded under interest payments.

3.108 Discounts and premiums on interest bearing securities require special attention with regard to interest payments. The general treatment of discounts and premiums in GFS is outlined in Appendix 6.

3.109 *Income transferred by PTEs (net) (ETF 122)* comprises income which is paid by PTEs to parent PTEs or general government in the nature of dividends or similar transfers of profit, less non-recurring amounts received to cover current deficits. Amounts received to cover current deficits (that is, non-recurring losses) are regarded as negative income transfers and are therefore included in outlays. On the other hand, payments to PTEs to cover non-recurring losses are regarded as offsets to revenue.

3.110 *Land rent and royalties paid (ETF 1231)* consists of rent paid for the use of land and royalties paid for the right to exploit natural resources, or the right to use copyrights, patents and trademarks.

3.111 *Dividends paid (ETF 1232)* refers to the dividends paid to private sector shareholders who are minority owners of PTEs.

#### UNREQUESTED CURRENT TRANSFER PAYMENTS

3.112 *Unrequited current transfer payments (ETF 13)* covers current non-repayable transactions where no goods, services or property rights are provided in return for payment. These payments emphasise the unique role of government in the economy. They include subsidies paid, personal benefit payments, current grants, direct taxes paid by PTEs, current levies paid by local government to other government authorities, and taxes paid by general government. All transactions are recorded on a gross basis.

3.113 *Subsidies paid to enterprises (ETF 131)* covers grants made by general government to both private and public enterprises which are credited to their production accounts in the national accounts. They are a form of assistance to producers. Subsidies paid to PTEs include payments 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. Subsidies paid to other enterprises includes payments to private sector enterprises (including unincorporated enterprises) and payments to public financial enterprises.

3.114 *Personal benefit payments (ETF 132)* refers to transfers from general government to individuals or households. They include old age pensions and unemployment benefits. They also include payments by general government to the household sector, routed via enterprises, as compensation for providing goods or services to individuals or households either free of charge or at a concessional rate. Telephone rental concessions and concessional railway fares are included in this category. Personal benefit payments are divided into payments to residents and payments to non-residents. This dissection satisfies a national accounts requirement.

3.115 *Current grants (ETF 133)* refers to transfers made by government for the purpose of financing the current operations of the recipient. Any grants which are not specifically defined in source documents as capital are treated as current. Current grants are categorised by institutional sector of the recipient. This again reflects a national accounts requirement.

3.116 Current grants to PTEs are classified as subsidies and are therefore not included in these categories. Current grants to non-profit institutions serving business are also classified as subsidies. Current grants to non-profit institutions serving government are classified as general government final consumption expenditure, if the institutions are not covered or indirectly covered.

3.117 Australian governments use the concept of 'tied' and 'untied' grants. Tied or conditional grants are those that are contractually linked to a specific expenditure, project or program by the donor. Untied or unconditional grants are those providing general budget support for expenditures or programs where the recipient has full discretion in the use of the funds. The 'tied/conditional' and the 'untied/unconditional' distinction has no classificatory significance for GFS purposes. It is the unrequited nature of the payment that characterises it as a grant. Grants may be either current or capital in nature and be made between any level of government.

3.118 *Direct taxes paid (ETF 1341)* consists of those direct taxes paid by units of the non-financial public sector, for example, income tax paid by PTEs. *Current levies paid by local government to other government authorities (ETF 1342)* refers to compulsory payments, other than taxes, paid by local governments to other government authorities. It excludes payments of an agency nature. It includes levies paid to Fire Boards, Town Planning Authorities and levies paid to county councils by constituent municipal and

shire councils. *Taxes paid by general government (ETF 1343)* includes payroll and fringe benefit taxes.

### Capital outlays

#### GROSS FIXED CAPITAL EXPENDITURE

3.119 *Gross fixed capital expenditure (ETF 21)* measures the net value of additions to fixed assets (i.e. additions less disposals). It is described as 'gross' because it is recorded before deduction of depreciation. Fixed assets are durable goods intended to be employed in the production process for longer than a year. The measurement includes own-account production and the purchases of both new and second-hand fixed assets less all sales of fixed assets. 'Second-hand assets' in this context includes assets bought new by the seller and used by the seller before re-sale.

3.120 Gross fixed capital expenditure is compiled by recording payments for new fixed assets, reimbursements received for capital work done for others (refer Appendix 3), and purchases of second-hand fixed assets on a gross basis and netting off amounts from the sales of fixed assets.

3.121 The general methodology for the derivation of fixed capital expenditure is outlined in Appendix 7. Large capital assets are often built to order over a long period. The treatment of prepayments for such capital expenditure is outlined in Appendix 8.

3.122 Non-reproducible tangible assets (such as land, virgin forests and mineral deposits) and intangible assets (such as mineral rights and copyrights) are not included with gross fixed capital expenditure. However, any capital costs associated with the development of these assets are included. Expenditure that significantly extends the productive life or service potential of a fixed asset is also included but expenditure on ordinary repairs and maintenance, that simply restores an asset to its previous condition, is not.

3.123 Under the international standards, all purchases of defence equipment are treated as current outlays and included in general government final consumption expenditure. However, the 1993 SNA recommends a different treatment of expenditure on defence equipment.

3.124 A PTE may be in the business of building houses for sale in the market place. Expenditure on such houses is not included in gross fixed capital expenditure but in the operating expenditure of the PTE. Appendix 9 outlines guide-lines for classifying transactions relating to the construction and sale of houses, the provision of public rental housing, and the development and sale of land for home sites.

3.125 Assets acquired under a finance lease or similar types of 'non-conventional' financing arrangements are included with *Payments for new fixed assets (ETF 2111)* or *Purchases of second-hand fixed assets (ETF 2121)*. A finance lease effectively transfers the risks and benefits associated with the ownership of the leased property from the lessor to the lessee. An Australian Accounting Stand-

ard (AAS 17) requires the lessees to record the assets and the associated liabilities in their balance sheets. This means that the lessee records the acquisition of an asset under capital expenditure and depreciation allowances under current expenses. The lessee also records any borrowing and interest payments associated with the financing of the leased asset.

3.126 *Sales of second-hand fixed assets (ETF 2123)* excludes sales which are part of a finance lease sale and lease back arrangement. This type of arrangement involves the sale of an asset and the simultaneous acquisition of that asset, again, under a finance lease. It does not change the accounting treatment of the asset. The 'sale' is effectively negated by the 'purchase' under the finance lease. For all intents and purposes, the economic circumstances surrounding the asset are unchanged.

#### INCREASE IN STOCKS

3.127 Increase in *stocks (ETF 22)* is conceptually a measurement of the net value of physical changes in government stocks. Generally, stocks are considered to include any finished or unfinished goods, materials, fuels and other miscellaneous stores or inventories remaining after the production process. They do not include land or intangible assets.

3.128 The nature of stocks differs between general government and PTEs. General government stocks refer to strategic and emergency stocks which are of special importance to the nation, such as grain and fuel stocks. PTE stocks refer to the ordinary stores or inventories normally associated with trading enterprises.

3.129 In practice, increase in stocks is compiled by recording the net increases in stock account balances from the financial statements of enterprises. The measurement is therefore based on the accounting rather than the economic concept. No stock valuation adjustments are made in GFS as they are in the national accounts.

3.130 A reference to the treatment of stocks in relation to the construction of houses by PTEs is contained in Appendix 9. A reference to the treatment of stocks is also made in Appendix 7.

#### EXPENDITURE ON LAND AND INTANGIBLE ASSETS (NET)

3.131 *Net expenditure on land and intangible assets (ETF 23)* measures purchases less sales of land and intangible assets. Land differs from other tangible assets in that it is non-reproducible (except for relatively insignificant amounts gained through reclamations) and is therefore virtually in fixed supply. Intangible assets are not matched by liabilities and therefore do not represent claims on others.

3.132 Land is defined, in the 1968 SNA, to include subsoil deposits, forests and inland waters but to exclude any structures situated on it. Intangible assets include mineral rights, fishing rights, other concessions and leases in respect to land, patents, copyrights, and trademarks.

3.133 Net expenditure on land is broken down into pur-

chases of land and sales of land. These components are used to derive the net amount. Net expenditure on intangible assets is derived in a similar way.

3.134 In keeping with international standards on transactions with non-residents, purchases and sales of land are considered to only take place between resident institutions. If a non-resident purchases land, then a *nominal* resident institution is considered to be the owner of the land. The foreign owner holds the equity of the notional resident institution.

3.135 In the case of an individual land transaction, the value recorded as purchase of land by the buyer will be the same as the value recorded as sale of land by the seller. This will reflect the sale value of the land. Transfer and similar costs in respect of the purchase and sale of land are within the production boundary and are treated as gross fixed capital expenditure. These costs include agents fees, legal fees and commissions which are over and above the sale value of the land.

3.136 Acquisitions and disposals of land are recorded net of improvements or developments. Land transactions are not considered to be part of the production process. Land development and improvement is considered to be production activity and is generally treated as expenditure on new fixed assets. Appendix 9 refers to the treatment of land transactions in relation to the provision of housing by PTEs.

3.137 If the value of land cannot be separated from the value of a structure on it, then the total value is recorded against the predominant element. This usually means that the purchase of land and buildings as a package is treated as a purchase of fixed assets and the sale of land and buildings as a package is treated as a sale of fixed assets.

3.138 Sales of land includes the sales of residential leases in the Australian Capital Territory. This treatment reflects that Australian Capital Territory residential leases are generally for 99 years.

3.139 Government has the power to monitor and regulate certain activities through, for example, the issue of licences. Although this power can be likened to the ownership of an intangible asset, it is not always treated in this manner in GFS. Instead, the majority of receipts from the issue of such licences are classified as revenue. The exceptions relating to the issue of casino and certain telecommunication licences will be reviewed by the ABS.

3.140 The sale of an intangible asset involves the once-and-for-all transfer of the exclusive rights represented by the intangible asset from the seller to the buyer. The buyer acquires the power to sell, assign or use the exclusive rights. The seller completely relinquishes all of these privileges. Any contractual arrangements that result in limited use and periodic payment for a privilege are treated as the receipt of royalties by government rather than sale of intangible assets.

## CAPITAL TRANSFER PAYMENTS

3.141 *Capital transfer payments (ETF 24)* covers unrequited transactions that are designed to finance the acquisition of non-financial capital assets by the recipient, compensate the recipient for damage or destruction of capital assets, or increase the financial capital or cover accumulated debts or losses of the recipient. These transactions tend to be non-recurrent and irregular for both donor and recipient.

3.142 The main criteria used to distinguish capital transfers from unrequited current transfers are the purpose of payment, the basis and source of payment, and the frequency of payment. Where there is contention i.e. one party regards it as current and the other as capital, it is treated as capital in line with the normal conventions used in economic statistics.

3.143 Capital transfer payments are compiled on a gross basis. They consist of capital grants and other capital transfers. Capital grants are categorised by institutional sector of the recipients for national accounts purposes.

3.144 *Inter-sector capital grants paid (ETF 241)* consists of grants to public financial enterprises, to private enterprises, to persons, and to non-profit institutions. *Intra-sector capital grants paid (ETF 2420)* includes those between different levels of government and those within the one level of government.

3.145 *Other capital transfer payments (ETF 243)* includes transfers to sinking funds and capital levies paid by local government to other government authorities.

## ADVANCES PAID (NET)

3.146 *Advances paid (net) (ETF 25)* is a measure of government lending minus repayments where the lending is for purposes of public policy rather than for the management of government liquidity. These transactions represent government claims on others through the creation of financial assets.

3.147 Governments make advances to enterprises, households or other government authorities for a number of varied purposes. Advances made by the Commonwealth Government to the States and Territories include those for housing and community amenities, transport, industries assistance and development, and natural disaster relief.

3.148 Net advances paid also includes the acquisition by government of shares or other equity in enterprises for the purpose of funding the activities of those enterprises less any sale of such equities. Sales of government equity in other entities can constitute an 'asset sale'. Appendix 10 outlines the treatment of asset sales in GFS. Any financial assets acquired by government for liquidity management purposes are classified with financing rather than with advances paid.

3.149 Lending for public policy purposes is considered to be solely a function of general government. Any lending

by PTEs is generally considered to be for liquidity management purposes.

3.150 Net advances paid is derived from an advances paid component and a repayments component.

3.151 Net advances paid may also include transactions relating to the assumption of debt by government. Appendix 11 outlines the treatment of assumed debt and debt assistance transactions in GFS.

3.152 Net advances paid are categorised by the institutional sector to which they are made. They include net advances paid to public financial enterprises, to the private sector, to persons and non-profit institutions, to foreign governments and organisations, and to other non-financial public sector authorities.

## Revenue and grants received

### TAXES, FEES AND FINES

3.153 The *Taxes, fees and fines (ETF 31)* aggregate reflects the unique power of government to impose compulsory levies on other parts of the economy. It measures the receipts from this major source of government revenue. Only general government is considered to have the power to levy taxes, fees and fines. PTEs that collect taxes are considered to do so on an agency basis. When this happens the receipts are attributed to the general government subsector. Appendix 2 outlines the characteristics of taxes, fees and fines in some detail.

3.154 Taxes are categorised into Direct taxes received (ETF 3111) and Indirect taxes received (ETF 3112) for national accounts purposes. Taxes are measured net of corrective amounts (refunds) and include any associated penalties imposed.

3.155 Direct taxes are those levied on incomes, profits and capital gains of individuals and corporations. Indirect taxes on the other hand are those charged as expenses of production by corporations. Direct taxes differ from indirect taxes in that the latter are assumed to be 'passed on' to final consumers through higher prices of goods and services.

3.156 Indirect fees and fines are those paid by producers and are charged by them to the expenses of production. Direct fees and fines are those that are not charged to the production account of producers.

3.157 The Taxes, Fees and Fines Classification provides greater detail on the types of transactions included in ETF 31.

### NET OPERATING SURPLUS OF PTEs

3.158 Net operating surplus (ETF 32) measures the difference between the value of output of a public trading enterprise and the costs, other than finance costs, incurred in producing that output. Depreciation charges are included in costs which is why the item is described as 'net' operating surplus. However, bad debts written off are excluded



from costs because they are not regarded in the national accounts as an expense of production. They are regarded as capital transfers but are only recorded as such if both parties to the transaction recognise the write-off. This practice is adopted to maintain consistency between the production, expenditure and income based methods of compiling gross domestic product in the national accounts.

3.159 Net operating surplus is broken down into operating revenue and operating expenditure and the net result is derived from these items.

3.160 Operating revenue includes proceeds from the sales of goods, and fees and charges for services rendered. It also includes subsidies received.

3.161 Operating expenditure includes wages, salaries and supplements, depreciation charges, intermediate consumption including operating leases, and indirect taxes paid. It takes into account the value of purchases less increase in stocks. Capitalised expenses are excluded.

3.162 While the concepts of 'operating revenue' and 'operating expenditure' are readily defined for the majority of PTEs, those in relation to lotteries, betting agencies and commodity marketing boards are not. For lottery and betting agency operations, the ABS records operating revenue net of prize and winning payouts. For commodity marketing boards, operating revenue is recorded before deducting the cost of sales.

3.163 Unlike the IMF framework, the Australian GFS framework does not group PTE non-operating revenues and expenses as separate items but shows each of the components individually.

3.164 Appendix 9 refers to the treatment of construction, purchase, sale, and rental of houses by PTEs as part of net operating surplus.

#### PROPERTY INCOME

3.165 *Property income (ETF 33)* is a measure of income arising from general government or PTE ownership of property, equity, other financial or intangible assets. It therefore measures the current receipts of income arising from property ownership. For general government, the measurement excludes the net operating surpluses of PTEs, but includes income actually transferred from these enterprises. This category also includes income from PFEs, interest received, land rent received, royalties received, and dividends received.

3.166 *Income received from PTEs (ETF 3311)* and *Payments to PTEs to offset non-recurring loss (ETF 3312)* are recorded as separate categories and used to derive *Income transferred from PTEs (net) (ETF 331)*.

3.167 *Interest received (ETF 333)* is categorised by the institutional sector from which the interest is received for national accounts purposes. The categories also reflect the type of financial instrument providing the interest receipts.

#### OTHER REVENUE

3.168 *Other revenue (ETF 34)* consists of all unrequited revenue other than taxes, fees and fines collected by general government. However, it includes any 'taxes' received from general government units of a different consolidation sector. For example, if the Commonwealth received 'taxes' from State general government units then the transactions would be identified as receipts in the Commonwealth general government sector and payments in the State general government sector. However, these transactions would consolidate out for the Commonwealth, State and Local general government sector. The aggregate also includes both current and capital transfers received.

3.169 *Other current revenue (ETF 341)* includes levies received from local government, transfers from abroad, taxes received from general government, gifts and unclaimed moneys.

3.170 *Capital revenue (ETF 342)* includes transfers received by sinking funds, capital levies received from local government, grants from private bodies for capital works, and capital grants from foreign governments and organisations.

#### INTRA-SECTOR GRANTS RECEIVED

3.171 *Intra-sector grants received (ETF 35)* measures grants received by units of the non-financial public sector from other units of the non-financial public sector. It includes grants received by one level of government from another and grants received from the same level of government.

3.172 These grants are separated into current and capital categories. Current grants received are only applicable to general government. Current grants received by PTEs are classified as subsidies. Capital grants received include those grants received by both general government and PTEs for use in capital development.

#### *Financing transactions*

#### INTRA-SECTOR ADVANCES RECEIVED (NET)

3.173 *Net advances received (ETF 41)* measures the borrowings, net of repayments, of units within the non-financial public sector from general government units. These borrowings reflect general government lending for public policy purposes. Although this type of lending is included in capital outlays of the lender, the net proceeds from the associated borrowing is included in financing transactions of the borrower.

3.174 Separate categories are provided for intra-sector advances received and intra-sector advances repaid and are used to derive the net item. These transactions consolidate with intra-sector advances paid and intra-sector repayments received.

#### DOMESTIC BORROWING (NET)

3.175 *Net domestic borrowing (ETF 42)* measures the net incurrence of financial liabilities to other domestic entities

by government. It is equal to gross borrowing less repayment of past borrowing and is categorised into net borrowing from the financial sector, the non-financial public and private sectors, and the household sector.

3.176 A change in government net borrowing can occur through the issue and redemption of long term bonds, short term bonds and bills, or by the raising and repayment of long and short term loans. Lease liability under a finance lease arrangement is treated as a long term loan.

3.177 Net domestic borrowing is categorised by type of debt instrument and type of debt holder. It is recorded net of repayments.

3.178 *Net CBA domestic loans (ETF 425)* is a special category under net domestic borrowing. It is used to net off borrowing by central borrowing authorities on behalf of client authorities. The payment of these loans by the CBA is treated as a negative receipt in this class (see Appendix 5).

3.179 Appendix 6 outlines the treatment of discount and premium loans in GFS.

#### **BORROWING FROM ABROAD (NET)**

3.180 *Net borrowing from abroad (ETF 43)* measures borrowing less repayment of past borrowing by government from non-resident individuals, enterprises, governments and international organisations. The distinction between domestic borrowing and borrowing from abroad is made to facilitate the analysis of the different effects on the economy.

3.181 Net borrowing is categorised by type of debt holder and type of debt instrument. The major debt holder categories include international development institutions, foreign governments and foreign banks. The major debt instrument categories include loans, bonds and bills.

3.182 This group also includes liabilities under finance lease arrangements and a special category for net CBA foreign loans (see Appendix 5).

#### **DEPOSITS RECEIVED (NET)**

3.183 *Net deposits received (ETF 44)* measures the increase in the liability of government to other public or private bodies arising from the holding of repayable amounts. It includes *Increase in cash balance of private trust funds (ETF 441)* and *Increase in balance of intra-sector deposits held (ETF 442)*. These balances are considered to be financing items of the holder.

3.184 These transactions are separated from borrowings because of their different nature. The funds are held on behalf of other entities and may be used by government for its own purposes e.g. to fund its own outlays. Where this occurs, the deficit/surplus of government is affected by the amount in question. Where funds are not used, the change in the liability is matched by a corresponding change in financial assets, with no effect on the deficit/surplus. It is

the use (or potential use) of the funds in this manner that characterises them as financing transactions.

3.185 Private trust funds receive assets to be held in trust for a particular private individual or enterprise. Government may assume the obligation of applying the funds to a specified use which benefits the private party for whom the fund has been established, or government may hold the funds pending the fulfilment of certain conditions or pending determination of ownership. Private trust funds are therefore a means by which government acts as trustee or agent for private individuals or enterprises. Private trust fund transactions are not considered to be part of government activity but any changes in the balance of unused trust funds remaining with government are considered to be financing transactions.

3.186 Increase in cash balance of private trust funds is a net item. It is derived by deducting the opening balances from the closing balances and recording equivalent increases in the investments by these trust funds. The resultant change in the balance represents the funds available for government financing.

3.187 Appendix 12 outlines the recommended treatment for both private and government trust funds in GFS.

3.188 Increase in balance of intra-sector deposits held consists of changes in deposits held on behalf of other non-financial public sector entities. It consolidates with the increase in funds lodged with treasuries, finance departments and CBAs. These transactions are therefore eliminated within the non-financial public sector.

#### **INCREASE IN INVESTMENTS**

3.189 *Increase in investments (ETF 45)* measures the net acquisition of financial assets by government for the purpose of earning a return and managing liquidity. Investments are considered to be long term assets. They are distinct from general government advances which are motivated by specific policy objectives.

3.190 General government investments are normally undertaken for liquidity management purposes only, whereas PTE investments can be undertaken for liquidity management purposes or profit making purposes. Financial investment for profit is normally a minor PTE activity. If it were the major activity, then the enterprise would be a public financial enterprise.

3.191 Returns from investments are recorded as interest and dividends received under revenue.

3.192 Investments are divided between those made outside the non-financial public sector and those made within. These two components are recorded on a net basis and summed to derive the total increase/decrease in investments. The basis of recording reflects the acquisition of investments less the disposal of investments.

#### **INCREASE IN CURRENCY AND DEPOSITS**

3.193 *Increase in currency and deposits (ETF 46)* is a

measure of the change in relatively liquid financial assets held by government. Currency and deposits consist of cash on hand and deposits which are recoverable on demand or on relatively short notice. Bank overdrafts are liabilities but in the GFS framework these are viewed as negative financial assets and changes are included in this category.

3.194 This item includes categories for cash and bank balances, funds lodged with CBAs, deposits in the short term money market, foreign exchange deposits, foreign negotiable securities, and deposits with financial institutions.

3.195 Because of the complexity and sophistication of financial markets, there is often difficulty, in source documents, in distinguishing between long term increases in investments and short term increases in currency and deposits. This distinction is becoming increasingly less relevant and ETF 45 and ETF 46 are generally combined in ABS publications.

#### INCREASE IN PROVISIONS

3.196 *Increase in provisions (ETF 47)* refers to the funds put aside by PTEs for specific use in the future. These funds are held in reserve to cover expected costs in future periods. They generally relate to allowances for future consumption of fixed capital, superannuation payments, long service leave, recreation leave, deferred maintenance and the like. These provisions are drawn from current revenue.

3.197 In the GFS framework, this aggregate has three separate sub-groups. They are increase in provisions for depreciation, increase in superannuation provisions and increase in other provisions. Except for two items, the components of these sub-groups are recorded on a net basis.

3.198 Increase in provisions is an accruals accounting concept and is therefore only technically applicable to those enterprises such as PTEs, who record their transactions on an accruals basis.

3.199 *Increase in superannuation provisions (ETF 472)* includes a category for general government receipts from public enterprises to finance pensions and an off-setting category for general government payments of pensions in respect of employees of the same enterprises (see Appendix 4). These transactions are recorded on a cash basis and do not fit the definition of 'provisions'. The inclusion of these general government superannuation transactions with provisions will be reviewed.

3.200 Appendix 13 outlines the treatment of provisions in GFS.

#### EQUITY CAPITAL (NET)

3.201 *Net equity capital (ETF 48)* measures net financing by units controlled by government through the issue of shares or other equities to domestic or foreign investors. The proceeds from these issues are a means by which government units (generally PTEs) can finance their operations. This method of financing differs from borrowing and is therefore separately identified in the GFS

framework. The dividends paid to shareholders are included in required current transfer payments under current outlays.

3.202 Equity capital includes intra-sector equity capital, other domestic equity capital and foreign equity capital. All components of the aggregate are recorded on a net basis (i.e. issues net of redemptions).

3.203 The sale of equity can be looked at in two ways. If an enterprise (PTE) makes a partial sale of equity and retains the proceeds for its own use, that is, it does not transfer these funds to its parent government as owner, then the sale of equity is treated as financing and included in equity capital. If, however, the proceeds of the equity sale are transferred to the parent government, then the sale is treated as the repayment of an advance and included in the statistics as an offset to capital outlays. Similarly, the sale of all equity in an enterprise should be treated as the repayment of an advance as all proceeds revert to general government. Appendix 10 outlines the treatment of equity sales in GFS.

#### OTHER FUNDS AVAILABLE (NET)

3.204 *Other funds available (net) (ETF 49)* measures the movements in debtors and creditors, and discrepancies arising, for example, from the inclusion of analyses based on accruals accounting systems without adjustment to a cash basis.

3.205 This group consists of four classes. These are: Increase in accounts payable, *accrued expenses and prepayments received (ETF 4901)*; Increase in accounts receivable and *prepaid expenses (ETF 4902)*; *Balancing transactions (ETF 4908)*; and *Financial claims (nec) including errors and omissions (ETF 4909)*.

3.206 Accounts payable and accounts receivable are accrual items and are therefore only recorded for PTEs. Ideally, the balancing categories should record minimal amounts.

#### Subsidiary classifications

3.207 The main economic type classification is supplemented by a number of other subsidiary transaction classifications. The main subsidiary classifications are:

- *Government Purpose Classification (GPC)*, which classifies outlay or expenditure transactions by the purpose served (e.g. health, education);
- *Taxes Fees and Fines Classification (TFFC)*, which classifies selected revenue transactions according to the 'base' on which they are levied (e.g. personal income, property); and,
- *Fixed Asset Classification (FAC)*, which classifies fixed assets by type (e.g. buildings, equipment).

#### GPC

3.208 The GPC classifies current outlays, capital outlays

and selected other transactions of the non-financial public sector in terms of the purposes for which the transactions are made. The GPC is based on the UN's *Classification of the Functions of Government* (COFOG), which is also applied in the IMF GFS system. At the time of writing, COFOG had been earmarked for revision.

3.209 The GPC has a hierarchical structure consisting 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.

3.210 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. Outlays on these services cannot be allocated to particular groups of beneficiaries. They include general public services, defence, and public order and safety.

3.211 Community and social services refer to those 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.

3.212 Economic services are those 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.

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

3.214 The GPC allows trends in government outlays on particular functions to be analysed over time. This is helpful in forecasting future expenditures. It can also be used to isolate government expenditures on functions of interest for specific economic or social studies. The GPC also allows inter-country comparisons of government activity.

3.215 In principle, the unit of classification for the GPC is the individual transaction. For some outlays it is difficult to use individual transactions as the unit of classification. In these circumstances codes are assigned to departments, agencies, programs, and similar units within government. When units have more than one function, outlays are coded to the dominant purpose category.

3.216 Some government outlays 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 expenditures were financed by borrowing rather than by taxation. This type of expenditure is not related to current activities. Similarly, outlays by government on superannuation benefits do not reflect expenditure on current activities. Interest payments are included under public debt

transactions in the GPC. Government superannuation benefits are separately identified under general public services.

3.217 Administrative expenditures 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.

3.218 The GPC has the flexibility to accommodate changing public demand for information and changing government priorities. New items of interest, such as the environment, can be reflected in the classification through changes in the detailed structure.

3.219 The structure of the GPC at the major group level is outlined below (details are provided in Appendix 1).

#### GOVERNMENT PURPOSE CLASSIFICATION

Major group	Description
01	General public services
02	Defence
03	Public order and safety
04	Education
05	Health
06	Social security and welfare
07	Housing and community amenities
08	Recreation and culture
09	Fuel and energy
10	Agriculture, forestry, fishing and hunting
11	Mining and mineral resources, other than fuels; manufacturing; and construction
12	Transport and communications
13	Other economic affairs
14	Other purposes

3.220 *General public services (GPC 01)* 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.

3.221 *Defence (GPC 02)* includes military and civil defence affairs, foreign military aid and defence research.

3.222 *Public order and safety (GPC 03)* includes police and fire protection services, law courts and legal services, prisons and corrective services, and control of domestic animals and livestock.

3.223 *Education (GPC 04)* includes primary and secondary education, university and other higher education, technical and further education, preschool and special education, and transportation of students.

3.224 *Health (GPC 05)* 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.

3.225 *Social security and welfare (GPC 06)* 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.

3.226 *Housing and community amenities (GPC 07)* includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment, and street lighting.

3.227 *Recreation and culture (GPC 08)* 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.

3.228 *Fuel and energy (GPC 09)* includes coal, petroleum, gas, nuclear affairs, and electricity.

3.229 *Agriculture, forestry, fishing and hunting (GPC 10)* includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry, fishing, and hunting.

3.230 *Mining and mineral resources, other than fuels; manufacturing; and construction (GPC 11)* 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.

3.231 *Transport and communications (GPC 12)* includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems, and communications.

3.232 *Other economic affairs (GPC 13)* includes storage, saleyards, markets, tourism and area promotion, and labour and employment affairs.

3.233 *Other purposes (GPC 14)* includes public debt transactions, general purpose inter-government transactions, and natural disaster relief.

### **TFFC**

3.234 The TFFC provides a finer level of classification for those transactions classified to *Taxes, fees and fines (ETF 31)* in the ETF. The dissection of these transactions is related to the type of tax, fee or fine collected by government. In GFS, tax collection is considered to be a general government function. Any taxes collected by PTEs are attributed to the general government sector.

3.235 The TFFC has been developed to present the relationships that exist between taxes in terms of their common tax base. It also provides detail on specific tax types for analytical purposes. At the group and subgroup levels, the TFFC is comparable with the OECD Classification of Taxes. This facilitates international reporting requirements.

3.236 The TFFC has 6 groups, 21 subgroups and 66 classes. The first five groups are used for the classification of taxes and the sixth group is used for the classification of fees and fines.

3.237 The tax groups represent the bases on which the taxes are levied. They are divided into subgroups according to types of entities, property, activities, goods or services being taxed. The classes generally describe the specific types of taxes collected in Australia. New classes are added to the TFFC as different taxes are introduced by government.

3.238 The TFFC structure at the group level is outlined below (details are provided in Appendix 1).

### **TAXES, FEES AND FINES CLASSIFICATION**

Group	Description
1	Taxes on income, profits and capital gains
2	Taxes on employers' payroll and labour force
3	Taxes on property
4	Taxes on provision of goods and services
5	Taxes on use of goods and performance of activities
9	Fees and fines

3.239 *Taxes on income, profits and capital gains (TFFC 1)* includes personal income tax, government health insurance levy, mining withholding tax, capital gains tax on individuals, company income tax, income tax paid by superannuation funds, capital gains tax on enterprises, dividend withholding tax, and interest withholding tax.

3.240 *Taxes on employers' payroll and labour force (TFFC 2)* includes payroll tax, stevedoring industry charges, and fringe benefits tax.

3.241 *Taxes on property (TFFC 3)* includes land taxes, metropolitan improvement rates, property owners' contribution to fire brigades, estate duties, probate and succession duties, gift duties, stamp duties on financial and capital transactions, financial institutions transactions taxes, and government borrowing guarantee levies.

3.242 *Taxes on provision of goods and services (TFFC 4)* includes sales tax, excises, agricultural production taxes, levies on statutory corporations, customs duties on imports and exports, agricultural produce export taxes, taxes on gambling, and taxes on insurance.

3.243 *Taxes on use of goods and performance of activities (TFFC 5)* includes motor vehicle taxes, vehicle registration fees and taxes, stamp duty on vehicle registra-

tion, drivers' licences, road transport and maintenance taxes, franchise taxes, broadcasting listeners' and television viewers' licenses, broadcasting station licences, television station licenses, and departure taxes.

3.244 *Fees and fines (IFFC 9)* includes building fees, aviation en route charges, export inspection charges, light dues and Navigation Act charges, dog registration charges and parking fines.

### FAC

3.245 The FAC is designed to meet the needs of national accounts users for information about the classification of gross fixed capital expenditure transactions by broad category of asset. It identifies whether net expenditure on new and secondhand fixed assets was on dwellings, non-dwelling construction, or equipment. It is less detailed than the SNA 'Classification of gross fixed capital formation according to type' on which it is based. The reduced number of categories in the FAC reflects local rather than international requirements. The structure of the FAC is outlined below.

#### FIXED ASSET CLASSIFICATION

Code	Description
1	Dwellings
2	Other buildings
3	Other construction
4	Equipment other than transport equipment
5	Transport equipment

3.246 *Dwellings (FAC 1)* includes outlays on construction, major alteration and addition to dwellings. It includes transfer and similar costs in respect of the purchase and sale of secondhand dwellings and the installation of new permanent fixtures.

3.247 *Other buildings (FAC 2)* includes outlays on buildings which are entirely, or primarily, for industrial, commercial, recreational or only transient residential use. It includes outlays on installation, alteration and improvement of fixtures, facilities and equipment which are an integral part of the building.

3.248 *Other construction (FAC 3)* includes outlays on work put into place on the construction, major alterations and addition to fixed assets other than buildings.

3.249 *Equipment other than transport equipment (FAC 4)* includes outlays on machinery and equipment which is not an integral part of any building or construction.

3.250 *Transport equipment (FAC 5)* includes outlays on motor vehicles, aircraft, ships, railway and tramway rolling stock, and attachments.

### Relationship between aggregates

3.251 In the ETF framework, the two outlay sections

(current and capital outlays) have a number of offsetting 4-digit credit categories. However, overall, these sections are *debits*. Similarly, both the revenue and grants and financing transactions sections have some offsetting debit categories. However, overall, these sections have been set up as *credits*. Since the ETF framework is based on the overall equality of debits and credits, this arrangement results in the following relationship between the aggregates:

ETF 1 (current outlays)

*plus*

ETF 2 (capital outlays)

*minus*

ETF 3 (revenue and grants received)

*equals*

ETF 4 (financing transactions)

3.252 Financing transactions are therefore equal to total outlays reduced by revenues and grants received, but the aggregate carries an opposite sign. This convention in the Australian GFS results in a deficit being portrayed as a positive figure and a surplus as a negative — see discussion below.

### Measures of government financing

3.253 The deficit/surplus is a basic measure of government financing and different variants of this measure may be derived to suit particular purposes. In ABS statistics two measures of financing are derived from the ETF framework:

- *deficit/surplus* (also referred to as *gross deficit/surplus*);
- *net financing requirement* (NFR — also referred to as *net deficit/surplus*).

### Deficit/surplus

3.254 The (gross) deficit/surplus is calculated as follows for the two subsectors:

- General government subsector
- Public trading subsector

Deficit/surplus = ETF 4 – ETF 47 (financing transactions *less* increase in provisions).

3.255 Increase in provisions is an accrual item which technically cannot exist for the general government subsector compiled on a cash basis of accounting. Where a jurisdiction operates a superannuation scheme in its general government subsector in respect of its public trading

and or public financial enterprises, the change in any 'provisions' (ETF 47) related to this purpose is also deducted in the current ABS methodology to arrive at the general government deficit/surplus.

3.256 For the public trading subsector, increases in provisions are subtracted as these represent 'funds' generated internally (e.g. depreciation charges). The ABS measure of the deficit/surplus for this subsector therefore represents a broad measure of the financing requirement excluding such internally generated funds.

3.257 A distinction is also made between a 'current' deficit/surplus and a 'capital' deficit/surplus. They are derived as follows:

- current deficit/surplus = current outlays (ETF 1) less current revenues and grants received (ETF 31 + ETF 32 + ETF 33 + ETF 341 + ETF 3501) less increase in provisions (ETF 47);
- capital deficit/surplus = capital outlays (ETF 2) less capital revenues and grants received (ETF 342 + ETF 3502).

3.258 The current and the capital deficit/surplus, as defined above, add up to the (total) deficit/surplus for each of the two institutional sectors.

### Net financing requirement

3.259 The nature of the financial relationship between the Commonwealth and the States/Territories means that substantial *advances* are made and repaid between governments. This is also true within individual jurisdictions as advances may be similarly transacted between a parent government and its trading enterprises.

3.260 If the deficit/surplus for some or all sub-sectors of the non-financial public sector were simply added, the aggregated deficit/surplus would be overcounted to the extent advances received during a period were used to fund outlays in that period. Advances received but not applied to outlays in the same period, thus resulting in an increase in the cash position of the recipient subsector, would not contribute to double counting in this manner. To avoid multiple counting of advances, another measure of financing, the net financing requirement (NFR) is defined.

3.261 The NFRs for the two subsectors are calculated as follows:

- General government subsector  
NFR = ETF 4 – ETF 41 (financing transactions less net intra-sector advances received);
- Public trading subsector  
NFR = ETF 4 – ETF 47 – ETF 41 (financing transactions less increase in provisions less net intra-sector advances received).

It should be noted that where a jurisdiction operates a superannuation scheme in its general government subsector in respect of its public trading and or public financial enterprises, the change in any 'provisions' (ETF 47) related to this purpose is also deducted in the current ABS methodology to arrive at the general government NFR.

### Additivity of the NFR

3.262 The exclusion of *net intra-sector advances received* from the NFR makes it additive. That is, the NFR of the whole non-financial public sector or any of its component sectors can in theory be obtained by adding the NFRs of the component sub-sectors. In practice, however, small discrepancies will exist due to timing and other differences.

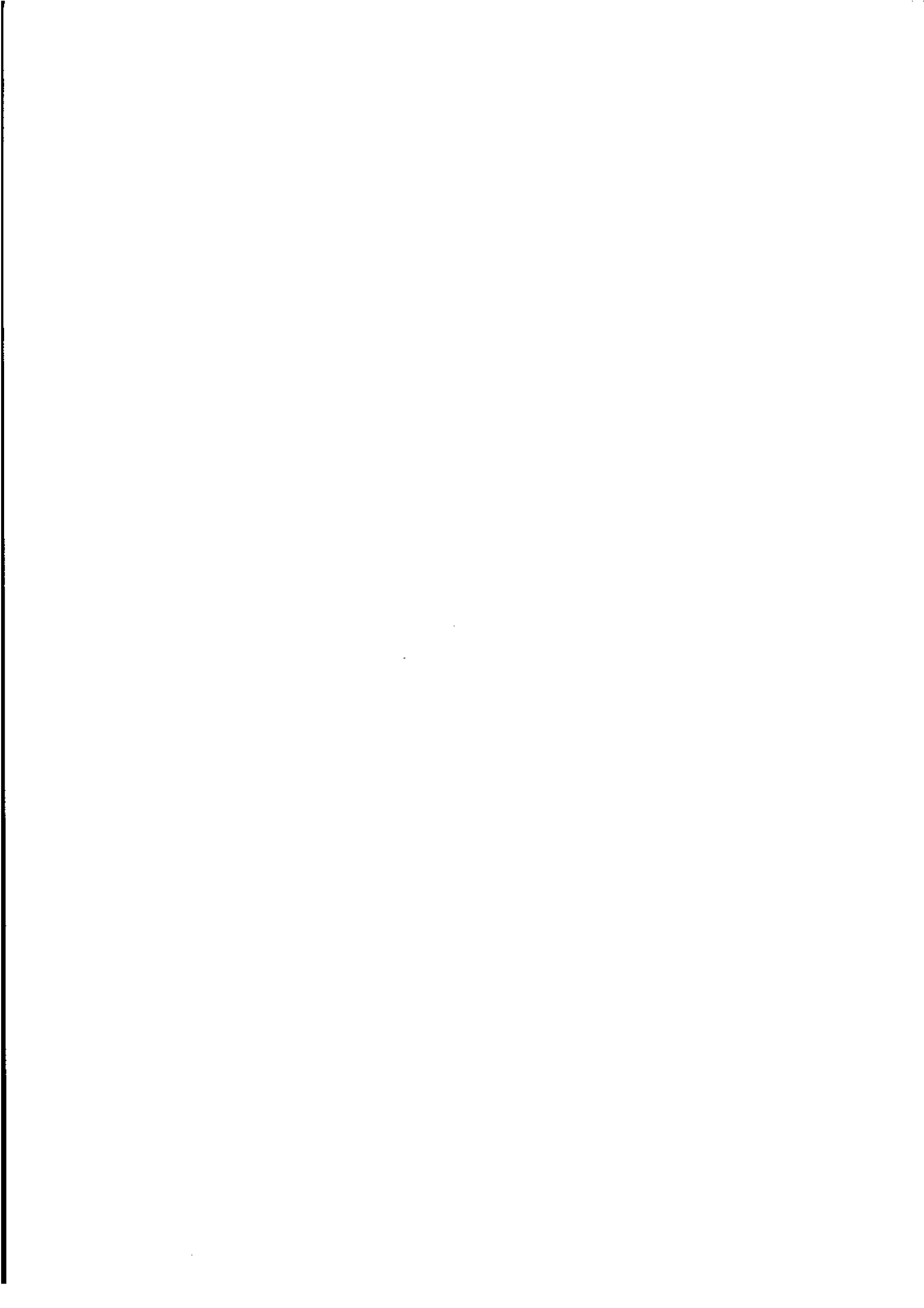
3.263 An advance paid by a subsector to another within the scope of GFS increases, other things being equal, the NFR of the paying subsector by an amount equal to the advance. The corresponding receipt of the advance does not affect the NFR of the recipient subsector if the amount is not applied to outlays in the period. If the amount is not applied i.e. it increases the recipient's cash holdings, then its NFR will decrease. Overall, the NFR of the two sub-sectors combined will change by the amount of funds applied to outlays after consolidating out the intra-sector advances paid/received.

3.264 It should be noted that NFR and deficit/surplus are equal for sub-sectors which do not receive advances from other parts of the non-financial public sector, or where intra-sector advances paid and received all cancel out when consolidated data are compiled. This occurs for the following groups of levels of government and/or institutional sectors:

- Commonwealth general government;
- Commonwealth government (i.e. consolidation of general government and public trading enterprises);
- Commonwealth, State and local general government; and,
- Commonwealth, State and local government (i.e. non-financial public sector in total).

3.265 The NFR is conceptually equivalent to the (gross) deficit/surplus less net intra-sector advances received i.e. net deficit/surplus. Although the term 'NFR' has been used in ABS publications for many years, it is equally acceptable to define the 'deficit/surplus' as follows:

Gross deficit/surplus	
less	
Intra-sector advances received, net	
equals	
Net deficit/surplus	





## Section 4

# Data sources and collection methods

## Introduction

### Basic data sources

4.1 The basic data sources for the compilation of government finance statistics in Australia are the financial accounts maintained by governments and related entities. This accounting information is analysed and classified using the classifications described in the previous section.

4.2 As a general rule, data are extracted from published accounts or underlying financial systems and supplemented by additional information where necessary. The collection method employed depends upon the data source and the type of data being collected.

### Range of data

4.3 An examination of the range of financial data available from these sources reveals the administrative and organisational structure of government, as well as the particular reporting requirements in place. For example, the operations of all budget entities are collectively reflected in the Public Accounts whereas the operations of non-budget entities are reflected on an individual basis in separate reports. Generally (but not always), budget entities tend to be part of the general government sector and non-budget entities tend to be part of the PTE sector.

### Data sourcing strategy

4.4 The strategy adopted in GFS is to take the accounting information in the format normally available from the reporting entities rather than to place any reporting load on them. The data sources used in GFS are best described in terms of the budget and non-budget distinction.

### Budget sources

#### Public Accounts

4.5 If the transactions of a State or Commonwealth government unit are recorded in the Public Accounts of the jurisdiction concerned, then the unit is considered to be part of the budget sector. The recording of receipts and payments through the Public Accounts means that the unit has no deposits with financial enterprises in its own name, or if it does, that they are minor or are regularly cleared to the Public Accounts.

4.6 The Public Accounts are the accounts relating to the revenue funds, loan funds, and various trust funds and special deposit accounts maintained by each government.

#### Budget management systems

4.7 A number of budget management systems and financial accounting systems have been established by the

State/Territory Treasuries and the Commonwealth Department of Finance to support the Public Accounts of their parent government. These systems are an important source of data for the budget sector.

## Non-budget sources

### Non-budget sector transactions

4.8 If the transactions of a State or Commonwealth government unit are not recorded in the Public Accounts, then the unit is considered to be part of the non-budget sector. This means that the daily receipts and payments of the unit are transacted, and its balance is held, with financial enterprises in its own name, independently from the Public Accounts.

### Non-budget sector financial statements

4.9 The activities of non-budget units are reflected in their individual financial statements. For the most part these statements are similar to the accounting statements of private sector entities. As such, they usually consist of a Profit and Loss Statement, a Balance Sheet, a Cash Flow Statement and a set of notes relating to the accounts. A wide range of financial information can be extracted from these statements. They represent an important data source for the non-budget sector.

## Phases of the GFS Cycle

4.10 There are three phases in the GFS cycle. Data are collected and compiled on a quarterly, forward annual and final annual basis. The phases provide a progressive refinement of the data over the cycle.

4.11 The first phase in the cycle is the collection of quarterly indicators to produce quarterly estimates. Estimates are derived for each quarter. After each June quarter, the estimates are summed to provide provisional annual estimates for the latest financial year.

4.12 The collection and compilation of forward annual estimates is the next phase in the statistical cycle. These are budget estimates or forecasts for the next financial year. They include preliminary annual estimates which are the second annual estimates for the latest financial year.

4.13 The final phase of the statistical cycle is the 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 accounts.

## Collection methods

### Quarterly estimates

4.14 Some quarterly data are collected via surveys. For the Commonwealth and State governments, data for the budget sector are obtained from the financial accounting

systems of the Commonwealth Department of Finance and the State Treasuries through electronic transfer and hard-copy listings.

4.15 Quarterly data for Commonwealth and State government non-budget sectors are collected directly from a sample of individual units by means of a standard or tailored form (i.e. a form tailored to the data required from the individual unit). All quarterly local government data are collected from a sample of individual units by means of a standard form.

### Forward and preliminary annual estimates

4.16 Data relating to forward annual estimates and preliminary annual estimates for the Commonwealth and State general government budget sector are obtained from budget management systems and papers. Where necessary, additional data are also obtained from some Treasuries by supplementary follow-up.

4.17 Information is collected through electronic data transfers, through hardcopy listings, or through the use of tailored forms.

4.18 Data for the Commonwealth and State general government non-budget and PTE sectors are collected through tailored forms completed by the individual units. Local government estimates are based on recent trends and correlations, and the extrapolation of final annual data.

### Final annual statistics

4.19 The production of final annual statistics involves the analysis of a broad range of information published by the Commonwealth and State governments. Such information is contained in Auditor Generals' Reports, budget papers, Annual Reports of departments and authorities, and the Public Accounts of Treasuries.

4.20 The information to be analysed may be obtained by electronic data transfers, hardcopy listings and tailored forms. Local government statistics are based on annual statements of accounts and standard forms completed by local authorities.

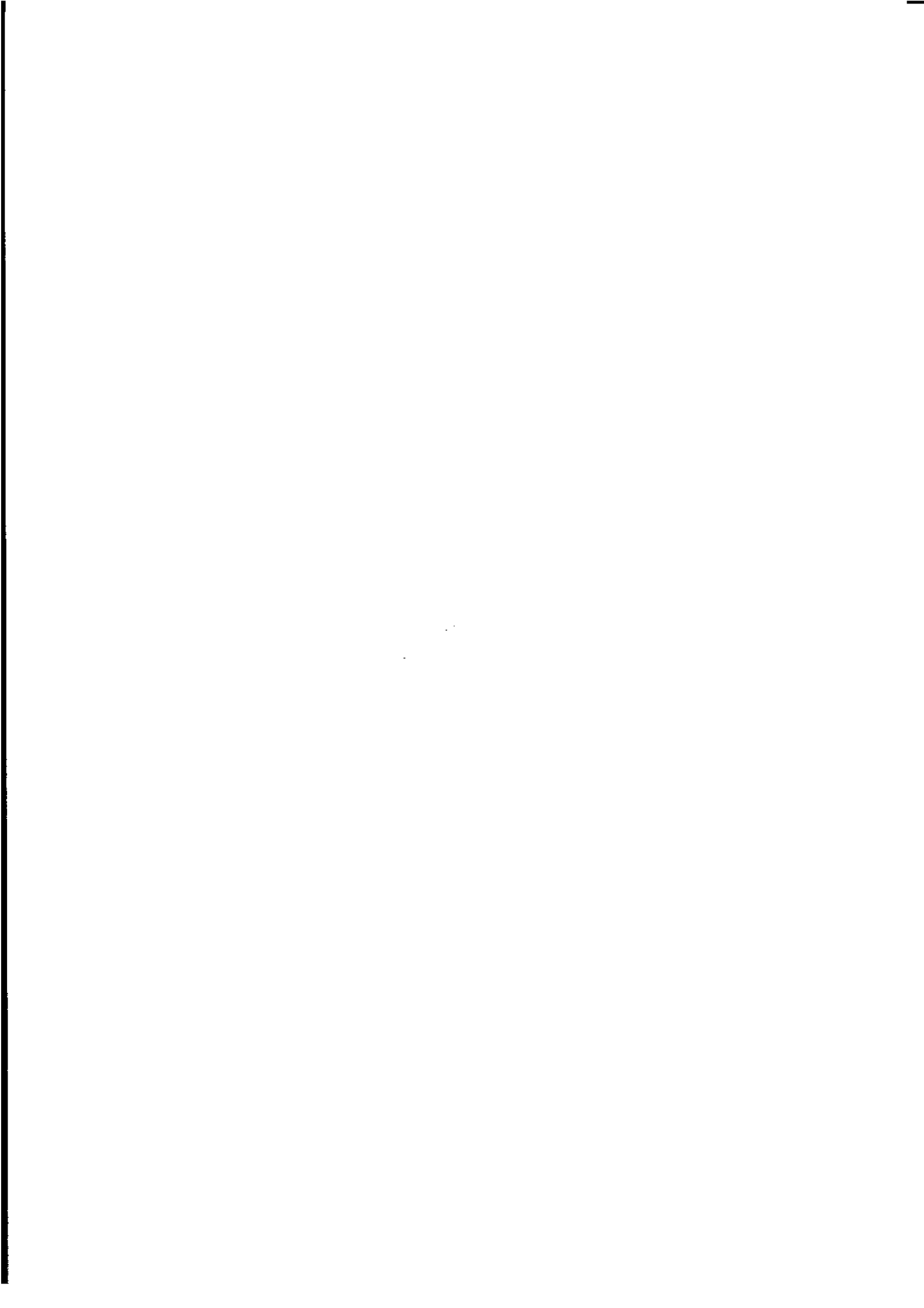
## Summary table

4.21 The following table summarises the data sources and collection methods in GFS.

## SUMMARY OF DATA SOURCES AND COLLECTION METHODS IN GFS

<i>Level of government</i>	<i>Phase</i>	<i>Sector</i>	<i>Main data source</i>	<i>Main collection method</i>
Commonwealth	Quarterly	Budget	Financial accounting systems	Electronic transfer
		Non-budget	Individual financial statements	Standard and tailored forms
	GFE	Budget	Budget management systems and papers	Electronic transfer
		Non-budget	Individual financial statements	Tailored forms
	GFS	Budget	Financial accounting systems	Electronic transfer
		Non-budget	Individual annual reports	Published statements supplemented by tailored forms
State	Quarterly	Budget	Financial accounting systems	Electronic transfer
		Non-budget	Individual financial statements	Standard and tailored forms
	GFE	Budget	Budget management systems and papers	Electronic transfer
		Non-budget	Individual financial statements	Tailored forms
	GFS	Budget	Financial accounting systems	Electronic transfer
		Non-budget	Individual annual reports	Published statements supplemented by tailored forms
Local	Quarterly	Not applicable	Individual financial statements	Standard forms
	GFE	Not applicable	Extrapolation of GFS data	Not applicable
	GFS	Not applicable	Individual annual statement of accounts	Standard forms used by state administrative bodies

*Key:* Quarterly = quarterly and provisional annual estimates; GFE = preliminary and forward annual estimates; GFS = final annual statistics.



## Section 5

# Methods of compilation

## Introduction

5.1 Section 4 described the sources of GFS data and the data collection methodology. This section follows on to describe the next step, that is the methods of classifying and assembling or compiling the collected data to form the GFS statistical series.

5.2 The description of the compilation methodology in this manual is intended to focus on its broad logical basis rather than the specifics of particular procedural or operational steps. It is therefore targeted more towards users who may benefit from a broad understanding of the compilation methodology rather than those compiling GFS.

## General compilation methodology

5.3 The general GFS compilation methodology involves the transformation of the accounting data of non-financial public sector enterprises into economic statistics through the analysis of the transactions in the accounts and the application of a range of economic classifications. This involves the following sequence of processes:

- the application of unit (enterprise) and transactions classifications;
- the use of a data template method which embodies the analysis and classification processes as well as serving as a data input process;
- the creation of an input database containing unit level data;

- input editing of unit level data;
- performing data aggregation, consolidation, derivation and sample expansion functions;
- the creation of an output database containing aggregated data (used for dissemination of the statistics);
- output editing of the data.

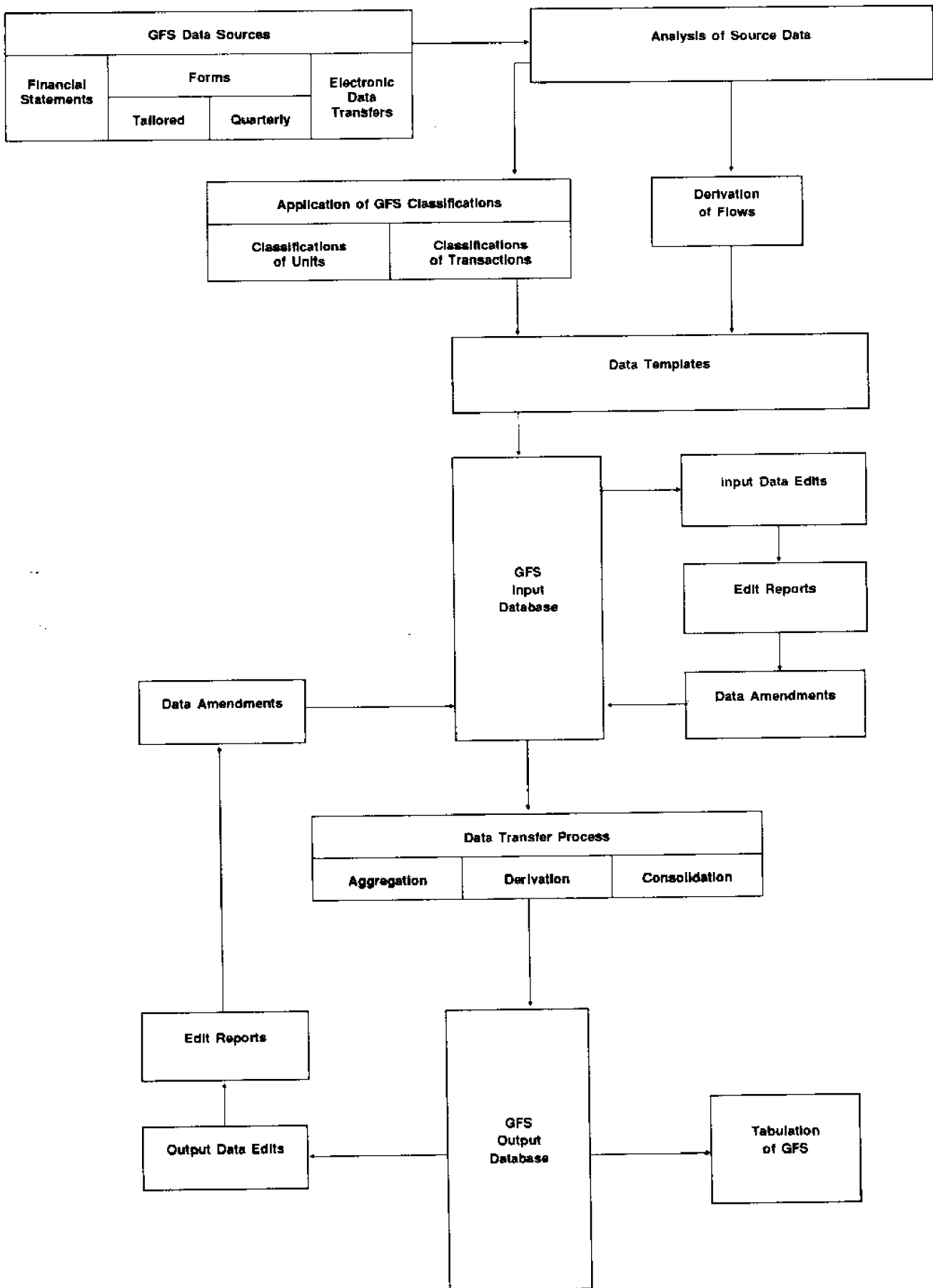
5.4 Chart 5.1 on the following page shows these processes/steps in the form of a flow chart.

5.5 The compilation method outlined above applies to all GFS data 'streams' (i.e. forward annual, preliminary annual, final annual, and quarterly data). However, certain intermediate steps apply only to quarterly data. This is because quarterly GFS are compiled using a mixture of methods involving transfers of data from government financial systems for budget units (mostly general government) and samples of key data items from non-budget units (mostly public trading enterprises). As the full range of data is not collected, the missing data must be estimated from benchmarks based on previous years' final data. This estimation is an extra process which applies only to quarterly data.

## Data analysis

5.6 The first process in compilation involves the transformation of accounting data into GFS data. This begins with an analysis of source documents.

CHART 5.1. SCHEMATIC REPRESENTATION OF GFS COMPILATION METHOD



## Analysis of source documents

5.7 'Analysis of source documents' refers to the process of clerically examining the documents to identify the reporting entity and each of its transactions, and classifying the unit and its transactions according to GFS unit and transaction classifications. Unit classifications apply to the reporting entity as a whole; transaction classifications apply to individual transactions of the entity recorded in the source documents.

### GFS unit classifications

#### *Main unit classifications*

5.8 The main GFS unit classifications are Level of Government (LEVG), State of Jurisdiction (STAJ), Institutional Sector (INST), and Administrative Sector (ADMN). See Section 3 and Appendix 1 for a description of these classifications.

#### *Application of unit classifications*

5.9 Generally, unit classifications are first applied at the time a unit comes into the coverage of GFS. This usually happens when an enterprise is newly formed by a government in Australia, or when an existing enterprise's functions have been changed in a major way. The process involves the examination of Acts of Parliaments (where applicable) and the enterprise's financial statements (i.e. the income and expenditure (profit and loss) statement, balance sheet and cash flow statement). This process discloses the range of activities in which the enterprise engages in and the legislative background to its creation. This information is then used to determine the unit classifications applicable to the enterprise.

### GFS transaction classifications

#### *Main transaction classifications*

5.10 The main transaction classification is the Economic Transactions Framework (ETF). Important subsidiary transactions classifications are the Government Purpose Classification (GPC), the Taxes, Fees and Fines Classification (TFFC), the Fixed Assets Classification (FAC), and the Source/Destination Classification (SDC). See Section 3 and Appendix 1 for descriptions of transactions classifications.

#### *Application of transaction classifications*

5.11 A detailed analysis of a unit's transactions is carried out when an enterprise comes into the coverage of GFS for the first time. The analysis involves examining each transaction recorded in the enterprise's accounts and then placing classification codes against it to indicate the items in the various classifications which apply to the transaction. This process is repeated when there are significant changes to the enterprises' transactions in subsequent years.

5.12 Once this detailed analysis of an enterprise's transactions has been undertaken, it is used as a guide for the future analysis/update of data applying to that unit.

### Treatment of non-cash transactions and transfers between units

#### *Non-cash transactions*

5.13 A vital part of the analysis of financial statements is the identification and elimination of 'non-cash' transactions in the financial statements of enterprises. Non-cash transactions are generally those involving internal 'book' entries. Non-cash transactions of general government entities are eliminated because statistics for that sector are on a cash basis.

5.14 Examples of non-cash transactions are transfers or appropriations of funds to reserves, and revaluations of fixed assets. The payment (debit) and receipt (credit) components of such transactions are matched and eliminated.

5.15 One exception to the treatment of non-cash transactions within units is the depreciation of fixed assets. This account item is separately identified for GFS and national accounts purposes. The separate identification of depreciation enables the compilation of GDP on both a gross of depreciation and a net of depreciation basis.

#### *Transfers between units*

5.16 Payment and receipt transactions between units within the same consolidation sector are matched using link codes to ensure that the payment and receipt 'legs' of transactions are equal (see 'Intrasector edits' below for more detail).

### Derivation of flow data

5.17 Enterprises' balance sheets are used to derive data on financing transactions. An enterprise's balance sheet contains figures showing the value of assets, liabilities and equity at the end of the accounting period (i.e. 'stock' rather than 'flow' figures are shown). GFS requires compilation of flow or transactions data, e.g. net borrowings and investments.

5.18 To derive the required flow data, two consecutive balance sheets are used i.e. beginning of year figures for assets, liabilities and equity are taken away from end of year figures. These derivations are done as part of the computer processing of the input data, but the transactions must first be identified clerically from the balance sheets. A cash flow statement can also be used as a source of flow data.

### Input of data to GFS database

5.19 The next step in the compilation of the statistics is entering the analysed data into the GFS processing system

so that it can be subjected to input edits. This is described below.

### Template methodology

5.20 This method involves:

- the creation or updating of data templates; and,
- the loading of data to the GFS input database.

#### *Data templates*

5.21 Each unit in GFS has an associated computer file which is structured in the same form as the analysed source document (i.e. a unit's set of financial statements or a GFS collection form) relating to that unit.

5.22 This computer file contains:

- unit identification data;
- data item descriptions as they appear on source documents, the data (values) for each item and the GFS classifications (codes) for each item;
- a scaling factor for dollar values (dollars, \$'000) and a data stream identifier.

5.23 Thus, the data template file is a 'map' of the analysed data source document.

5.24 The data template is used to produce electronic and hard-copy listings reflecting the content and structure of source documents. These listings are updated clerically in each cycle and are used as data entry documents and subsequent data extraction and data amendment documents.

5.25 Templates (once created) are also subject to modification due to legislative and/or organisational changes which affect the structure of units and their data source documents.

5.26 The main part of any template is the section in which analysed economic transactions of a unit are recorded. A template may record the analysis of a single source document that provides data for one or more units, or it may record the analysis of several source documents which together provide data for one or more units.

5.27 Another major part of any template is the system reference section, which identifies the collection stream, the reference period, the unit and the source document.

#### *Loading of data*

5.28 The first step in the loading of data to the GFS input database is to complete the data template. This is done by entering new source document line item (data item) descriptions and data with GFS classifications attached onto the template.

5.29 Completed templates are then passed to a computer subsystem which loads the data onto the input database. The subsystem is used for both initial entry of data and for subsequent amendment of the data.

### GFS input database

#### *Input database structure*

5.30 This is the first of the two main GFS databases. It is subject to frequent updating because of new information coming to hand. The input database holds detailed unit line item data.

#### *Purpose of input database*

5.31 The purpose of the input database is to:

- store up-to-date detailed unit-level data;
- serve as the input edit file;
- serve as the source for the output database.

### Input editing

5.32 Input editing is done after the source data have been loaded onto the input database. The edits performed are unit edits, intrasector edits and aggregate edits, each of which is described below. The process involves passing the input database through editing programs, producing error reports, then making amendments to obtain a 'clean' data file.

#### *Edits on units*

5.33 The types of edits in this class are:

- classification and code combination edits;
- account balance edits;
- subtotalling edits.

#### *Classification edits*

5.34 Classification edits are designed to check the GFS classification codes assigned to line items (transactions). The edits are:

- *legality edits* — edits which check that the unit and transactions classification codes allocated actually exist in the classification concerned;
- *code combination edits* — edits which check whether the combination of classification codes applied to each transaction of GFS collection units is allowable within the GFS system;
- *code existence edits* — edits which check that where a given set of codes exists, a particular



classification has all the relevant codes associated with it.

### **Account balance edits**

5.35 These edits are fundamental in the GFS compilation system because they ensure that:

- values for line (data) items have been correctly entered;
- data are not duplicated;
- data items entered into the system represent all items in a unit's accounts.

5.36 By convention, each receipt is treated as a credit (Cr) and each payment as a debit (Dr). Increase in assets is a Dr entry, increase in liabilities is a Cr entry, revenue is a Cr entry and expenses is a Dr entry. Cr are stored with a positive sign and Dr with a negative sign in the GFS compiling system. The account balance edit checks that total Dr = total Cr.

5.37 To help locate account balance errors within a unit, data source documents are divided into balance groups (e.g. assets and liabilities, revenue and expenses). The accounting identity,  $\text{Assets} = \text{Liabilities} + \text{Equity}$  is also applied; an increase in one side of the identity is matched by a corresponding increase in the other side.

### **Subtotaling edits**

5.38 These 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**

5.39 After input data have passed the unit edits, intra-sector edits are performed. These edits are carried out to identify and reconcile imbalances in the payment and receipt legs of transactions. Imbalances can arise from incorrect applications of GFS classifications (e.g. ETF or SDC), incomplete analysis of units' transactions, or timing differences between the payment and receipt legs of transactions (e.g. cash versus accrual accounting, calendar versus fiscal year).

5.40 Identification and reconciliation of imbalances in the payment and receipt legs of transactions are especially important where their consolidation is required (e.g. interest, income transfers, grants, etc described under 'Consolidation' below). They are also important where a pair of transactions (e.g. depreciation and provisions for depreciation) is expected to have equal values.

5.41 The resolution of imbalances arising from the mis-reporting or mis-classification of transactions is relatively straightforward. Where imbalances cannot be resolved within publication deadlines or where there is contention

in the values reported, the information as provided by the jurisdiction is used for the purposes of GFS publications. However, for national accounts purposes, these imbalances are forced into agreement for technical reasons using the level of government classification as an indicator of the 'correctness' of the transactions.

5.42 The use of a system of 'link code' edits allows the payment and the corresponding receipt legs of transactions (which would normally be associated with different units) to be brought together for reconciliation. This system is currently confined to editing flows between units within the same level of government.

5.43 The imbalances in other intra-sector flows are identified (at an aggregate rather than a unit level) by edit programs using information provided by the SDC code attached to transactions.

### **Aggregate edits**

5.44 Aggregate edits are applied after unit and intrasector edits have been completed and resultant amendments made. These edits generally involve the checking of changes over time in aggregates relating to the main GFS classifications (e.g. ETF, GPC), or to a combination of these and other GFS classifications.

5.45 The purpose of the edits is to identify any significant or unusual movements in important aggregates (e.g. current and capital outlays, revenues, financing) so as to provide a check on the consistency of coding. The bulk of the edits are usually ETF/GPC pairings, but taxation receipts and expenditures on education are also given special attention.

### **Data aggregation, derivation and consolidation**

5.46 When all input edits have been completed and the data are 'clean', the process which aggregates, derives and consolidates the data is applied. This process creates the GFS output database and is only undertaken at key times during processing.

5.47 The process involves:

- aggregation of data in like records;
- deriving certain output data items;
- consolidating transactions;
- removing unit identification information;
- sample expansion where necessary;
- producing the output database.

## Data aggregation

### Aggregation of data items

5.48 This subprocess involves the assembly of data for like data items to conform to a predetermined level of GFS classification to form statistics for each output sector. Each of these sectors or groupings is a unique combination of level of government, State of jurisdiction, administrative and institutional sector classifications (also see 'GFS output database' below). Once data have been aggregated, the process cannot be reversed (i.e. the process is one way).

### Removal of unit identification

5.49 Because the statistics are published at sectoral level, unit identification information is not transferred to the output database. This practice assists with maintaining confidentiality of the information on the database.

## Data derivation

### Derived items

5.50 Certain data items are derived for input to the Australian National Accounts. These data items are derived by applying estimation algorithms because no direct data sources exist. Data items so derived are (for example) direct and indirect taxes and Commonwealth general government final consumption expenditure, gross fixed capital expenditure and personal benefit payments split by State and Territory.

### Derivation process

5.51 The data derivation process involves taking the relevant aggregate for which derivations have to be made and then prorating the aggregates according to predetermined ratios to produce the required estimate. The proration ratios are derived from external data (e.g. Commonwealth employment by State).

## Consolidation

5.52 Receipts and payments which require consolidation are those relating to interest, income transfers, grants, direct taxes, levies, net advances, net borrowings and investments, funds held on deposit, and capital transfer payments. ETF code pairs subject to consolidation are set out in the following table.

## ETF PAIRS REQUIRING CONSOLIDATION

<i>Description</i>	<i>Payment ETFs</i>	<i>Receipt ETFs</i>
<i>Interest</i>		
Intra-sector advances	1211	3335
Bonds and bills	1215	3337(a)
Deposits	1217	3338(a)
<i>Income transfers</i>		
PTF income transfers	1221	3311
Contribution to offset PTF non-recurring loss	3312	1222
<i>Grants</i>		
Intra-sector current grants	1333	3501
Intra-sector capital grants	2420	3502
<i>Direct taxes</i>		
Direct taxes	1341	3111(a)
<i>Levies</i>		
Local government current levies	1342	3412
Local government capital levies	2432	3422
<i>Net advances</i>		
Gross intra-sector advances	2541	4101
Repayment of intra-sector advances	4102	2542
<i>Net borrowing and investments</i>		
Net borrowing and investments	4502	4215 4225
<i>Funds on deposit</i>		
Increase in intra-sector funds	4612	4420
<i>Capital transfer payments</i>		
Sinking fund transfers	2431	3421

(a) In part.

### Consolidation defined

5.53 Logically, consolidation is a process whereby the payment and receipt sides of the same transaction between units within a particular consolidation grouping of units are matched and removed to produce unduplicated data for the grouping.

### *Consolidation process*

5.54 The system or compilation procedure used by the ABS for consolidation is different from the logical process described above. Instead of matching and eliminating individual consolidatable receipt and payment pairs, the system omits those consolidatable transactions which need to be eliminated from a particular consolidation grouping as defined by the Source/Destination Classification lookup list for that grouping. This has exactly the same effect as matching and eliminating the payment and receipt legs of individual transactions.

### **GFS output database**

#### *Output database structure*

5.55 The output database is made up of 102 consolidation groupings (GFS output sectors) for which data are held. Each consolidation group is determined from unit classification codes (see Table 6.1 and 'Availability of output' in Section 6 for details). For example, there are separate total government, budget, non-budget, general government, and public trading enterprise consolidation groupings (i.e. five groupings) for each jurisdiction. The data held on the output database is in the form of aggregated data.

#### *Purpose of output database*

5.56 The purpose of the output database is to:

- provide a stable database for output and publication purposes which is isolated from the on-going processing that occurs on the input database;
- provide a data store from which the consolidated statistics can be produced with less computing resources than if produced from the input database.

### **Output editing**

5.57 While unit and intra-sector edits (the input edits) check that the classifications applied are legal, the accounts balance and flows between units are reconciled, they cannot of themselves establish that the correct values were coded to the correct classifications. For this reason, another level of editing (output editing) is carried out prior to the publication of the data.

5.58 The first step in output editing is the production of the GFS output tables. These tables are similar in format to the publication tables, i.e. they provide a time series of the main GFS aggregates. These tables are used to identify:

- trends and movements in the data; and,
- major contributors to those trends and movements.

5.59 Significant variations in trend, identified in percentage and/or in dollar value terms, are given the highest priority in the follow-up process. The type of transaction involved is also considered. For example, large or unusual movements in capital expenditures (because of their volatility) are regarded with less concern than movements of similar magnitude in current expenditures. Nonetheless, unusual movements in capital expenditures are investigated to determine their cause, but may be accorded a lower priority.

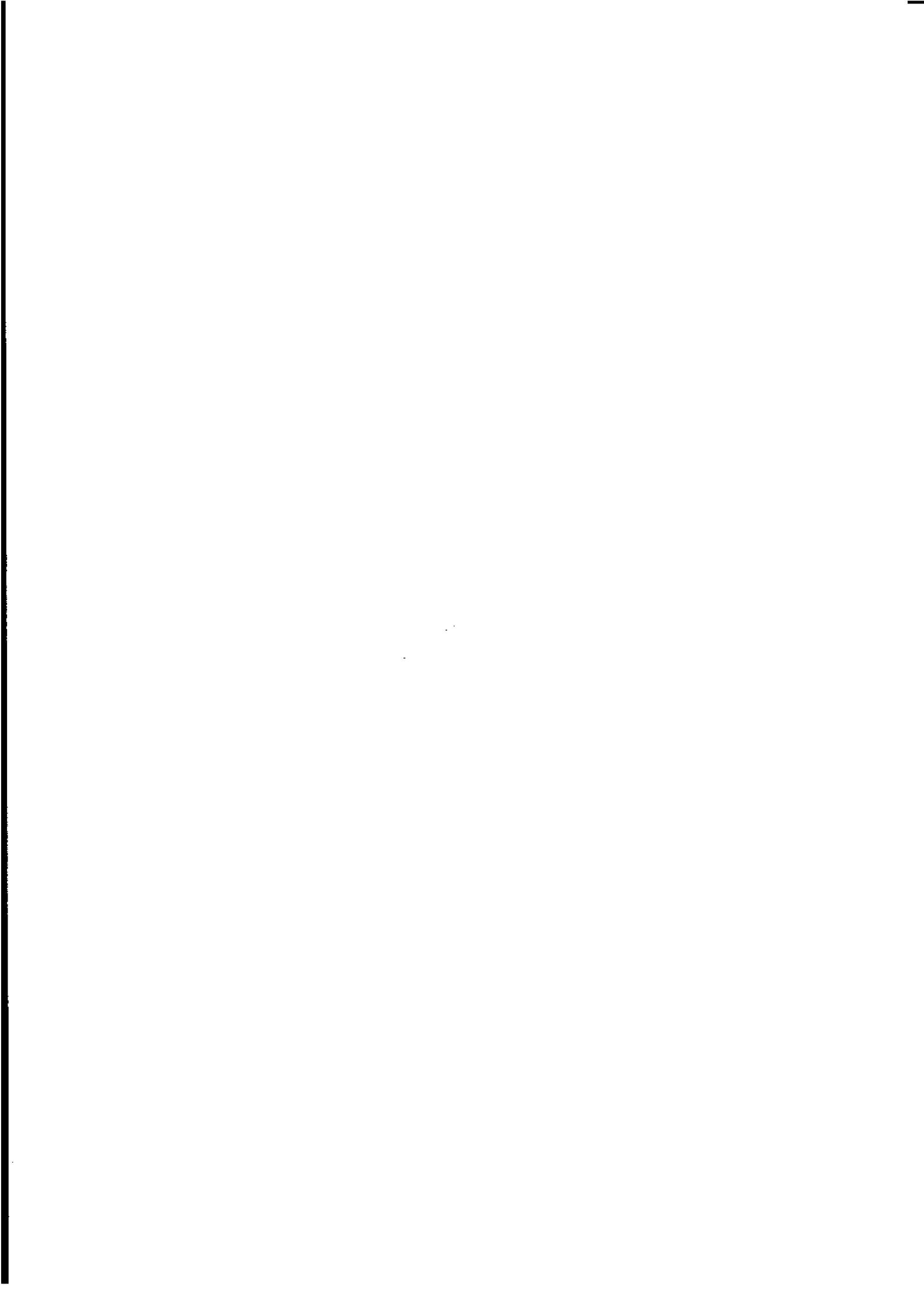
5.60 In addition, relationships between aggregates are also examined. For example, increased borrowings generally lead to increased interest payments in subsequent periods. Thus, if borrowings increase markedly without being reflected in later interest payments then further investigation is necessary.

5.61 Finally, output editing also aims to ensure that the statistics reflect:

- the impact of changes in governments' policies; and,
- trends in finance in the non-financial public sector.

For this aspect of output editing to be effective, awareness of changes in government policy and economic issues generally is essential. In regard to changes in government policy, reference is made to budget papers and press releases.

5.62 Where data are identified as incorrect through output editing, data amendments are applied to the GFS input database. However, if there are only a few amendments, it is sometimes more cost-effective to amend the output database directly.



## Section 6

# Output

### Introduction

6.1 Government finance statistics are disseminated from the output database after updating and editing as discussed in Section 5.

6.2 These statistics are designed to provide a view of the operations of the Australian non-financial public sector so that the economic impact of its transactions can be assessed at the macro level. To this end, the statistics cover:

- the purpose and economic nature of governments' expenditure programs;
- comparative data on the financial position of individual governments arising from their revenue and expenditure programs;
- sources of government revenues and financing.

6.3 This section lists this statistical output and the methods by which it is disseminated.

### Types of output

6.4 The main features of the types of output (i.e. forward annual, preliminary annual, final annual, quarterly data) produced by the ABS GFS system are described below.

#### Forward, preliminary and final statistics

6.5 The main types of output available from the ABS GFS system are referred to as 'forward', 'preliminary' and 'final' government finance statistics. These terms are used

to denote the nature of the data for any given year as it is captured in GFS over successive collection periods. That is, the ABS GFS cycle involves (for any given financial year) the replacement of forward estimates with preliminary estimates of 'actual' data, then the replacement of preliminary estimates with final statistics of 'actual' data.

#### *Forward estimates*

6.6 Each 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 expenditure and revenue for the budget year. This information covers both the budget and non-budget sectors, but excludes local government.

6.7 The ABS compiles and publishes forward estimates (which are the first estimates for any given year) from these data. Because these statistics are based on the *expected* budget position of governments, they can be subject to large revisions (see Section 7 'Accuracy, reliability and timeliness').

#### *Preliminary estimates*

6.8 At the same time as Treasuries compile budget information for the budget year, they also complete accounts of the year just past. These accounts are based on transactions which have actually occurred in the previous budget year. However, given the budget timeframe, the accounts are usually not final or audited at the stage they are used by ABS. Nonetheless, they fulfill their purpose of providing decision-makers with a benchmark against which budgetary measures may be gauged.

6.9 The ABS compiles and publishes preliminary GFS estimates from this source. These estimates are used to replace the forward estimates for the year just past. Preliminary estimates are thus closer to the final statistics but, because they are not final audited data, they are still subject to revision (usually relatively small).

#### Final data

6.10 These statistics are the final data for a given year and are compiled from audited data sources by the ABS. Final data are only rarely revised to any large degree, the usual exception being where the conceptual treatment of items is changed.

#### Quarterly GFS

6.11 Quarterly statistics are compiled using data taken from government financial systems (for general government units) and from data collected in survey forms (for public trading enterprises). These data are primarily compiled to provide general government and public trading sector aggregates for input to the quarterly national accounts. Quarterly GFS data are also used to produce the first annual estimates of 'actual' data for a given financial year.

TABLE 6.1. ABS GOVERNMENT FINANCE STATISTICS OUTPUT SECTORS(a)

	Total	Administrative sector		Institutional sector	
		Budget	Non-budget	General government	Public trading
<i>Commonwealth</i>	✓	✓	✓	✓	✓
<i>States and Territories</i>					
All States	✓	✓	✓	✓	✓
New South Wales	✓	✓	✓	✓	✓
Victoria	✓	✓	✓	✓	✓
Queensland	✓	✓	✓	✓	✓
South Australia	✓	✓	✓	✓	✓
Western Australia	✓	✓	✓	✓	✓
Tasmania	✓	✓	✓	✓	✓
Northern Territory	✓	✓	✓	✓	✓
Australian Capital Territory	✓	✓	✓	✓	✓
<i>Local(b)</i>					
All States	✓	*	*	✓	✓
New South Wales	✓	*	*	✓	✓
Victoria	✓	*	*	✓	✓
Queensland	✓	*	*	✓	✓
South Australia	✓	*	*	✓	✓
Western Australia	✓	*	*	✓	✓
Tasmania	✓	*	*	✓	✓
Northern Territory	✓	*	*	✓	✓
Australian Capital Territory	*	*	*	*	*
<i>States, Territories and local</i>					
All States	✓	*	*	✓	✓
New South Wales	✓	*	*	✓	✓
Victoria	✓	*	*	✓	✓
Queensland	✓	*	*	✓	✓
South Australia	✓	*	*	✓	✓
Western Australia	✓	*	*	✓	✓
Tasmania	✓	*	*	✓	✓
Northern Territory	✓	*	*	✓	✓
Australian Capital Territory	✓	*	*	✓	✓
<i>Commonwealth, States and Territories and local</i>	✓	*	*	✓	✓

(a) ✓ = data available, \* = not applicable. (b) Administrative sector is not applicable for local government output sectors.

6.12 While the quarterly statistics are not yet published in their own right (only broad aggregates are published in the quarterly national accounts), they are available on request.

### Specialised topic output

6.13 Specialised topic output refers to statistics presented in single-topic publications covering taxation revenue, government expenditure on education, and public sector financial assets and liabilities. These are outlined in more detail later in this Section.

### Time series data

6.14 Australian GFS outputs (including specialised output) are generally stored as annual time series. Main government finance statistics aggregates are also available as a quarterly time series as part of the national accounts. The standard length of time series presented in GFS publications is six years. However, output is also available on request as a time series from 1961-62 to the current year.

### Availability of output

6.15 As the output database has the input database as its source, it too contains both unit and transaction classifications. The number of detailed cross-classifications 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 data source documents often makes coding to finer levels impractical.

6.16 However, there is a minimum level of detail to which all data are coded. This level of coding ensures that the most commonly sought after output conforms to a certain (known) quality. In the output database, this level is termed the 'maximum level of output' (see Appendix 1) and is the finest level of detail available for all sectors. It represents a compromise between the availability of data and the level to which GFS classifications can be applied consistently across the various sectors.

6.17 Despite these restrictions, a very large amount of data is potentially available from the output database. Obviously, it is neither desirable nor practical to publish all of this output. ABS GFS publications therefore include only a subset of the data potentially available. Data not published may be requested for a fee (see *GFS Output data requests* below).

6.18 The GFS output database contains data aggregated into 102 'output sectors' i.e. no individual unit level data are held. Table 6.1 indicates the output sectors. These output sectors are a combination of level of government, administrative sector, institutional sector and State of jurisdiction classifications (e.g. Commonwealth general government budget sector).

6.19 Each output sector holds aggregated GFS transactions data classified to the Economic Transactions Framework, which is further cross-classified by Govern-

ment Purpose Classification, Taxes, Fees and Fines Classification, and Fixed Asset Classification where applicable.

### Dissemination of output

6.20 GFS output is disseminated through various media. The most visible forms are ABS government finance statistics publications. Other media are used to disseminate data more detailed than that which is published. These media include computer printouts, photocopied material, clerically-extracted tabulations, data tapes, floppy disks, and diskettes. Generally, a charge is made by the ABS for data supplied through these media.

6.21 A description of the statistics contained in GFS publications and a summary of the detail available from the output database are provided below.

### Main GFS publications

#### *Main annual GFS publications*

6.22 The most important outputs are those compiled at the highest level in the ETF classification hierarchy. These aggregates are the main components of current outlays, capital outlays, revenue, financing, and deficit of the general government, public trading enterprise and consolidated government sectors for the Commonwealth and State/Territory governments (including local government where applicable).

6.23 These aggregates appear in the two main ABS GFS publications:

- *Government Financial Estimates, Australia* (Cat. No. 5501.0); and,
- *Government Finance Statistics, Australia* (Cat. No. 5512.0).

6.24 *Government Financial Estimates* is the first of the two main publications to be released, in October/November each year. Its primary focus is on forward estimates for the budget year and preliminary estimates for the immediate past year. Final outlay, revenue and financing transactions data for the Commonwealth and each State/Territory government by institutional sector for the five years preceding the forward and preliminary years are also included.

6.25 *Government Finance Statistics* is released about March each year. It includes the first release of final data for the last completed year and presents historical time series data cross-classified by GPC.

6.26 Table 6.2 summarises the main GFS data aggregates published for consolidated Commonwealth, State/Territory and local governments by institutional sector, available from the main GFS publications. For a more detailed discussion on the nature and composition of these aggregates and their components, see Section 3.

TABLE 6.2. SUMMARY OF MAIN GFS AGGREGATES PUBLISHED FOR COMMONWEALTH, STATE AND TERRITORY, AND LOCAL GOVERNMENTS(a)

	<i>General government</i>		<i>Public trading enterprises</i>		<i>Consolidated government(b)</i>	
	<i>ETF</i>	<i>GPC</i>	<i>ETF</i>	<i>GPC</i>	<i>ETF</i>	<i>GPC</i>
<i>Current outlays</i>						
General government final consumption expenditure	✓	✓	×	×	✓	✓
Interest payments	✓	×	✓	×	✓	✓
Income transferred by PTEs (net)	×	×	✓	×	×	×
Subsidies paid to enterprises	✓	×	×	×	✓	✓
Personal benefit payments	✓	×	✓	×	✓	✓
Current grants	✓	×	×	×	✓	✓
Other transfer payments	✓	×	✓	×	✓	✓
<i>Capital outlays</i>						
Gross fixed capital expenditure(c)	✓	✓	✓	✓	✓	✓
Expenditure on land and intangible assets (net)	×	×	✓	×	✓	×
Capital grants paid	✓	×	×	×	×	✓
Advances paid (net)	✓	×	×	×	×	✓
Other capital outlays	✓	×	✓	×	✓	✓
<i>Revenue</i>						
Taxes, fees and fines(d)	✓	×	×	×	✓	×
Net operating surpluses of PTEs	×	×	✓	×	✓	×
Interest received	✓	×	✓	×	✓	×
Capital grants received	×	×	✓	×	✓	×
Other revenue	✓	×	✓	×	×	×
<i>Financing</i>						
Increase in provisions	✓	×	✓	×	✓	×
Borrowing	✓	×	✓	×	✓	×
Other financing	✓	×	✓	×	✓	×
<i>Deficit</i>						
Current	✓	×	✓	×	✓	×
Capital	✓	×	✓	×	✓	×

(a) ✓ = data published. × = not applicable. Each of the ticked items is 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. (b) Consolidated total of general government and public trading sectors, i.e. the non-financial public sector. (c) This is also cross-classified by FAC. (d) This is also published by TFFC in *Taxation Revenue, Australia* (Cat. No. 5506.0).

### *Jurisdiction-specific GFS publications*

6.27 In addition to the national publications outlined above, there are a number of State-specific annual publications released by ABS State Offices which mainly cover local government finance statistics. These publications are:

- *Local Government Finance, New South Wales* (Cat. No. 5502.1, discontinued, final issue 1992)
- *Local Government Finance, Victoria* (Cat. No. 5501.2, discontinued, final issue 1992-93)
- *Local Government, Queensland* (Cat. No. 5502.3)
- *Local Government, Western Australia* (Cat. No. 1303.5, discontinued, final issue 1990-91)
- *Local Government Finance, South Australia* (Cat. No. 5502.4, discontinued, final issue 1991-92)
- *State and Local Authorities Finance, South Australia* (Cat. No. 5503.4, discontinued, final issue 1991-92)

- *Government Finance Statistics, Tasmania* (Cat. No. 5501.6)

### *Other GFS-related ABS publications*

6.28 ABS publications which *indirectly* disseminate government finance statistics are:

- *Australian National Accounts: National Income, Expenditure and Product* (Cat. No. 5204.0) — this annual publication includes income and outlay and capital accounts for general government and public trading enterprises.
- *Australian National Accounts: National Income, Expenditure and Product* (Cat. No. 5206.0) — this quarterly publication contains data similar to those in 5204.0, and also contains GFS quarterly data which are not published elsewhere.
- *Australian National Accounts: State Accounts* (Cat. No. 5220.0) — this annual publication includes income and outlay and capital accounts for State and



local general government and public trading enterprises.

### GFS publications on specialised topics

6.29 Specialised GFS publications are produced for taxation revenue, expenditure on education and public sector financial assets and liabilities. The statistics they contain are summarised below.

#### *Taxation revenue*

6.30 Taxation data are released in the annual ABS publication *Taxation Revenue, Australia* (Cat. No. 5506.0), which focuses on revenue of all levels of Australian government in the form of taxes, fees and fines. 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. The publication presents a time series of six years. Some figures relating to taxes per head of mean population are also included.

6.31 The main taxation items published at 1-digit and 2-digit TFFC (see Appendix 1) for each level of government and all levels combined are:

#### TAXES ON INCOME

- Income taxes levied on individuals
- Income taxes levied on enterprise
- Income taxes levied on non-residents

#### EMPLOYERS' PAYROLL TAXES

- General payroll taxes
- Selective payroll taxes
- Fringe benefits tax

#### TAXES ON PROPERTY

- Taxes on immovable property
- Taxes on financial and capital transactions

#### TAXES ON THE PROVISION OF GOODS AND SERVICES

- Sales tax
- Excises and levies
- Taxes on international trade
- Taxes on gambling
- Taxes on insurance

#### TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES

- Motor vehicle taxes
- Franchise taxes
- Other taxes on the use of goods and performance of activities

#### FEES AND FINES

- Compulsory fees
- Fines

6.32 Tax revenue items at the 3-digit TFFC are also published for all levels of government combined.

6.33 Note that income taxes and excise (except for agricultural production taxes and levies on statutory corporations) categories are not applicable to State and local government.

#### *Expenditure on education*

6.34 These statistics are published in *Expenditure on Education, Australia* (Cat. No. 5510.0), an annual publication which focuses on the extent and direction of expenditure on education by economic type (e.g. current, capital) by all levels of Australian government and the private sector. Statistics are also presented on government expenditures cross-classified by education-related GPCs.

6.35 Major components of total government and private outlays on education published are:

#### GOVERNMENT OUTLAYS

- General government final consumption expenditure
- Personal benefit payments
- Current grants to non-profit institutions
- Current grants to other levels of government
- Expenditure on new fixed assets
- Expenditure on secondhand fixed assets (net)
- Advances to persons for Higher Education Contribution Scheme purposes
- Capital grants to non-profit institutions
- Capital grants to other levels of government
- Other outlays

Note that for State and local government, *outlays financed from own resources* is shown. This item is derived by de-

ducting grants from the Commonwealth for education purposes from total State/Territory government outlays and by subtracting State/Territory government grants for education purposes from total local outlays.

#### PRIVATE OUTLAYS

- Private final consumption expenditure financed from private sources (private final consumption expenditure less current grants from government to non-profit institutions for education)
- Gross fixed capital expenditure financed from private sources (gross fixed capital expenditure less capital grants and advances from government to persons and non-profit institutions for education)

Note that the statistics for the private sector are based on Australian national accounts data and not on GFS data sources. Data on the private sector are included to provide a picture of total outlays on education within Australia.

#### *Public sector financial assets and liabilities*

6.36 Statistics on the financial assets and liabilities of Australian governments and their general government and public trading sectors appear in the annual ABS publication *Public Sector Financial Assets and Liabilities, Australia* (Cat. No. 5513.0). Its primary focus is upon the net debt of the Commonwealth and State governments. This annual publication contains aggregated two-year time series data on Australian governments' net debt and its components and unfunded employee entitlements as at 30 June.

6.37 The data items published in respect of each jurisdiction are:

#### LIABILITIES

- Deposits held
- Advances received
- Other borrowing
- Total — deposits, advances and borrowing
- Unfunded employee entitlements

#### FINANCIAL ASSETS

- Cash and deposits made
- Advances paid
- Other lending
- Total — deposits, advances and lending

#### NET DEBT

- Total — liabilities above (excluding unfunded employee entitlements) less total financial assets above.

#### Special data services

6.38 Special data services take the form of special hard-copy tables (clerical or computer tabulations), input or output data listings, floppy disks, etc. more tailored to the user's requirements and made available for a fee.

6.39 The services are for users who require more detailed or specialised data than can be efficiently provided in publications.

6.40 The maximum level of output detail available has been specified in the first part of Appendix 1 as a series of matrices of GFS classification combinations while the classification descriptors are covered in the second part. These matrices are targeted at those specialist or in-depth users who require access to the statistical coding structure in order to frame requests for data beyond those contained in regular publications of the ABS.

6.41 When using the output matrices in Appendix 1, readers should note that not all GFS classifications apply to all institutional sectors and that subsidiary classifications only apply to some ETF codes. Thus, the following need to be taken into account:

- Economic Transactions Framework — categories which apply exclusively to general government enterprise transactions are ETF 11, ETF 131, ETF 132, ETF 1343, ETF 31, ETF 332, ETF 3411, ETF 3414, ETF 3501, ETF 4622, ETF 4722, ETF 4723, and those which apply exclusively to public trading enterprise transactions are ETF 122, ETF 1341, ETF 1348, ETF 32, ETF 471, ETF 4721 and ETF 473;
- Government Purpose Classification — certain GPC subgroups are only applicable to particular transactions; for example, GPC 1410 (Public debt transactions) only applies to ETF 121 (Interest payments) transactions;
- Taxes, Fees and Fines Classification — there are restrictions on the applicability of TFFC codes according to level of government, for example income taxes (TFFC 1) only apply to Commonwealth government ETF 31 transactions, while local government ETF 31 transactions are restricted to taxes on immovable property (TFFC 31) and fees and fines (TFFC 9);
- Fixed Asset Classification — this subsidiary classification only applies to ETF 21 transactions (Gross fixed capital expenditure);
- State of Activity Classification — this classification only applies to Commonwealth government transactions classified to ETF 1333, ETF 2420, ETF 2541, ETF 2542 and ETF 3335.

#### International statistics

6.42 In addition to meeting domestic needs, the ABS

also provides Australian GFS data to the IMF and 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 Australian governments with that of other countries' governments.

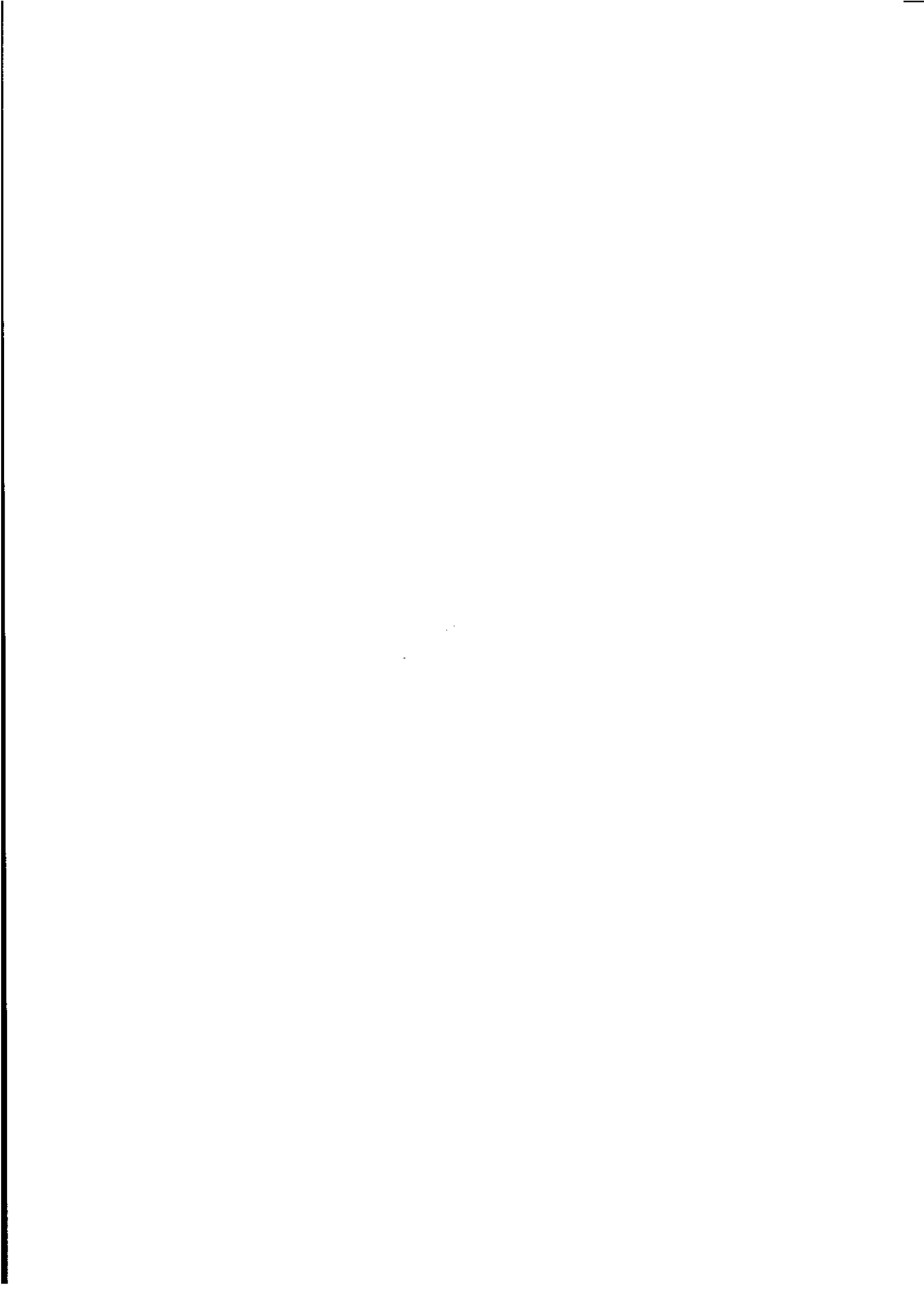
### **GFS output data requests**

6.43 Users of ABS government finance statistics 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 budget sector;

- select the ETF category required (for applicability to sector, see the output matrices in Appendix 1);
- select the subsidiary GFS classification required, e.g. GPC (again, Appendix 1 output matrices need to be read to determine applicability to output sector and ETF); and,
- send the data request to the ABS contact officer.

6.44 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 will be required to accept the quote for the work before the ABS proceeds with it.



## Section 7

# Accuracy, reliability and timeliness

### Introduction

7.1 The previous Section dealt with GFS output. This Section discusses the overall quality of this output in terms of the more easily measurable attributes of accuracy, reliability and timeliness.

7.2 In any statistical undertaking there is usually some trade-off between accuracy, reliability and timeliness. This trade-off involves balancing the timing requirements for data for input to policy making against the resource costs (of the ABS and data suppliers) of collecting and producing the statistics at the required degree of accuracy and reliability. Generally, any increase in timeliness is at the expense of accuracy and reliability.

7.3 There are a number of factors which affect the accuracy, reliability and timeliness of ABS GFS output. These are discussed in the following subsection. Before proceeding, the terms 'accuracy' and 'reliability' as used here need to be defined.

7.4 These terms are defined as follows:

- *accuracy* — the closeness of an estimate to the 'true' value;
- *reliability* — the stability of an estimate as measured by the size and frequency of its revision over time.

7.5 These two measurements must be taken together, as it is always possible to have a figure which is reliable because it is infrequently revised but is always inaccurate. Generally, the greater the size and frequency of an estimate's revision, the more unreliable it is.

### Factors affecting accuracy and reliability

7.6 When assessing the accuracy and reliability of ABS GFS output, it is essential to take the statistical production cycle into account. For any given year, forward estimates are replaced by preliminary estimates and preliminary estimates are replaced by final data. Thus, large revisions could occur simply because forward (budget expectations) data are replaced by input data based on actual transactions (the preliminary and final data).

7.7 The nature of the production cycle means that while the ABS may be meticulously accurate in compiling the forward estimates based on budget information provided by respondents, it has no control over the data 'reliability' as defined above. Revisions to the data, especially from forward to preliminary (and to a lesser extent from preliminary to final), therefore have to be accepted as an inherent feature of the data and the production cycle.

7.8 In addition to production cycle effects, there are a number of other factors which affect the accuracy and

reliability of ABS government finance statistics. These include:

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

These factors are discussed below.

### Source data

7.9 The quality of output is influenced by the nature of the source data available during the different phases of the GFS statistical cycle. That is, the use of different 'versions' of annual source data (forward, preliminary, final) and quarterly survey data affects the quality of output. These issues are broadly covered in the following text.

#### *Forward estimates*

7.10 Forward estimates are derived as part of government budget formulation processes. As such data are based upon expectations relating to government policies (and the measures by which they will be funded), 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.

7.11 In general, because governments have direct control over much of their outlays, they can anticipate final outlay outcomes fairly well. While governments do set down revenue targets for the budget year, the extent of control they have over final revenue outcomes is not as strong as that for outlays. This is because the level of major items such as taxation revenue depends upon the level of economic activity. Similarly, financing transactions are difficult to anticipate in terms of final outcomes because these depend on the realisation of anticipated outlay and revenue positions.

7.12 The forward GFS data are not as complete or as detailed as final annual data. This lack of detail in the forward data affect the accuracy of the aggregate 'other financing transactions', which is derived as a residual and therefore reflects any errors or omissions in the component data.

7.13 It should be noted that the forward estimates are not, for the most part, statistical projections or extrapola-

tions generated by the ABS based on benchmark or historical data and assumptions relating to the impact of fiscal and monetary policies. For budget entities, these estimates are made wholly by Treasuries/Departments of Finance based on planned or anticipated government policies. For the non-budget sector, the ABS relies on estimates reported by individual entities, except in a small minority of cases where, for reasons of late response, it may be compelled to use its own indicative estimates rather than endanger publication deadlines.

#### *Preliminary estimates*

7.14 Preliminary estimates are, like the forward estimates, a product of government budget formulation processes. However, as the data are based upon actual outcomes and transactions, they are far more accurate and reliable. These estimates, while highly representative of what has occurred in the year just past, are subject to revision because they are replaced by final audited data.

7.15 In the ABS GFS cycle, the preliminary estimates provide the first check of the reliability of the forward estimates and replace those estimates in the GFS system.

#### *Final data*

7.16 Final data are the complete audited data for any jurisdiction for any given year, which replace the preliminary data for that year. These data have a good level of detail and lack of completeness is not generally a problem.

7.17 However, some dissections required by GFS users are not normally available in financial statements and audited accounts and these have to be estimated. The dissections of final data which are estimated by the ABS are:

- *State-level estimates of Commonwealth government aggregates* — State-level figures for Commonwealth general government final consumption expenditure, personal benefit payments and gross fixed capital expenditure are derived for input into *Australian National Accounts: State Accounts* (Cat. No. 5220.0) using distributive factors based on indicator data series which vary in terms of quality and timeliness;
- *splits of other GFS aggregates* — splits of aggregates required for input to the national accounts (e.g. direct/indirect splits of taxes, splits of fixed assets by type) are not always available from final source data, so prorating factors derived from indicator data or quarterly survey data are applied to the aggregates to produce the required dissections.

#### *Quarterly data*

7.18 The accuracy and reliability of quarterly data are affected by the method by which they are compiled (see paragraph 5.5). Due to this method, quarterly data:

- include a higher proportion of estimated data than preliminary and final data (see 'Estimation errors' below);
- have a higher frequency of revision due to amendment, replacement or reclassification of final annual data used as benchmarks and changes or additions to indicator data series (see 'Revisions policy' below).

### Data collection timetables

7.19 Timetables for the collection and processing of GFS quarterly and annual data are very tight of necessity because users require the data as input to their own time-constrained programs. Production target dates are set mainly to meet:

- the quarterly national accounts timetable which requires the supply of quarterly GFS one month before the accounts are published (this is usually two months after the end of the quarter); and,
- the requirement for the ABS to publish, under an agreement on the uniform presentation of government financial information endorsed by the May 1991 Premiers' Conference, *Government Finance Estimates, Australia* (Cat. No. 5501.0) within two months of the last government budget being brought down i.e. usually towards the end of October each year.

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

- the supply of good quality data by respondents;
- 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 put through.

7.21 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, resulting in trade-offs between accuracy and timeliness.

7.22 Timeliness of GFS output differs for the different streams of data. Forward and quarterly estimates are the most timely, followed by preliminary data. The final data are the least timely GFS output.

7.23 However, the 'uniform presentation' agreement (refer to pp 43-44 (Appendix 1) of the 1992-93 issue of Cat. No. 5501.0 for details) has improved both the timeliness and the accuracy of GFS output. This has come about because Commonwealth, State and Territory governments

have agreed to present (in their budget documentation) a set of core government financial information based on the same standards which underlie statistics published by the ABS. As a result, data are made available to the ABS earlier than in the past and in a format which allows the faster and more accurate compilation of Australian totals for each sector and the non-financial public sector as a whole.

### Coverage

7.24 As noted in Section 3, the scope of GFS is the whole of the non-financial public sector in Australia. To reflect this scope, a register of all units is kept as complete and up-to-date as possible.

7.25 Not all in-scope enterprises on the units register are individually covered in GFS because:

- the cost of collecting data from small units outweighs gains in accuracy and reliability;
- separate data for some units are not readily available.

7.26 The way in which individual units are covered in GFS dictates the level of data estimation, which affects the quality of GFS.

7.27 In GFS, most units are 'directly' covered while other units are 'indirectly' covered. A *directly covered unit* is one for which data about the unit's transactions are included in GFS. An *indirectly covered unit* is one for which transactions are 'imputed' on the basis of its transactions with directly covered units recorded against those units.

7.28 Indirect coverage of units is employed where a unit's data are not readily available, or are not sufficiently timely, or where the level of the unit's operations does not warrant the cost of direct coverage. The two main groups of units which tend to be indirectly covered are hospitals and universities.

7.29 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 general assessment is that (with perhaps the exception of hospitals) it is not great.

7.30 There are also a number of units which, while in-scope, 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. Only a small number of units are excluded from the coverage of final GFS.

### Accounting bases

7.31 Data inaccuracies can arise because of different accounting bases. For instance, most general government enterprises and some public trading enterprises use a cash accounting system. Most public trading enterprises and some general government enterprises use an accrual accounting system.

7.32 Further complications occur because some jurisdictions are in the process of introducing accruals accounting for all enterprises currently using cash accounting which, as noted above, are mainly general government enterprises.

7.33 The use of different accounting bases can lead to inconsistent recording of transactions between inscope enterprises. For example, general government enterprises using a cash accounting system may record payments made to the public trading enterprises sector during the quarter or financial year at the time they were made. On the other hand, public trading enterprises using an accrual system can record the corresponding receipt of the general government payments as belonging to a different quarter or financial year because the accruals basis of accounting assigns transactions to the period in which assets or liabilities accrue and not to the period in which the cash payments relating to the transactions were actually made.

### Estimation errors

7.34 Except for the minor exclusions identified under 'Coverage' above, the final annual and preliminary data are compiled from complete enumerations (censuses) for all levels of government. The forward estimates are also censuses, apart from the local government component which is extrapolated from benchmark data. The quarterly data are compiled using full enumeration for the budget sectors and some sampling of the non-budget sectors. Most of the statistics produced by the GFS system are therefore complete enumerations of the units and transactions of interest.

7.35 Probability samples of local government authorities are used to produce quarterly estimates for the local government sector. As well, to reduce costs, a small degree of undercoverage of transactions and units is built into the collection of quarterly data from non-budget units for all levels of government and estimation techniques are used to account for this undercoverage.

7.36 The estimation techniques involve assuming that the relationships between the collected and uncollected transactions and units that existed in the last annual benchmark census remain the same in the current quarter. The estimates made for the uncollected transactions and units represent only a very small proportion of the value recorded for the data items concerned.

7.37 The size of the probability sample used in the quarterly local government collection produces sample errors for major aggregates at the Australian level of around 4 per-cent. Other estimation errors arising from the adjustments made for undercoverage built into the quarterly collection cannot be readily quantified. Since these adjustments comprise only a very small part of the totals, errors arising from this source will be very small.

### Data processing errors

7.38 The ABS GFS processing system has been designed to incorporate a series of data checks and edits (see Section 5) whose purpose is to minimise or eliminate

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.

7.39 In the first case, this amounts to trading-off accuracy for timeliness. The errors in question are usually small. In the second case, any serious data errors are detected by other checks (e.g. output editing).

7.40 Misreporting may occur when a data supplier either provides an incorrect figure, or has to estimate for data not readily available from accounting records. Errors can also occur because analysts may either transcribe a transaction incorrectly, or misclassify transactions in such a way that the errors are not visible to the editing system (from experience these errors are usually small).

### Consolidation

7.41 Inaccuracies may arise during the process of consolidating data. This can occur where no source/destination distinction is made for certain intrasector transactions. This has the effect that, while consolidation occurs correctly at the 2-digit ETF level at which GFS are published, overcounting will occur at finer levels of the ETF due to imperfect consolidations.

7.42 Sales and purchases of goods and services within the general government sector arising out of the widespread practice of interdepartmental charging is a good example of consolidation inaccuracy. For instance, when goods are sold by one general government unit to another unit in the same grouping, GFS will record the sales receipt against the producer unit and the expenditure against the consumer unit. Because source/destination information is not always available, these transactions cannot be netted off at the gross current expenditure/receipts from sales level. This means that both current expenditures and sales receipts are overcounted to some degree at the 3-digit ETF level. However, such transactions are offset at the 2-digit ETF level when final consumption expenditure is calculated.

7.43 Another example is the payment of subsidies by general government to public trading enterprises and the receipts of those subsidies by public trading enterprises. These can be classified differently by the paying and receiving parties. This occurs because general government pays both subsidies and capital grants to PTEs and will record them as such. On the other hand, PTEs can receive both payments together and can record the total amount in their accounts as subsidies.

7.44 Different amounts can also be recorded by the paying and receiving units even if both sides agree on the type of payment because the units are using different accounting bases. That is, one unit may be on a cash base and the other unit on an accruals base which affects matching of transactions through differences in the timing of transaction recording.



7.45 Errors such as those discussed above will contribute to consolidation errors and are difficult to identify during the edit/amend phase of GFS production. While considerable effort is made to eliminate these errors, there will always be some residual ones because insufficient information is available to detect them.

### Revisions policy

7.46 It is general ABS policy to incorporate the latest information available into any statistical series produced. In the case of GFS, revisions to data are put through at set periods to coincide with the requirements of the national accounts and the main GFS publications. This means that GFS data will have a degree of inaccuracy until revisions are put through, but will remain stable in that period.

7.47 The periods when revisions are made to GFS data are:

- *quarterly data* — revisions are made to quarterly data usually at the time June and December quarter estimates are produced for inclusion in the national accounts;
- *other data* — revisions to other GFS data are made when the sum of four quarters data is supplied for input to government budgetary processes, when *Government Finance Statistics, Australia* (Cat. No. 5512.0) is released, and when *Government Financial Estimates, Australia* (Cat. No. 5501.0) is released.

### Assessment of accuracy and reliability

7.48 This part contains assessments of the reliability and accuracy of the main annual and quarterly GFS aggregates for institutional sectors. Assessments of the quality of the data have been made by combining accuracy and reliability measures into a data quality indicator. A summary of the quality of main aggregates for the general government, public trading enterprise, and consolidated government sectors of Commonwealth, State and local governments is shown in the table at the end of this subsection.

7.49 It bears repeating here that while comparisons have been made between forward, preliminary and sum of quarters data by relating these to final data, differences between these estimates reflect the abilities of Treasuries to forecast revenues and expenditures (in the case of forward estimates) and trade-offs between accuracy and timeliness made by the ABS.

7.50 A broad outline of the assessment methodology used is discussed below.

#### Assessment methodology

##### Accuracy

7.51 The accuracy of main aggregates was gauged by comparing forward, preliminary and sum of quarters data with final data. This comparison was made on the assumption

that the final data (because they are based on finalised and audited actual transactions data) represent the 'true' values.

7.52 Comparisons were made in terms of percent differences between forward, preliminary and sum of quarters data compared with final data. Generally, a small percentage difference between the forward and preliminary estimates and the final data was taken to indicate high accuracy and a large percentage difference as indicating low accuracy. The following ratings scale (which relates to percentage differences) was used to describe accuracy:

	-5%	<	High	<	5%
	5%	≤	Fair	<	20%
or	-5%	≥	Fair	>	-20%
	-20%	≥	Low	≥	20%

7.53 While the choice of percentages described as 'high', 'fair' and 'low' was arbitrary, the ratings provide a simple way to summarise the accuracy and reliability of GFS data.

7.54 Percentage differences between forward and preliminary estimates and final data were calculated using statistics published in issues of *Government Financial Estimates, Australia* (Cat. No. 5501.0) and final statistics taken from the latest issue of *Government Finance Statistics, Australia* (Cat. No. 5512.0). Percentage differences between the sum of quarterly data and final GFS data were calculated using special tabulations.

7.55 All comparisons were based on time series covering the last six years, which correspond to the time series appearing in most publications. Assessments were restricted to the main GFS aggregates, i.e. current outlays, capital outlays, revenue and grants received, and financing.

##### Reliability

7.56 The frequency and size of revisions to the data released at each stage in the processing cycle were used as indicators of the reliability of the data. That is, data released at a stage were deemed less reliable if they were subject to more frequent revisions or large periodic revisions. Comparisons were also made between the different data releases (e.g. forward to preliminary, preliminary to final) to determine which ones were the most reliable. For data relating to individual quarters, comparisons were made of revisions from the first to the final estimate for that quarter.

7.57 Reliability assessments were also restricted to the same limited time series and main GFS aggregates as those for accuracy. The same rating scale used to assess accuracy as either high, fair or low, with the same percentage differences, was also applied to assess reliability.

##### Quality

7.58 To provide an overall quality assessment of GFS

aggregates, a ratings scale combining the accuracy and reliability assessments was used. The joining of the separate indicators into a single data quality indicator was achieved by first examining the accuracy of the various data streams and then combining this with the reliability indicator according to the following decision table:

**GFS QUALITY ASSESSMENT INDICATOR**

<i>Quality assessment</i>	<i>Accuracy assessment</i>	<i>Reliability assessment</i>
<i>High</i>	High	High
	High	Fair
<i>Fair</i>	High	Low
	Fair	High
	Fair	Fair
<i>Low</i>	Fair	Low
	Low	High
	Low	Fair
	Low	Low

### Quality of GFS

7.59 The quality of the main GFS aggregates depends upon whether they are forward estimates, preliminary estimates, final data, or quarterly estimates. The accuracy and reliability of these data releases in turn depend upon the completeness of the data, the correctness of transaction classification and the thoroughness of data checking. In the following text, the quality of the various data releases is discussed in broad terms and a more detailed overall assessment is presented in the table.

#### *Forward estimates*

7.60 The accuracy of forward estimates depends upon how closely budget estimates for expected government outlays, revenue and financing for the forthcoming year represent final outcomes (as discussed in 'Source data' above). This factor makes the forward estimates the least accurate of the data releases.

7.61 As the forward estimates are replaced by preliminary estimates, they are not really revised in a technical sense. This means that the issue of reliability (as defined in the introduction to this Section) is not relevant to forward estimates. However, given that forward estimates are 'best estimates', their overall reliability can be qualitatively assessed as poorer than that of the preliminary and final data.

7.62 Taking the above factors into account (and comparing them to the other data streams), forward estimates can be said to be at the lower end of the quality scale.

#### *Preliminary estimates*

7.63 Preliminary data have a high degree of reliability and accuracy because they are compiled from actual or near-actual transactions. Changes in GFS aggregates from preliminary estimates to final data are generally much less than from forward estimates to final data. The differences between preliminary and final data are due to the fact that preliminary estimates, while based on actual transactions, are mostly unaudited data.

7.64 The preliminary estimates can be regarded as more reliable and accurate than forward estimates, but less accurate than the final data which replaces them. Overall, the quality of the preliminary data is high.

#### *Final data*

7.65 The accuracy of final data is high because the statistics are mostly based on audited financial statements and accounts. In fact, the final data should be regarded as the most accurate of all the GFS data releases.

7.66 The final data are subject to some revision. These revisions are *ad hoc* in nature and occur as result of classificatory reviews. These reviews can lead to the reclassification of data items which usually means revision of the GFS time series as well. Since such revisions occur infrequently, the reliability of the final data is high.

7.67 The quality of final data is at the high end of the scale.

#### *Quarterly estimates*

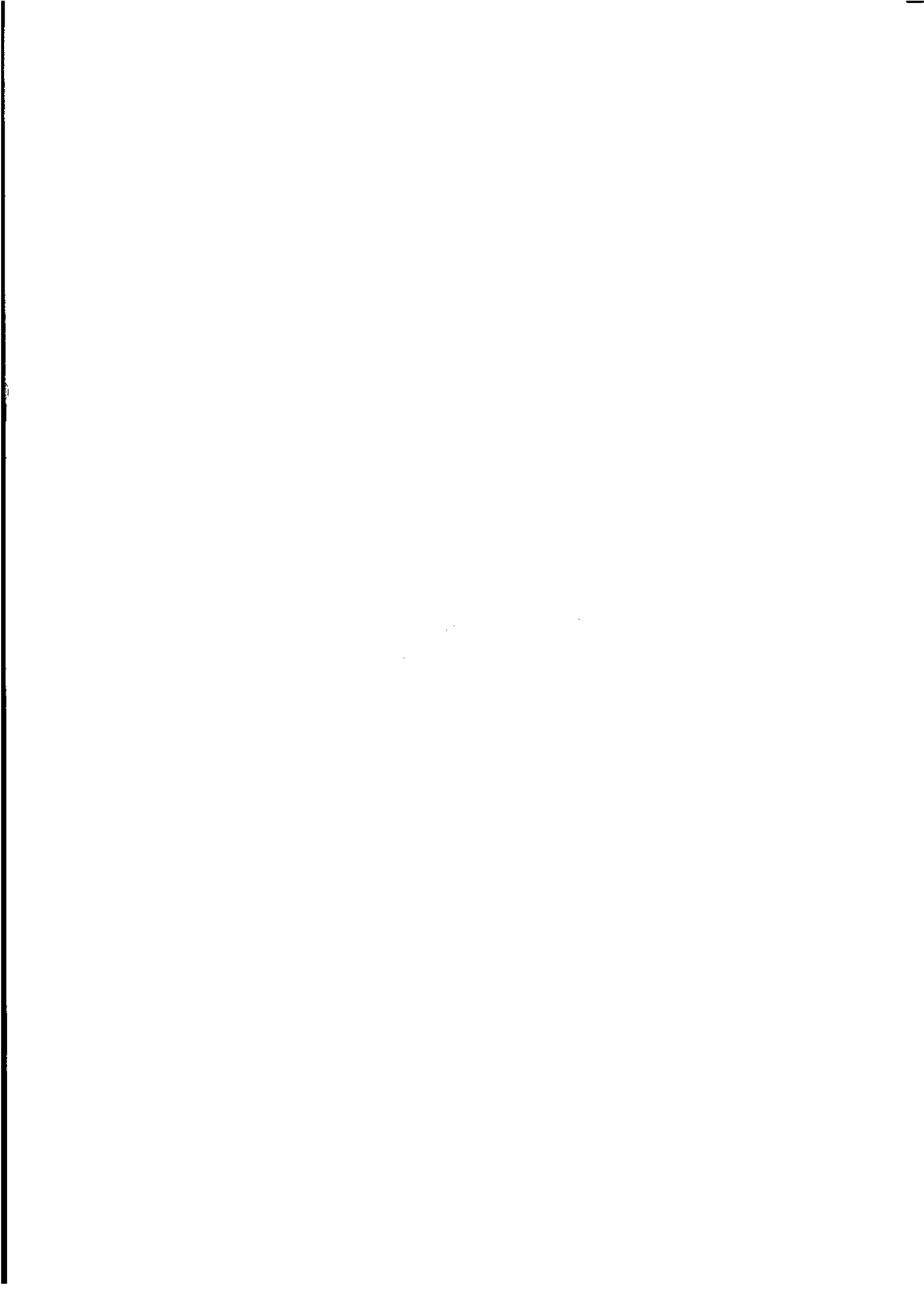
7.68 While reasonably objective assessments of accuracy and reliability can be made for annual statistics (forward, preliminary, final), a more subjective assessment applies to quarterly estimates. This arises because of the nature of the quarterly data (see 'Source data' and 'Estimation errors', above).

7.69 Assessments of the quality of quarterly estimates therefore depends upon informed judgment to a large degree. In general, the quality of quarterly estimates (individual quarters and sum of four quarters) falls between that of the forward and preliminary annual estimates.

## SUMMARY ASSESSMENT OF THE QUALITY OF MAIN GOVERNMENT FINANCE STATISTICS AGGREGATES

	<i>Current outlays (ETF 1)</i>	<i>Capital outlays (ETF 2)</i>	<i>Revenue and grants received (ETF 3)</i>	<i>Financing Transactions (ETF 4)</i>
<b>Commonwealth government sector</b>				
<i>General government</i>				
Forward	High	Fair	High	Low
Preliminary	High	Fair	High	High
Final	High	High	High	High
Quarterly (including sum of quarters)	High	Low	Fair	n.a.
<i>Public trading enterprises</i>				
Forward	Fair	Low	Low	Low
Preliminary	Fair	Fair	Fair	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	Fair	Low	Low	n.a.
<i>Consolidated government</i>				
Forward	High	Fair	High	Low
Preliminary	High	Fair	High	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	High	Low	Fair	n.a.
<b>State and local government sector</b>				
<i>General government</i>				
Forward	High	Fair	High	Low
Preliminary	High	High	High	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	High	Low	High	n.a.
<i>Public trading enterprises</i>				
Forward	Fair	Fair	High	Low
Preliminary	High	High	High	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	Fair	Fair	Fair	n.a.
<i>Consolidated government</i>				
Forward	High	Fair	High	Low
Preliminary	High	High	High	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	High	Low	Fair	n.a.
<b>Commonwealth, State and local government sector</b>				
<i>General government</i>				
Forward	High	Fair	High	Low
Preliminary	High	High	High	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	High	Low	Fair	n.a.
<i>Public trading enterprises</i>				
Forward	Fair	Fair	Fair	Fair
Preliminary	Fair	Fair	Fair	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	Fair	Low	Fair	n.a.
<i>Consolidated government</i>				
Forward	High	Fair	High	Low
Preliminary	High	High	High	Fair
Final	High	High	High	High
Quarterly (including sum of quarters)	High	Low	Fair	n.a.

n.a. not applicable since the full range of quarterly financing data is currently not collected.



## Section 8

# Relationship to other statistical systems

## Relationship to the IMF GFS statistical system

### Introduction

8.1 The analytical framework for GFS as promulgated by the IMF, in its *A Manual on Government Finance Statistics, 1986*, is discussed in Section 2. The associated classifications incorporate the major aggregates for the government sector and the non-financial public enterprises sector. These aggregates include revenue and grants, expenditure and lending minus repayments, capital assets and financing.

8.2 The Australian framework for GFS is discussed in Section 3. It is mainly embodied in the structure of the Economic Transactions Framework (ETF). The major aggregates presented in the ETF are current outlays, capital outlays (including advances paid), revenue and grants received, and financing transactions.

8.3 For the most part, the IMF and ABS analytical frameworks are conceptually the same. There are differences in the presentation of the associated classifications.

8.4 The IMF provides separate classifications for government revenue and grants, expenditure and financing, as well as a separate classification for the transactions of non-financial public enterprises. On the other hand, the ETF classification incorporates all general government and PTE transactions in the one structure.

8.5 Some aggregates in the IMF classifications are presented on a gross basis and others on a net basis. This follows the general IMF principle of recording non-repayable transactions on a gross basis and repayable transactions on a net basis. As a general rule, gross aggregates do not include offsets for negative receipts or payments, whereas net aggregates do. There are, of course, exceptions to this rule as outlined in Section 3.

8.6 The IMF records expenditure, revenue and grants on a gross basis. It records lending minus repayments, financing and capital assets of non-financial public enterprises on a net basis.

8.7 The ETF records current and capital outlays (except advances paid), and revenue and grants received on a gross basis. It records advances paid and financing on a net basis.

8.8 This subsection compares the IMF analytical framework with the ABS analytical framework in terms of the associated classifications. One part of this subsection deals with general government aggregates, and the other with PTE aggregates. Each part describes the IMF and ETF classifications for the major aggregates. It then highlights any differences between the two systems. A table summarising the relationship between the two systems appears at the end of each part.

### General government aggregates

8.9 Table A of the IMF Manual on GFS presents the

classification for government revenue and grants. Table B outlines the classification of the functions of government. Table C presents the economic classification of government expenditure and lending minus repayments. Table D presents a classification of financing by type of debt holder and Table E presents a classification of financing by type of debt instrument. Space limitations prevent reproduction of the tables in this publication. Copies of the IMF manual can be loaned by the ABS to interested users on request.

### *Current and capital outlays*

8.10 Current expenditure, capital expenditure, and lending minus repayments are the major categories in the IMF classification (Table C). Current expenditure includes expenditure on goods and services, interest payments, and subsidies and other current transfers. Capital expenditure includes acquisition of fixed capital assets, purchases of stocks, purchases of land and intangible assets, and capital transfers. Lending minus repayments covers government payments which give rise to financial claims on others or to government equity participation in the ownership of enterprises, minus government receipts reducing or extinguishing such claims or equity holdings, undertaken for public policy purposes rather than for liquidity management or investment purposes.

8.11 In the ETF, current outlays consist of general government final consumption expenditure (ETF 11), required current transfer payments (ETF 12) and unrequited current transfer payments (ETF 13). Capital outlays consist of gross fixed capital expenditure (ETF 21), increase in stocks (ETF 22), net expenditure on land and intangible assets (ETF 23), capital transfer payments (ETF 24), and net advances paid (ETF 25).

8.12 All categories in the IMF total expenditure classification are payment items. The ETF has a number of receipt items in its current and capital outlays structure. These selected receipts are offset within outlays to compile net flows commonly required on this basis in national accounting. ETF 112 (receipts from sales, reimbursements and superannuation contributions) in conjunction with ETF 111 (gross current expenditure) provides a measure for general government final consumption expenditure. ETF 2112 (reimbursements received for capital work done for others), ETF 2122 (sales of previously rented dwellings), ETF 2123 (sales of other secondhand fixed assets), part of ETF 2200 (increase in stocks), ETF 2312 (sales of land), and ETF 2322 (sales of intangible assets) are receipt items. These items provide a net measurement of the associated expenditure.

8.13 Lending minus repayments in the IMF is equivalent to net advances paid in the ETF. The IMF categories are presented on a net basis, whereas the ETF categories are presented on a gross basis with both payment and receipt items included. These together provide a net measurement of advances paid.

8.14 The IMF does not provide a specific category for land rent, royalties and dividends paid (ETF 123) by the general government sector. It treats all current transfer

payments as being unrequited. In the ETF, current transfer payments can be both unrequited and required.

### *Revenue and grants received*

8.15 In the IMF classification (Table A), government revenue and grants consist of tax revenue, non-tax revenue, capital revenue and grants. In the ETF, revenue and grants received consists of taxes, fees and fines (ETF 31), property income (ETF 33), capital and other current revenue (ETF 34), and intra-sector grants received (ETF 35).

8.16 The IMF includes administrative fees and charges, non-industrial and incidental sales in non-tax revenue. It includes sales of fixed capital assets, sales of stocks, and sales of land and intangible assets in capital revenue. In the ETF these items are treated as offsets to outlays in order to compile net flows for national accounting purposes. ETF 3312 (payment to PTE to offset non-recurring loss) is a payment item and is not relevant to the IMF revenue classification but is relevant to the IMF expenditure classification.

### *Financing transactions*

8.17 In the IMF classification of financing by type of debt holder (Table D), domestic financing has categories for government, monetary authorities, deposit money banks, other financial institutions, nonfinancial public enterprises, and the nonfinancial private sector. The adjustments category is not considered relevant in terms of an analytical framework. Financing abroad has categories for international development institutions and foreign governments.

8.18 In the IMF classification of financing by type of debt instrument (Table E) both the domestic financing and financing abroad categories include long-term bonds and loans, short-term bonds, bills, loans and advances, and changes in cash, deposits, and securities held for liquidity purposes.

8.19 Financing transactions are classified in Section 4 of the ETF. They include net intra-sector advances received (ETF 41), net domestic borrowing (ETF 42), net borrowing from abroad (ETF 43), net deposits received (ETF 44), increase in investments (ETF 45), increase in currency and deposits (ETF 46), increase in provisions (ETF 47), net equity capital (ETF 48), and other net funds available (ETF 49).

8.20 The ETF structure for financing transactions does not support the detail promulgated by the IMF. This type of detail is not available from Australian data sources nor is it sought after by users.

8.21 ETF 4908 (balancing transactions) and ETF 4909 (financial claims nec including errors and omissions) are not applicable to the IMF classifications. They are used for balancing purposes rather than for statistical recording purposes. Increases in provisions (ETF 47) are accrual items and are therefore not applicable to the IMF classification for general government financing.

## Summary

8.22 The following table (Table 8.1) summarises the relationship between the IMF classifications and the ETF classification for general government transactions.

**TABLE 8.1: RELATIONSHIP BETWEEN IMF AND ETF CLASSIFICATIONS FOR GENERAL GOVERNMENT TRANSACTIONS**

Outlays		Revenue and grants		Financing	
IMF	ABS	IMF	ABS	IMF	ABS
Table C	ETF 1	Table A	ETF 3	Table D	ETF 4
	+ ETF 2		- ETF 3312	Table E	- ETF 47
	+ ETF 1121		+ ETF 1121		- ETF 4908
	+ ETF 1122		+ ETF 1122		- ETF 4909
	+ ETF 1123		+ ETF 1123		
	+ ETF 1124		+ ETF 1124		
	+ ETF 2112		+ ETF 2112		
	+ ETF 2122		+ ETF 2122		
	+ ETF 2123		+ ETF 2123		
	+ ETF 2200		+ ETF 2200		
	(part)		(part)		
	+ ETF 2312		+ ETF 2312		
	+ ETF 2322		+ ETF 2322		
	+ ETF 3312				

### Public trading enterprise aggregates

8.23 Table K of the IMF manual for GFS is a classification for the operations of non-financial public enterprises on an accrual basis. The major aggregates presented are operating revenues and expenses, non-operating revenues and expenses, direct taxes accrued, dividends and other distributions of entrepreneurial income, net acquisition of capital assets, and total financing.

#### Current and capital outlays

8.24 In the IMF classification, operating expenses (K.A.2) include compensation of employees, purchases of goods and services less change in inventories and goods purchased but not yet used, consumption of fixed capital and intangible assets, and taxes and compulsory fees incurred in the course of production. Non-operating expenses (K.B.5, K.B.7, K.B.9) include current and capital transfers, interest, land rents and royalties, losses on sales of capital assets, direct taxes accrued, and dividends and other distributions of entrepreneurial income. Net acquisition of capital assets (K.C.11) includes purchases and sales of fixed capital assets, land, and intangible assets. It also includes own account fixed capital formation and changes in inventories.

8.25 In the ETF, operating expenditure of PTEs (ETF 322) includes depreciation charges, wages paid for current purposes, supplements to wages, the intermediate consumption of other goods and services, and indirect taxes paid. Current outlays consist of interest payments (ETF 121), net income transferred by PTEs (ETF 122), land rent,

royalties, and dividends paid (ETF 123), current grants (ETF 133), and parts of other current transfer payments (ETF 134). Capital outlays consist of gross fixed capital expenditure (ETF 21), increase in stocks (ETF 22), net expenditure on land and intangible assets (ETF 23), capital transfer payments (ETF 24), and net advances paid (ETF 25).

8.26 The ETF measures net operating surplus by offsetting operating expenditure against operating revenue under revenue and grants received. The IMF classification offsets changes in inventories and goods purchased but not yet used against purchases of goods and services. In the ETF, the measurement of current production expenses takes into account the value of purchases less increase in stocks (plus decrease in stocks). This equates with the IMF treatment. The ETF excludes expenses capitalised as capital work done on own account from operating expenditure whereas the IMF includes these under operating expenses.

8.27 In the ETF, net advances paid is considered to be lending for policy purposes rather than lending for liquidity management or investment purposes. Advances paid are not applicable to the IMF classification for non-financial public enterprises. Any acquisition of financial assets by such an enterprise is considered to be financing. These acquisitions are a subsidiary activity of the enterprise. The acquisition of financial assets is the principal activity of a financial enterprise rather than a trading enterprise.

8.28 The IMF includes provisions for the consumption of fixed capital and intangible assets in capital assets whereas the ETF treats provisions for depreciation as a financing transaction. The IMF treats losses on sales of capital assets as non-operating expenses whereas the ETF treats them as part of gross fixed capital expenditure.

8.29 In the ETF, income transferred by PTEs is offset by the receipt of contributions to offset non-recurring loss. In terms of the IMF classification, this receipt is non-operating revenue.

#### Revenue and grants received

8.30 In the IMF classification, operating revenues (K.A.1) include sales of goods and services, subsidies, own account fixed capital formation, change in inventories, goods produced but not yet sold, and work-in-progress. Non-operating revenues (K.B.4) include current non-governmental and capital transfers, interest, dividends, land rents and royalties, and gains on sales of capital assets.

8.31 In the ETF, revenue and grants received by PTEs include operating revenue (ETF 321), dividends received by PTEs from subsidiaries (ETF 3311), interest received (ETF 333), land rent received (ETF 3341), royalties received (ETF 3342) and dividends received (ETF 3343), capital revenue (ETF 342), and intra-sector capital grants received (ETF 3502).

8.32 The IMF classification includes own account fixed capital formation under operating revenue. The associated expenses are included in operating expenses as well as

capital assets. This differs from the ETF presentation where own account fixed capital formation is only included in payments for new fixed assets. In comparison to the ETF, IMF operating revenues and expenses are broader in scope but the measurement of net operating surplus remains the same as these amounts 'balance out' in the IMF operating account. Substantive expenditure on own account fixed capital formation is recorded under capital assets in the IMF. This is similar to the ETF treatment.

8.33 The IMF's operating revenue is also broader in scope than the ETF in that it includes goods produced but not yet sold and work-in-progress. As the associated costs are included in operating expenses, this too is broader in scope. In the IMF classification, the value of goods produced but not yet sold, work-in-progress, and goods purchased but not yet used measure the net increase in inventories during the period. This treatment is similar to that used in the ETF.

8.34 In the ETF, income received by general government from PTEs is offset by payments to PTEs to offset non-recurring losses (ETF 3312). In terms of the IMF classification this payment is a non-operating expense.

8.35 Gains on sales of capital assets are included in the IMF as non-operating revenues. In the ETF, such gains are included as part of gross fixed capital expenditure.

#### *Financing transactions*

8.36 The IMF classifies PTE financing by type of debt instrument and by type of debt holder.

8.37 Financing by type of debt instrument (K.D) is classified as domestic financing or as financing abroad. It includes change in equity capital, change in trade payables, net borrowing, change in trade receivables, and change in other long-term and short-term financial assets.

8.38 Financing by type of debt holder (K.E) excludes own equity and trade payables and receivables. Domestic financing includes categories for other non-financial public enterprises, government, monetary authorities, and deposit money banks. Financing abroad includes categories for international development institutions, foreign governments, bank loans and advances, and supplier credits.

8.39 Section 4 of the ETF classifies financing transactions for both the general government and PTE sectors.

8.40 Net receipts by private trust funds (ETF 4411), increase in investments by private trust funds (ETF 4412), balancing transactions (ETF 4908), and financial claims net including errors and omissions (ETF 4909) are not applicable to the IMF classifications. There are no specific categories for increase in provisions (ETF 47) in the IMF, with the exception of increase in provisions for depreciation (ETF 4710). This is included under net acquisition of capital assets. Net equity capital (ETF 48), increase in accounts payable, accrued expenses and prepayments received (ETF 4901), and increase in accounts receivable

and prepaid expenses (ETF 4902) are not applicable to the IMF classification of financing by type of debt holder.

#### *Summary*

8.41 The following table (Table 8.2) summarises the relationship between the IMF classification and the ETF classification for PTE transactions.

**TABLE 8.2. RELATIONSHIP BETWEEN IMF AND ETF CLASSIFICATIONS FOR PUBLIC TRADING ENTERPRISE TRANSACTIONS**

<i>Outlays</i>		<i>Revenue and grants</i>		<i>Financing</i>	
<i>IMF</i>	<i>ABS</i>	<i>IMF</i>	<i>ABS</i>	<i>IMF</i>	<i>ABS</i>
	K.A.2		K.A.1	K.D	ETF 4
+ K.B.5	+ ETF 121	+ K.B.4	+ ETF 2111		- ETF 4420
		(part)			
+ K.B.7	+ ETF 123	+ ETF 2112			- ETF 4622
+ K.B.9	+ ETF 133	+ ETF 2122			- ETF 4710
		(part)			
+ K.C.11	+ ETF 134	+ ETF 2123			- ETF 4721
		(part)			
	- ETF 1343	+ E11 321			- ETF 4730
	+ ETF 2111	+ ETF 3311			- ETF 4908
	(part)				
	+ E11 2121	+ ETF 333			- ETF 4909
	+ E11 2122	+ E11 334	K.E		ETF 4
	(part)				
	+ E11 2123	- E11 3344			- ETF 4420
	(part)				
	+ E11 22	+ E11 34			- ETF 4622
	+ E11 23	- E11 3411			- ETF 4710
	+ E11 24	- E11 3414			- ETF 4721
	+ E11 322	+ E11 3502			- ETF 4730
	+ E11 3312				- ETF 48
	+ E11 4710				- ETF 4901
					- ETF 4902
					- ETF 4908
					- ETF 4909

#### **ABS-IMF classification concordance**

8.42 Appendix 14 shows a detailed ABS-IMF classification concordance for general government and PTE transactions.

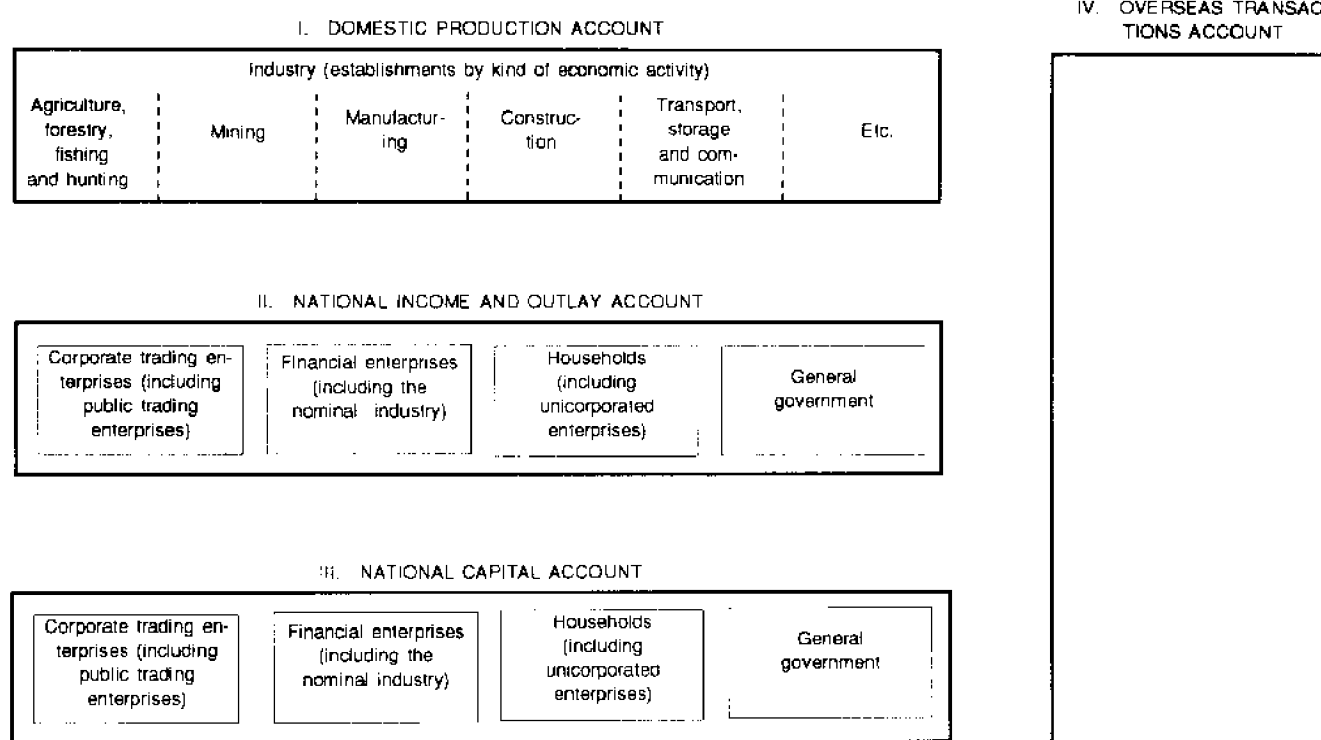
#### **Relationship to the ANA statistical system**

##### **Introduction**

8.43 The Australian National Accounts provide a systematic summary of the economic activity of the nation. The ANA include annual and quarterly estimates of national income and expenditure, input-output tables, State accounts, estimates of capital stock and sectoral financial accounts. On a broader basis, the system also includes balance of payments and public finance statistics.



CHART 8.1. AUSTRALIAN NATIONAL INCOME AND EXPENDITURE ACCOUNTS



Source: ANA Concepts, Sources and Methods (Cat. No. 5216.0)

8.44 GFS data are used as source data for the national income and expenditure estimates of the ANA and for the preparation of input-output tables.

8.45 This sub-section looks at the structure of the ANA and its relationship to GFS. It looks at the main differences between the ANA and GFS systems. A summary of the subsection introduces Appendix 15 which details a concordance between the ETF and the relevant sector accounts of the ANA.

### Structure of the ANA

8.46 According to the ANA Concepts, Sources and Methods (Cat. No. 5216.0) publication, 'the basic structure of the national income and expenditure accounts is determined by the classification of transactors into institutional sectors and the classification of transactions into accounts'. This framework is set out in Chart 8.1.

8.47 The five institutional sectors identified in the ANA are:

- the corporate trading enterprises (including public trading enterprises) sector;
- the financial enterprises (including the nominal industry) sector;
- the households (including unincorporated enterprises) sector;

- the general government sector; and,
- the overseas sector.

8.48 The first four sectors are the domestic sectors. They are grouped according to their financial behavior and the effect this has on the economy. The overseas sector is included in the ANA to facilitate the recording of transactions between the domestic economy and the rest of the world.

8.49 The ANA are composed of four major types of accounts. These are:

- the production account;
- the income and outlay account;
- the capital account; and,
- the overseas account.

8.50 These accounts reflect the major economic processes such as production, consumption, saving and investment which occur in the economy. Each of these four accounts is produced for the nation as a whole. They form the consolidated accounts of the nation. Income and outlay accounts and capital accounts are also constructed for each of the four domestic institutional sectors. They represent disaggregations of the consolidated income and outlay account and the consolidated capital account.

8.51 Production accounts show the receipts from sales of goods and services (including goods and services produced on own account) on the credit side and expenses of production on the debit side. Expenses of production include intermediate consumption, compensation of employees, indirect taxes less subsidies, and gross operating surplus. The ANA do not include production accounts for individual industries, but include an account which consolidates the production of all sectors of the nation called the Domestic Production Account.

8.52 Income and outlay accounts show net income from production and transfers (e.g. interest, dividends, taxation), and current outlays. The difference between current receipts and current outlays is saving. The income side of the National Income and Outlay Account shows wages, salaries and supplements, net operating surplus and indirect taxes less subsidies from the Domestic Production Account. Net payments of income and miscellaneous transfers to overseas are deducted from this income to give national disposable income. This is shown as being used

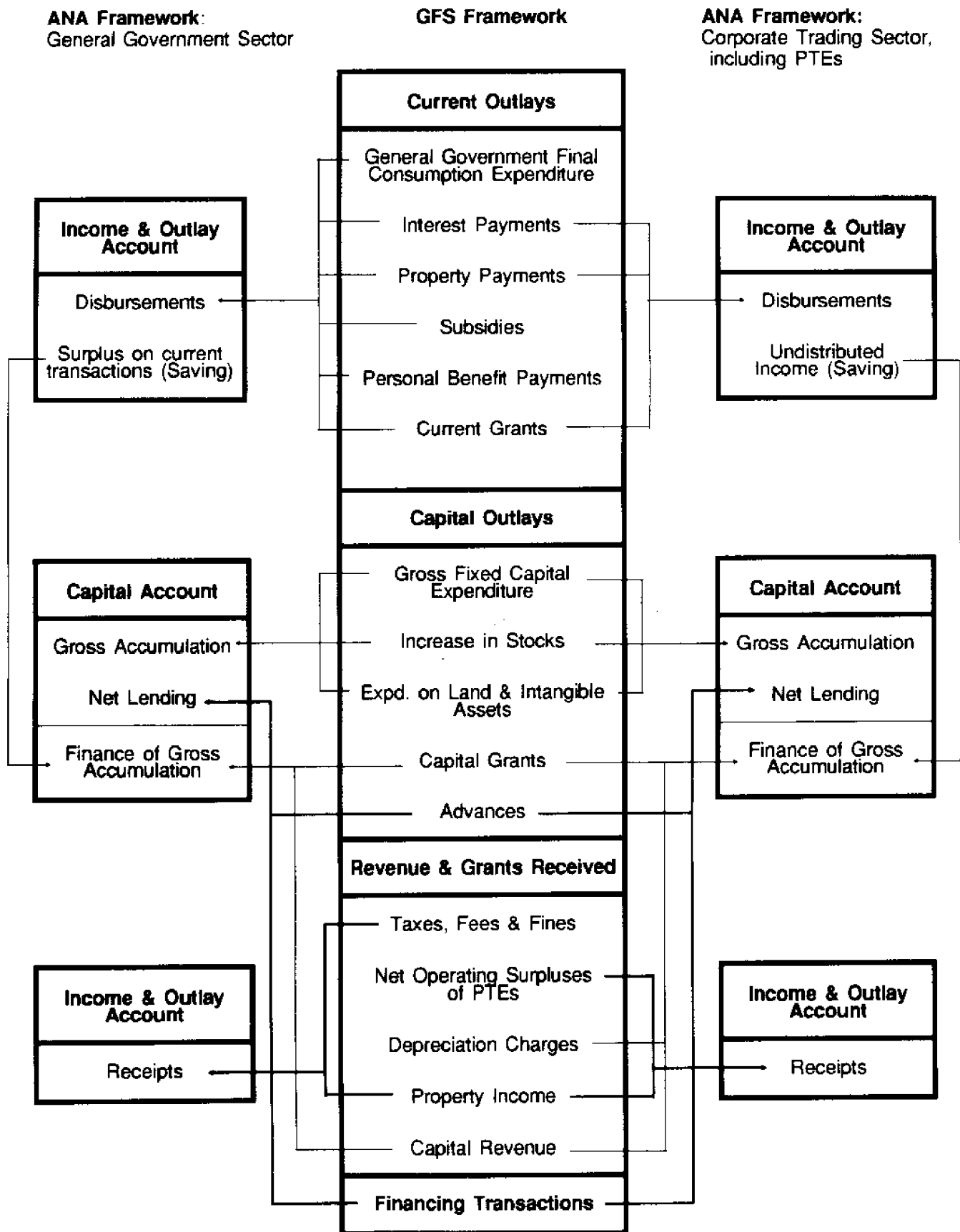
for final consumption expenditure on the outlays side of the account. The balance is the nation's saving which is used as a source of finance for gross capital formation.

8.53 Capital accounts show the source of funds for financing gross capital accumulation and the disposition of these funds in gross accumulation. Sources of funds include consumption of fixed capital (i.e. depreciation), saving, increase in income tax provisions, and net capital transfers from other sectors. Gross accumulation consists of gross fixed capital expenditure, increase in stocks, net purchases of land and intangible assets and net lending. The receipts side of the National Capital Account shows the consumption of fixed capital transferred from the Domestic Production Account and saving transferred from the National Income and Outlay Account. The payments side shows purchases of fixed assets, the increase in stocks and a balancing item described as net lending to overseas. Net lending to overseas is also the balancing item on current transactions in the Overseas Transactions Account.

CHART 8.2. BASIC STRUCTURE OF THE CONSOLIDATED AUSTRALIAN NATIONAL ACCOUNTS

<b>I DOMESTIC PRODUCTION ACCOUNT</b>	
Wages, Salaries and Supplements	Final Consumption Expenditure
Gross Operating Surplus	Investment
Net Indirect Taxes	Increase in Stocks
	Exports less Imports
Gross Domestic Product	Expenditure on Gross Domestic Product
<b>II NATIONAL INCOME AND OUTLAY ACCOUNT</b>	
Consumption	Wages, Salaries and Supplements
Saving	Net Operating Surplus
	Net Income/Transfers from Overseas
	Net Indirect Taxes
Disposal of Income	National Disposable Income
<b>III NATIONAL CAPITAL ACCOUNT</b>	
Investment	Depreciation
Increase in Stocks	Saving
Net Lending to Overseas	
Gross Accumulation	Finance of Gross Accumulation
<b>IV OVERSEAS TRANSACTIONS ACCOUNT</b>	
Exports of Goods and Services	Imports of Goods and Services
Income/Transfers from Overseas	Income/Transfers to Overseas
	Net Lending Overseas
Current Receipts from Overseas	Use of Current Receipts

CHART 8.3. BROAD RELATIONSHIP BETWEEN GOVERNMENT FINANCE STATISTICS AND THE NATIONAL ACCOUNTS (a)



(a) This chart is intended to provide a schematic view of the broad relationship between GFS and the ANA. Appendix 15 (Concordance to the Australian National Accounts) shows the detailed relationship between the two systems.

8.54 The Overseas Transactions Account shows that Australia's current receipts from overseas include the value of exports, property income and transfers. These receipts are used for imports, payments of property income and transfers to overseas.

8.55 Chart 8.2 depicts the basic structure of the consolidated ANA accounts.

### GFS in the context of National Accounts

8.56 GFS can be considered in the context of the familiar Keynesian type identities underlying the system of national accounts. These identities are:

$$Y = C + I + G + X - M \quad (1)$$

$$Y = C + S + T \quad (2)$$

where:

Y = national income

C = private consumption

I = investment

G = government expenditure

X = exports

M = imports

S = savings

T = taxation

8.57 Since identities (1) and (2) are equal, they can be manipulated and rearranged to depict the economy as a series of related balances which sum to zero, that is:

$$(1) - (2) = 0 = (I - S) + (G - T) + (X - M) \quad (3)$$

where:

(I - S) may be referred to as the savings balance,

(G - T) as the government balance and

(X - M) as the external balance.

8.58 In its simplest form, it is clear that identity (3) will be satisfied if each of the three balances above is zero. Where there is an imbalance in one, for example where G and T are unequal, it is also clear that this will impact on the other two balances if the identity is to be maintained.

8.59 GFS focuses on the aggregates G, T and (G - T). The 'government balance' is more commonly known as the general government deficit if  $G > T$ , or the general government surplus if  $G < T$ . GFS shows how the deficit is financed or the surplus is invested.

8.60 It should be noted that the deficit/surplus concept used in GFS does not have a direct parallel in national accounting. The related 'net lending' concept of the general government sector in national accounting is derived quite differently and, for this reason, some care is required when reconciling the two - see 'Differences between GFS and the ANA' below.

8.61 The scope of GFS comprises the non-financial public sector. This includes the general government sector and the public trading enterprises sector. The ANA identifies a

specific institutional sector for general government whereas PTEs are included in the corporate trading enterprises sector. GFS data are used in compiling the income and outlay, and capital accounts of the general government sector and the PTE component of the corporate trading enterprises (including public trading enterprises) sector. These data are subsequently incorporated into the consolidated accounts of the nation.

8.62 The major GFS aggregates included in the General Government Income and Outlay Account are:

- general government final consumption expenditure (ETF 11);
- interest payments (ETF 121);
- subsidies paid to enterprises (ETF 131);
- personal benefit payments (ETF 132);
- current grants to non-profit institutions (ETF 1331);
- taxes, fees and fines (ETF 31); and,
- property income (ETF 33).

8.63 The major GFS aggregates included in the General Government Capital Account are:

- gross fixed capital expenditure (ETF 21);
- increase in stocks (ETF 22);
- expenditure on land and intangible assets (net) (ETF 23);
- inter-sector capital grants paid (ETF 241);
- advances paid (net) (ETF 25); and
- capital revenue (ETF 342).

8.64 The major GFS aggregates included in the Corporate Trading Enterprises (including Public Trading Enterprises) Income and Outlay Account are:

- interest payments (ETF 121);
- net operating surplus (ETF 32); and,
- property income (ETF 33).

8.65 The major GFS aggregates included in the Corporate Trading Enterprises (including Public Trading Enterprises) Capital Account are:

- gross fixed capital expenditure (ETF 21);
- increase in stocks (ETF 22);
- expenditure on land and intangible assets (net) (ETF 23);

- depreciation (ETF 3221); and,
- capital revenue (ETF 342).

8.66 Chart 8.3 above depicts the relationship between GFS and the ANA. The main components of the ANA are shown against the GFS analytical framework. This highlights the similarities and the differences between the two systems.

### Differences between GFS and the ANA

8.67 Although the GFS and ANA systems have many similarities, they also have some differences in terms of objectives and concepts. As a result some GFS aggregates need to be adjusted before being incorporated into the ANA. The following paragraphs outline the major differences between GFS and the ANA.

8.68 As the ANA is a system which summarises the economic activity of the nation, it focuses on all sectors of the economy. Government is just one part of the overall picture. GFS focuses on the non-financial public sector with particular emphasis on general government.

8.69 The ANA system is concerned with the major economic processes such as production, consumption and accumulation, and the level of macro economic activity. GFS is concerned with the financial impact of government operations on the economy. It is therefore concerned with government expenditure, lending, revenue and financing.

8.70 ANA transactions are often recorded on a net basis. A general principle in GFS is for all non-repayable transactions to be recorded on a gross basis. This allows the full magnitude of government interactions with the economy to be shown. Repayable transactions are usually recorded on a net basis. Therefore in GFS, expenditure or outlays are recorded on a gross basis, revenue is recorded on a gross basis, lending or advances are recorded on a net basis, and financing is recorded on a net basis.

8.71 The ANA system is organised into a number of separate inter-related accounts. The accounts of individual institutional sectors are based on a double entry system so that each item in an account is matched by the same item (or a disaggregation of it) in another account for that sector. Since most transactions occur between institutional sectors, another set of double entries is made, making national accounts as a whole a quadruple entry system. The GFS system, on the other hand, is organised into a single balanced account in which all receipts and payments are shown only once, and are balanced by their effect on government cash balances and financing transactions.

8.72 The consolidation methodology differs between the IMF GFS and the SNA due to their different accounting structures. The IMF GFS system eliminates all transactions between the parts of government being consolidated while the SNA system eliminates such transactions only if the parties to the transactions appear in the same account. The consolidation methodology used in the Australian GFS is similar to the ANA and SNA.

8.73 The ANA records transactions on an accruals basis and includes imputation. The preferred basis for compiling GFS for the general government sector is a cash or payments basis. Imputation of transactions is generally avoided. This reflects the nature of general government operations. The recommended basis for compiling GFS for PTEs is on an accrual basis. This reflects the commercially orientated nature of these enterprises. PTE data need to be converted to an approximate cash basis before consolidation with the general government sector to derive estimates for the whole of the non-financial public sector, but in practice only selected items are adjusted.

8.74 In the ANA system, government lending is treated in the same way as private lending. All lending is treated as a means of earning profit or managing liquidity. The ANA draws a balance between government income, outlay, and capital transactions excluding the acquisition of financial assets, and calls the balance net lending. In GFS, government lending is treated as being a means to promote public policy rather than for profit making or liquidity management purposes. GFS draws a balance that includes the acquisition of financial assets for policy purposes with expenditure and refers to the balance against revenue as the surplus or deficit.

8.75 The ANA system is characterised by presentation of data in a set of accounts which includes the Domestic Production Account, Income and Outlay Account, Capital Finance Account and the Rest of the World or External Account. Each account is balanced by a derived residual item which forms a link to the next account.

8.76 Saving is the balancing or residual item in the National Income and Outlay Account. It represents the difference between current receipts and current disbursements. Saving also appears in the National Capital Account as a source of finance for gross capital formation.

8.77 Net lending is the balancing item in each sector's capital account. It represents the excess of net acquisition of financial assets over net increase in liabilities. The net lending shown for each sector includes an unknown part of the statistical discrepancy. Net lending to overseas is the balancing item in the National Capital Account. It is also the balance on current transactions in the Overseas Transactions Account.

8.78 In GFS, the deficit/surplus reflects the balance between government outlays and government revenue. It measures the extent to which government is increasing or decreasing its financial position. It is the sum of all financing transactions for the general government sector and the sum of all financing transactions less changes in provisions for the PTE sector. Changes in provisions are excluded because they are considered to be internally generated financing items.

8.79 The general government sector is separately identified in both the ANA system and the GFS system. In the General Government Income and Outlay Account, the surplus on current transactions represents general government saving. This is the balancing item for the account. In GFS,

this is equivalent to the difference between current revenue and current outlays. In the General Government Capital Account, net lending (including statistical discrepancy) is the balancing item for the account. In GFS, this is equivalent to financing transactions plus net advances paid.

### Summary

8.80 GFS data are used as a source for the ANA. The data are used in the relevant sectoral accounts of the ANA. The two systems are based on different international standards which have different concepts and objectives. Although there are many similarities in scope, coverage

and classification some differences arise because of this. Some adjustments therefore need to be made to GFS data before they are used in the ANA.

8.81 Appendix 15 shows, in some detail, the relationship between the GFS and ANA systems. It concords the ETF to the basic items in the General Government Income and Outlay Account, the General Government Capital Account, the Corporate Trading Enterprises (including Public Trading Enterprises) Income and Outlay Account, and the Corporate Trading Enterprises (including Public Trading Enterprises) Capital Account.

**Appendix 1****Maximum level of output and  
GFS classification descriptions****CONTENTS**

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## Introduction

1 This appendix is divided into two parts. The first part contains the maximum detail of output available from the GFS database. This is specified as a series of matrices of GFS classification combinations referred to in Section 6. The description of the output matrices has been repeated here for convenience. The second part contains classification descriptors.

### Maximum level of output matrices

2 The matrices are targeted at those specialist or in-depth users who require access to the statistical coding structure in order to frame requests for data beyond those contained in regular publications of the ABS.

3 When using the output matrices, please note that not all GFS classifications apply to all institutional sectors and that subsidiary classifications only apply to some ETF codes. Thus, the following need to be taken into account:

- Economic Transactions Framework — categories which apply exclusively to general government enterprise transactions are ETF 11, ETF 131, ETF 132, ETF 1343, ETF 31, ETF 332, ETF 3411, ETF 3414, ETF 3501, ETF 4622, ETF 4722, ETF 4723, and those which apply exclusively to public trading enterprise transactions are ETF 122, ETF 1341, ETF 1348, ETF 32, ETF 471, ETF 4721 and ETF 473;
- Government Purpose Classification — certain GPC sub-groups are only applicable to particular transactions; for example, GPC 1410 (Public debt transactions) only applies to ETF 121 (Interest payments) transactions;
- Taxes, Fees and Fines Classification — there are restrictions on the applicability of TFFC codes according to level of government, for example income taxes (TFFC 1) only apply to Commonwealth government ETF 31 transactions, while local government ETF 31 transactions are restricted to taxes on immovable property (TFFC 31) and fees and fines (TFFC 9);

- Fixed Asset Classification — this subsidiary classification only applies to ETF 21 transactions (Gross fixed capital expenditure);
- State of Activity Classification — this classification only applies to Commonwealth government transactions classified to ETF 1333, ETF 2420, ETF 2541, ETF 2542 and ETF 3335.

4 Users of ABS government finance statistics 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. Commonwealth public trading sector, NSW State general government budget sector, Victorian government (i.e. GG and PTE sectors combined), Queensland local government;
- select the ETF category required, e.g. ETF 11 (General government final consumption expenditure), ETF 211 (Expenditure on new fixed assets), ETF 321 (Operating revenue of public trading enterprises), ETF 42 (Domestic borrowing);
- select the subsidiary GFS classification required, e.g. GPC, FAC, TFFC; and.
- send the data request to the ABS contact officer.

5 On receipt of such requests, the ABS usually reconfirms 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 more complex requests clients will be required to accept the quote for the work before the ABS proceeds with it.

### GFS classification descriptions

6 This part of the appendix contains detailed descriptions of the GFS *transactions* classifications used in the output matrices. The classifications described are the Economic Transactions Framework, Government Purpose Classification, Taxes, Fees and Fines Classification (Commonwealth; State; Local), Fixed Asset Classification and State of Activity Classification.



# MAXIMUM LEVEL OF OUTPUT MATRICES

**COMMONWEALTH GENERAL GOVERNMENT SECTOR(a)**  
(Also separately available for both Budget and Non-budget sectors)

ETF	GPC	TFFC	FAC	SAC	ETF	GPC	TFFC	FAC	SAC
1111	0100				2521	All			
1112	0100				2522	All			
1113	All				2523	All			
1115	All				2524	All			
1121	All				2531	All			
1122	All				2532	All			
1123	All				2541	All			All
1124	0100				2542	All			All
1211	1410				3111		TFFC (Comm.)		
1212	1410				3112		TFFC (Comm.)		
1213	1410				3121		TFFC (Comm.)		
1214	1410				3122		TFFC (Comm.)		
1215	1410				3131		TFFC (Comm.)		
1216	1410				3132		TFFC (Comm.)		
1217	1410				3311				
1218	1410				3312				
1219	1410				3320				
1231	All				3331				
1232	All				3332				
1311	All				3333				
1312	All				3334				
1321	All				3335				All
1322	All				3336				
1323	All				3337				
1331	All				3338				
1332	All				3339				
1333	All			All	3341				
1343	All				3342				
1349	All				3343				
2111	All		All		3344				
2112	All		All		3412				
2121	All		All		3413				
2122	All		1		3414				
2123	All		All		3419				
2200	All				3422				
2311	All				3429				
2312	All				3501				
2321	All				3502				
2322	All				41				
2411	All				42				
2412	All				43				
2413	All				44				
2414	All				45				
2420	All			All	46				
2431	All				472				
2439	All				48				
2511	All				49				
2512	All								

(a) Note that in this matrix: blank subsidiary classification columns mean that the classification does not apply; the term 'All' in a subsidiary classification means the complete range of codes for a classification is available (the descriptions of the classification codes are in the second part of this appendix).

**COMMONWEALTH PUBLIC TRADING SECTOR(a)**  
(Also separately available for both Budget and Non-budget sectors)

<i>ETF</i>	<i>GPC</i>	<i>FAC</i>	<i>SAC</i>	<i>ETF</i>	<i>GPC</i>	<i>FAC</i>	<i>SAC</i>
1211	1410			2542	All		All
1212	1410			3211			
1213	1410			3213			
1214	1410			3218			
1215	1410			3221			
1216	1410			3222			
1217	1410			3223			
1218	1410			3311			
1219	1410			3312			
1221	All			3331			
1222	All			3332			
1231	All			3333			
1232	All			3334			
1331	All			3335			All
1341	All			3336			
1348	All			3337			
1349	All			3338			
2111	All	All		3339			
2112	All	All		3341			
2121	All	All		3342			
2122	All	1		3343			
2123	All	All		3412			
2200	All			3419			
2311	All			3422			
2312	All			3429			
2321	All			3502			
2322	All			41			
2411	All			42			
2412	All			43			
2413	All			44			
2414	All			45			
2420	All		All	46			
2431	All			4710			
2439	All			472			
2511	All			4730			
2512	All			48			
2521	All			49			
2522	All						
2523	All						
2524	All						
2541	All		All				

(a) Note that in this matrix, blank subsidiary classification columns mean that the classification does not apply; the term 'All' in a subsidiary classification means the complete range of codes for a classification is available (the descriptions of the classification codes are in the second part of this appendix).

**STATE GENERAL GOVERNMENT SECTOR(a)**  
(Also available by Individual States and Territories and for both Budget and Non-budget sectors)

<i>ETF</i>	<i>GPC</i>	<i>TFFC</i>	<i>FAC</i>	<i>ETF</i>	<i>GPC</i>	<i>TFFC</i>	<i>FAC</i>
1111	0100			2521	All		
1112	0100			2522	All		
1113	All			2523	All		
1115	All			2524	All		
1121	All			2531	All		
1122	All			2532	All		
1123	All			2541	All		
1124	0100			2542	All		
1211	1410			3111		TFFC (State)	
1212	1410			3112		TFFC (State)	
1213	1410			3121		TFFC (State)	
1214	1410			3122		TFFC (State)	
1215	1410			3131		TFFC (State)	
1216	1410			3132		TFFC (State)	
1217	1410			3311			
1218	1410			3312			
1219	1410			3320			
1231	All			3331			
1232	All			3332			
1311	All			3333			
1312	All			3334			
1321	All			3335			
1322	All			3336			
1323	All			3337			
1331	All			3338			
1333	All			3339			
1343	All			3341			
1349	All			3342			
2111	All		All	3343			
2112	All		All	3412			
2121	All		All	3414			
2122	All		1	3419			
2123	All		All	3421			
2200	All			3422			
2311	All			3429			
2312	All			3501			
2321	All			3502			
2322	All			41			
2411	All			42			
2412	All			43			
2413	All			44			
2414	All			45			
2420	All			46			
2431	All			472			
2439	All			48			
2511	All			49			
2512	All						

(a) Note that in this matrix, blank subsidiary classification columns mean that the classification does not apply; the term 'All' in a subsidiary classification means the complete range of codes for a classification is available (the descriptions of the classification codes are in the second part of this appendix).

**STATE PUBLIC TRADING SECTOR(a)**  
(Also available by individual States and Territories and for both Budget and Non-budget sectors)

<i>ETF</i>	<i>GPC</i>	<i>FAC</i>	<i>ETF</i>	<i>GPC</i>	<i>FAC</i>
1211	1410		2542	All	
1212	1410		3211		
1213	1410		3213		
1214	1410		3218		
1215	1410		3221		
1216	1410		3222		
1217	1410		3223		
1218	1410		3311		
1219	1410		3312		
1221	All		3331		
1222	All		3332		
1231	All		3333		
1232	All		3334		
1331	All		3335		
1341	All		3336		
1348	All		3337		
1349	All		3338		
2111	All	All	3339		
2112	All	All	3341		
2121	All	All	3342		
2122	All	1	3343		
2123	All	All	3412		
2200	All		3419		
2311	All		3421		
2312	All		3422		
2321	All		3429		
2322	All		3502		
2411	All		41		
2412	All		42		
2413	All		43		
2414	All		44		
2420	All		45		
2431	All		46		
2439	All		4710		
2511	All		472		
2512	All		4730		
2521	All		48		
2522	All		49		
2523	All				
2524	All				
2541	All				

(a) Note that in this matrix, blank subsidiary classification columns mean that the classification does not apply; the term 'All' in a subsidiary classification means the complete range of codes for a classification is available (the descriptions of the classification codes are in the second part of this appendix).

**LOCAL GENERAL GOVERNMENT SECTOR(a)**  
(Also available for individual States and the Northern Territory)

<i>ETF</i>	<i>GPC</i>	<i>TFFC</i>	<i>FAC</i>	<i>ETF</i>	<i>GPC</i>	<i>TFFC</i>	<i>FAC</i>
1111	0100			2521	All		
1112	0100			2522	All		
1113	All			2523	All		
1115	All			2524	All		
1121	All			2531	All		
1122	All			2532	All		
1123	All			2541	All		
1124	0100			2542	All		
1211	1410			3111		TFFC (Local)	
1212	1410			3112		TFFC (Local)	
1213	1410			3121		TFFC (Local)	
1214	1410			3122		TFFC (Local)	
1215	1410			3131		TFFC (Local)	
1216	1410			3132		TFFC (Local)	
1217	1410			3311			
1218	1410			3312			
1219	1410			3320			
1231	All			3331			
1232	All			3332			
1311	All			3333			
1312	All			3334			
1321	All			3335			
1322	All			3336			
1323	All			3337			
1331	All			3338			
1333	All			3339			
1342	All			3341			
1343	All			3342			
1349	All			3343			
2111	All		All	3411			
2112	All		All	3412			
2121	All		All	3414			
2122	All		1	3419			
2123	All		All	3421			
2200	All			3422			
2311	All			3429			
2312	All			3501			
2321	All			3502			
2322	All			41			
2411	All			42			
2412	All			43			
2413	All			44			
2414	All			45			
2420	All			46			
2431	All			472			
2432	All			48			
2439	All			49			
2511	All						
2512	All						

(a) Note that in this matrix: blank subsidiary classification columns mean that the classification does not apply; the term 'All' in a subsidiary classification means the complete range of codes for a classification is available (the descriptions of the classification codes are in the second part of this appendix).

**LOCAL PUBLIC TRADING SECTOR(a)**  
(Also available for individual States and the Northern Territory)

<i>ETF</i>	<i>GPC</i>	<i>FAC</i>	<i>ETF</i>	<i>GPC</i>	<i>FAC</i>
1211	1410		2542	All	
1212	1410		3211		
1213	1410		3212		
1214	1410		3213		
1215	1410		3214		
1216	1410		3218		
1217	1410		3221		
1218	1410		3222		
1219	1410		3223		
1221	All		3311		
1222	All		3312		
1231	All		3331		
1232	All		3332		
1331	All		3333		
1341	All		3334		
1342	All		3335		
1348	All		3336		
1349	All		3337		
2111	All	All	3338		
2112	All	All	3339		
2121	All	All	3341		
2122	All	1	3342		
2123	All	All	3343		
2200	All		3412		
2311	All		3419		
2312	All		3421		
2321	All		3422		
2322	All		3429		
2411	All		3502		
2412	All		41		
2413	All		42		
2414	All		43		
2420	All		44		
2431	All		45		
2432	All		46		
2439	All		4710		
2511	All		472		
2512	All		4730		
2521	All		48		
2522	All		49		
2523	All				
2524	All				
2541	All				

(a) Note that in this matrix: blank subsidiary classification columns mean that the classification does not apply; the term 'All' in a subsidiary classification means the complete range of codes for a classification is available (the descriptions of the classification codes are in the second part of this appendix).

## CLASSIFICATION DESCRIPTIONS

### ECONOMIC TRANSACTIONS FRAMEWORK

*Section*

*Group*

- 
- 1 Current outlays**
    - 11 General government final consumption expenditure
    - 12 Required current transfer payments
    - 13 Unrequited current transfer payments
  
  - 2 Capital outlays**
    - 21 Gross fixed capital expenditure
    - 22 Increase in stocks
    - 23 Expenditure on land and intangible assets (net)
    - 24 Capital transfer payments
    - 25 Advances paid (net)
  
  - 3 Revenue and grants received**
    - 31 Taxes, fees and fines
    - 32 Net operating surplus of PTEs
    - 33 Property income
    - 34 Other revenue
    - 35 Intra-sector grants received
  
  - 4 Financing transactions**
    - 41 Intra-sector advances received (net)
    - 42 Domestic borrowing (net)
    - 43 Borrowing from abroad (net)
    - 44 Deposits received (net)
    - 45 Increase in investments
    - 46 Increase in currency and deposits
    - 47 Increase in provisions
    - 48 Equity capital (net)
    - 49 Other funds available (net)
-

## ECONOMIC TRANSACTIONS FRAMEWORK

### SECTION 1: CURRENT OUTLAYS

Refers to both net current expenditure on goods and services and transfer payments. Current expenditure on goods and services is expenditure by general government authorities which does not result in the creation of fixed assets or in the acquisition of land, buildings, intangible assets or second-hand plant and equipment. This consists mainly of expenditure on wages, salaries and supplements and purchases of goods and services from public enterprises, from the private sector or from abroad. All expenditure on defence is treated as current expenditure. Fees and charges for services rendered and sales of goods and services by general government authorities are offset against gross expenditure on goods and services to give final consumption expenditure by general government as one of the main components of current outlay.

Current transfer payments do not involve goods or services but can be required or unrequited. Required transfers involve payment for property rights (e.g. interest payments) and unrequited transfers do not involve any goods, services or property rights in return for payment. Unrequited transfers include transfers to persons (e.g. age pensions), to enterprises (subsidies), to overseas (e.g. foreign aid) to non-profit institutions and to other governments.

### 11 GENERAL GOVERNMENT FINAL CONSUMPTION EXPENDITURE

Because general government's output of goods and services is mostly provided to the community free of charge, the government is considered to be the consumer of its own output. General government final consumption expenditure is calculated as the value of its output (measured at the cost of goods and services) less the value of its output sold to others (sales of goods and services).

#### 111 *Gross current expenditure*

This sub-group consists essentially of expenditure on wages, salaries and supplements and purchases of goods and services. Superannuation pensions and lump sums paid directly to former employees and contributions to superannuation funds are included as supplements to employees.

##### 1111 EMPLOYER CONTRIBUTIONS TO SUPERANNUATION SCHEMES

Refers to amounts paid by employers to superannuation schemes, in respect of past or current employees, to finance superannuation payments.

##### 1112 SUPERANNUATION PENSIONS AND LUMP SUMS PAID DIRECTLY TO FORMER EMPLOYEES

Includes pensions and lump sums paid directly to former employees whether financed by government funds, transfers from superannuation funds, other employers or employees.

##### 1113 WAGES, SALARIES AND OTHER SUPPLEMENTS (NON-CAPITALISED)

Refers to wages, salaries and supplements to wages and salaries not related to superannuation (e.g. amounts paid as workers compensation for injuries). Excluded are wages and salaries charged to capital works (i.e. on own-account construction).

##### 1115 PURCHASES OF GOODS AND SERVICES

Refers to the purchase of goods and services by general government bodies from public and private enterprises and from abroad. Includes all intermediate consumption by general government bodies.

#### 112 *Receipts from sales, reimbursements and superannuation contributions*

Refers to the value of current general government output sold to other public and private bodies and other current receipts which are netted off current government expenditure (ETF 111) to give general government final consumption expenditure (ETF 11).

Includes fees and charges for goods and services and rates rendered by local government trading activities, e.g. water and sewerage rates (see ETF 1122). Also includes reimbursements received for current



expenditure in respect of work done on behalf of other bodies and contributions received in respect of superannuation.

#### 1121 GENERAL GOVERNMENT CHARGES FOR GOODS AND SERVICES

This class comprises receipts by general government bodies for the direct provision of goods and services other than those classified as ETF 1122 (Local government trading activity rates (general government)). Includes fees and charges for services rendered and sales of goods and services by general government bodies.

'Fees for services rendered' need to be distinguished from 'fees from regulatory services'. If the main aim of the fee is to serve as an instrument of government policy, it is a fee for regulatory service. If, however, the fee is charged to recover the cost of work performed by government bodies for the benefit of the payer then it is a fee for services rendered.

#### 1122 LOCAL GOVERNMENT TRADING ACTIVITY RATES (GENERAL GOVERNMENT)

Refers to rates credited to the operating revenue of municipal trading activities undertaken by general government units.

Rates (including penalties) refers particularly to water and sewerage rates which are determined on the basis of property valuations. Amounts received which are determined on the basis of goods or services supplied are classified as charges for goods and services (ETF 1121).

This class only records revenue of small local government trading activities (e.g. water or sewerage) which are not regarded as separate enterprise units according to ABS public sector units standards. As such, these trading activities are part of the general government unit (see ETF 3212).

If an LGA charges a composite rate which includes both general rates plus specified amounts to be credited to trading activities' operating revenue then the general rates component would be classified to ETF 3112 and the trading activity revenue component would be classified to ETF 1122 or 3212.

#### 1123 REIMBURSEMENTS RECEIVED FOR CURRENT EXPENDITURE

Refers to amounts received by general government authorities as payment for work done acting as an agent for other government and private bodies. This class includes intra-general government arrangements but excludes sales of goods and services in the market.

Included are amounts received by Local Governments as payment for work done by the council acting as an agent for other government bodies and property owners (e.g. reimbursement for road maintenance work done on behalf of the State road authorities).

#### 1124 AMOUNTS RECEIVED FROM EMPLOYEES, SUPERANNUATION FUNDS OR OTHER EMPLOYERS IN RESPECT OF SUPERANNUATION

Includes unfunded employee retirement contributions, transfers from superannuation funds and transfers from other general government employers in respect of superannuation (see ETF 11).

### 12 REQUITED CURRENT TRANSFER PAYMENTS

Requited current transfers involve payment for the use of property rights. This includes interest, income transfers, land rent, royalties and dividends.

#### *121 Interest payments*

Interest payments are requited transfer payments for the use of money, e.g. in respect of bonds and loans.

#### 1211 INTEREST PAID ON INTRA-SECTOR ADVANCES

Interest paid in respect of advances in the form of loans from other units in the non-financial public sector.

Excludes interest paid on bills and bonds issued in the capital market.

1212 INTEREST PAID ON BANK OVERDRAFT

Refers to interest paid on bank loans in the form of increased cheque paying facilities.

1213 INTEREST PAID ON OTHER BANK LOANS

Refers to interest paid on bank loans other than interest on bank overdrafts. Excluded is interest paid on securities sold to banks through subscription on the open market.

1214 INTEREST PAID ON LOANS FROM OTHER FINANCIAL INSTITUTIONS

Refers to interest paid on borrowing from non-bank financial institutions through loans (i.e. direct agreements between borrower and lender).

Excluded is interest paid on securities sold to financial institutions through public subscription on the open market.

1215 INTEREST PAID ON BONDS AND BILLS IN AUSTRALIA

Interest paid on securities sold in the Australian capital market. This excludes interest paid on securities sold overseas and interest paid on loans (i.e. direct agreements between borrower and lender).

1216 INTEREST PAID ON BORROWING FROM ABROAD

Refers to interest paid on securities sold and loans raised outside Australia e.g. interest paid on IBRD loans, Eximbank loans, etc.

1217 INTEREST PAID ON DEPOSITS

Refers to interest paid by units of the non-financial public sector in respect of deposits held on behalf of other public and private bodies. Includes interest paid to private trust funds.

1218 INTEREST PAID ON LOANS FROM THE NON-FINANCIAL PRIVATE SECTOR

Refers to interest paid on borrowing from the non-financial private sector through loans (i.e. direct agreements between borrower and lender). This includes interest on loans from business firms, trade unions, clubs, private persons, etc.

Excluded is interest paid on securities sold to the private sector through public subscription on the open market.

1219 INTEREST PAID ON LOANS FROM CBAs

Refers to interest paid by units of the non-financial public sector on borrowings from their central borrowing authority. The receipt of this interest by the central borrowing authority is treated as a negative payment in this class.

**122** *Income transferred by PTEs (net)*

Comprises that part of the income of PTEs which is paid to their parent bodies or governments in the nature of dividends, transfers of profit or similar transactions less amounts received by PTEs to cover current deficits other than amounts received to offset recurring losses (see ETF 1311). Amounts received to cover other losses are included as offsets to outlays of PTEs because they are regarded as negative income transfers.

Excluded are transfers as income tax and other forms of taxation.

## 1221 INCOME TRANSFERRED BY PTEs

Includes that part of the income of PTEs which is paid to their parent bodies in the nature of dividends, transfer of profits or other such names. Excludes transfers as income tax and other forms of taxation.

Includes dividends paid to parent governments or parent PTEs but excludes other dividends paid e.g. dividends paid to private sector shareholders (ETF 1232).

## 1222 RECEIPT BY PTE OF CONTRIBUTION TO OFFSET NON-RECURRING LOSS

Comprises amounts received by PTEs to cover current deficits other than amounts received to offset recurring losses (see ETF 1311).

Included in outlays because it is regarded as a negative income transfer.

**123 Land rent, royalties, dividends paid**

Refers to payments (other than interest payments and income transfers) for the use of property rights.

Includes dividends paid by PTEs to shareholders other than the parent government. Dividends on shares paid to the parent government are treated as income transfers (ETF 1221).

## 1231 LAND RENT AND ROYALTIES PAID

Consists of rent paid for the use of land and royalties paid for the right to exploit natural resources, or the right to use copyrights, patents, trademarks, etc.

Excludes rent paid for the use of buildings.

## 1232 DIVIDENDS PAID

Refers to dividends paid to private sector shareholders who are minority owners of PTEs.

Excludes dividends paid to parent government. These are treated as income transfers (ETF 1221).

**13 UNREQUITED CURRENT TRANSFER PAYMENTS**

Unrequited current transfer payments are current non-repayable transactions where no goods, services or property rights are provided in return for payment.

**131 Subsidies paid to enterprises**

Subsidies are grants made by public authorities to private and public enterprises and are credited to their production accounts. These grants may take the form of bounties on commodities produced or inputs used, payments to ensure a guaranteed price or to enable maintenance of prices of commodities below costs of production, and other forms of assistance to producers.

## 1311 SUBSIDIES PAID TO PTEs

Refers to subsidies paid by general government authorities to PTEs including grants made to PTEs to offset recurring losses. *Recurring losses* are those losses that are a consequence of government policy to maintain prices at a level that does not cover the cost of production. Grants to PTEs to compensate for other losses are treated as negative income (see ETF 3312).

## 1312 SUBSIDIES PAID TO OTHER ENTERPRISES

Refers to subsidies to private sector enterprises including unincorporated enterprises. Also includes subsidies to public financial enterprises.

Primary producer subsidies may not be paid in the same year as that in which the subsidised goods are produced. Therefore, cash transactions and accrual adjustments need to be recorded.

## **132 Personal benefit payments**

These items are unrequited current transfers from general government for the benefit of individuals or households.

### **1321 PERSONAL BENEFIT PAYMENTS IN CASH TO AUSTRALIAN RESIDENTS**

Refers to cash payments made directly by government to individuals or households, who are not required to provide any goods or services in return for the payment, e.g. old age pensions, unemployment benefits, Victorian motor vehicle purchase grants.

### **1322 OTHER PERSONAL BENEFIT PAYMENTS TO AUSTRALIAN RESIDENTS**

Refers to payments by government to either public or private commercial bodies as recompense to them for providing goods or services to individuals or households either free or at concessional rates or prices provided that:

- the beneficiaries are a specially selected group from within the supplier's normal market; and that
- the beneficiaries are able to choose to a significant extent or to the same degree as everyone else:
  - the supplier; and
  - the type of commodities consumed; and
  - the timing of purchase of these commodities.

Examples are telephone rental concessions, concessional railway fares.

### **1323 PERSONAL BENEFIT PAYMENTS TO NON-RESIDENTS**

Refers to personal benefit payments to overseas residents. These transactions are treated as transfers to persons in GFS but are treated as transfers overseas in the National Accounts.

## **133 Current grants**

Current grants are voluntary, non-repayable, unrequited transfers for the purpose of financing the current operations of the recipient. Any grants which are not specifically defined as capital are treated as current (see ETF 241, ETF 242).

This sub-group includes grants for non-capital purposes to non-profit institutions, foreign governments and organisations, and to other general government units.

### **1331 CURRENT GRANTS TO NON-PROFIT INSTITUTIONS**

Refers to grants for current purposes to private non-profit organisations serving households. These include hospitals, independent schools, religious and charitable organisations.

Current grants to non-profit institutions serving business are coded to subsidies (ETF 1311, ETF 1312) and current grants to non-profit institutions serving government are coded to government final consumption expenditure (ETF 1100).

### **1332 GRANTS TO FOREIGN GOVERNMENTS AND ORGANISATIONS**

Refers to grants made to foreign governments and organisations including grants made for aid projects. All grants abroad are treated as current.

This class excludes transfers to non-resident persons (ETF 1323).

## 1333 INTRA-SECTOR CURRENT GRANTS PAID

Comprises 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). The direction of the payment is indicated by classifying each transaction by destination.

Exception — current grants to PTEs are classified as subsidies (ETF 1311).

134 *Other current transfer payments*

Refers to unrequited current transfer payments not classified elsewhere in ETF 131 to ETF 133.

## 1341 DIRECT TAXES PAID (cash basis)

Comprises direct taxes paid on a cash basis by non-financial public sector authorities e.g. income tax paid by PTEs. The accrual component is classified to ETF 1348.

Taxes are compulsory payments to public authorities which do not entitle the payer to any direct tangible benefit.

## 1342 CURRENT LEVIES PAID BY LOCAL GOVERNMENT TO OTHER GOVERNMENT AUTHORITIES

Refers to compulsory payments of a current nature (other than taxes) to other government authorities but excludes payments of an agency nature. It includes levies paid to Fire Boards, Town Planning Authorities and levies paid to county councils by constituent municipal and shire councils.

## 1343 TAXES PAID BY GENERAL GOVERNMENT

Refers to taxes paid by general government units. Includes State/Territory government payroll taxes and Commonwealth Government fringe benefits tax.

## 1348 DIRECT TAXES PAID (cash/accrual adj.)

Comprises cash/accrual adjustments relating to tax paid by non-financial public sector authorities. The cash component is classified to ETF 1341.

## 1349 OTHER CURRENT TRANSFER PAYMENTS N.E.C.

Refers to other unrequited current transfers which are not classified elsewhere in ETF 134.

**SECTION 2 - CAPITAL OUTLAYS**

Refers to capital expenditure on goods, capital transfer payments and net advances.

Capital expenditure on goods includes expenditure on new fixed assets, whether for replacements or additions, the acquisition and disposal of second-hand fixed assets, land and intangible assets and changes in the balance of stock accounts. It includes acquisition of assets under finance lease arrangements.

Capital transfer payments consist mainly of grants to other governments, enterprises and persons for the purpose of acquiring capital assets.

Net advances paid are the only repayable transactions which are included in outlays and not in financing items. Advances are included in outlays because they are used as an instrument of government policy to fund other levels of government or to direct expenditure towards particular purposes designed to achieve specific government policies and are considered to be capital since they are transactions in financial assets and therefore appear in the capital account in national accounts.

## 21 GROSS FIXED CAPITAL EXPENDITURE

Refers to net expenditure on new and second-hand fixed assets. Fixed assets are durable goods intended to be employed in the production process for longer than a year. Excluded are land, mineral deposits, timber tracts and similar non-reproducible tangible assets. Also excluded are intangible assets e.g. patents, copyrights.

### 211 *Expenditure on new fixed assets*

Expenditure on new fixed assets whether for additions or replacements. Fixed assets are tangible assets intended to be used in the production process for longer than a year. All purchases of defence equipment are treated as current. Houses built for sale are excluded.

#### 2111 PAYMENTS FOR NEW FIXED ASSETS

Payments made for new fixed assets including amounts spent on behalf of other government or private bodies for which the public authority will be reimbursed. Includes fixed assets constructed on own account, valued at cost of materials and capitalised salaries and wages. Excludes capitalised interest. Includes assets acquired under finance lease arrangements.

#### 2112 REIMBURSEMENTS RECEIVED FOR CAPITAL WORK DONE FOR OTHERS

Refers to reimbursements received by public authorities, for amounts spent on capital works, while acting as an agent for other government and private bodies. These reimbursements refer only to amounts received to cover the cost of capital assets which are the property (responsibility) of the body which makes the reimbursement. Excluded are amounts received to cover part or all of the cost of capital assets which are the property of the public authority (these are treated as capital grants or transfers received).

Example — amounts received by local governments for road construction done on behalf of State road authorities.

### 212 *Expenditure on second-hand fixed assets (net)*

This sub-group refers to the net expenditure on fixed assets other than expenditure on new fixed assets. This generally comprises the acquisition and disposal of non-residential buildings and the disposal of previously rented dwellings and used plant and equipment (see ETF 2311).

#### 2121 PURCHASES OF SECOND-HAND FIXED ASSETS

Refers to the purchase of fixed assets other than new fixed assets. Relates mainly to the acquisition of non-residential buildings. The purchase of land and buildings as a package is classified as a purchase of second-hand fixed assets unless a separate value can be derived for the land (see ETF 2311). Includes assets acquired under finance lease arrangements.

#### 2122 SALES OF PREVIOUSLY RENTED DWELLINGS

Refers to the sales value of previously rented dwellings sold to tenants. Excludes sales which are part of a finance lease sale and lease back arrangement.

#### 2123 SALES OF OTHER SECOND-HAND FIXED ASSETS

Refers to sales of fixed assets other than new fixed assets and previously rented dwellings. Relates mainly to the disposal of non-residential buildings, used plant and equipment. Excludes sales which are part of a finance lease sale and lease back arrangement.

## 22 INCREASE IN STOCKS

### 220 *Increase in stocks*

#### 2200 INCREASE IN STOCKS

Refers to net increases in stock account balances and net increases in stocks of materials, stores, wool stocks, spare parts, etc.

## 23 EXPENDITURE ON LAND AND INTANGIBLE ASSETS (NET)

Purchases less sales of land and intangible assets such as patents and copyrights.

### 231 *Expenditure on land (net)*

This sub-group represents the net result of expenditure on purchases of land and receipts from sales of land.

#### 2311 PURCHASES OF LAND

This class includes:

- the purchase of vacant land; and,
- the purchase of land with improvements in cases where the value of the land can be obtained separately.

The purchase of land and buildings as a package is classified 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) shall be treated as a purchase of land. In this case the building has no value to the purchaser.

#### 2312 SALES OF LAND

Relates to the sale of land (including sales of residential leases in the ACT).

The sale of land and buildings as a package is classified to sales of fixed assets unless a separate value can be determined for the land component.

### 232 *Expenditure on intangible assets (net)*

Expenditure on the purchase less receipts from the sale of intangible assets e.g. patents, copyrights, etc.

#### 2321 PURCHASES OF INTANGIBLE ASSETS

Refers to the outright purchases of intangible assets. Purchases of the right to use intangible assets are treated as royalty payments.

#### 2322 SALES OF INTANGIBLE ASSETS

Refers to the outright sales of intangible assets. Sales of the rights to use intangible assets are treated as royalties received.

## 24 CAPITAL TRANSFER PAYMENTS

Refers to capital grants made by public authorities with the aim of meeting part of the cost of capital expenditure of the recipient and other transfers which are not associated solely with the operations of a particular year, e.g. transfers associated with long term liabilities.

**241 Inter-sector capital grants paid**

Relates to grants to public financial enterprises, private enterprises, persons and private non-profit institutions to contribute towards the cost of capital expenditure.

**2411 CAPITAL GRANTS TO PUBLIC FINANCIAL ENTERPRISES**

Relates to grants made by public authorities to public financial enterprises to contribute towards the cost of capital expenditure.

**2412 CAPITAL GRANTS TO PRIVATE ENTERPRISES**

Relates to grants provided to private enterprises to contribute towards the cost of private capital expenditure.

Includes compensation to primary industry marketing authorities for losses on overseas debts resulting from devaluations.

**2413 CAPITAL GRANTS TO PERSONS**

Relates to grants made by public authorities to persons to contribute towards the cost of private capital expenditure. Includes homes savings grants.

**2414 CAPITAL GRANTS TO NON-PROFIT INSTITUTIONS**

Relates to grants made by public authorities to private non-profit institutions to contribute towards the cost of capital expenditure.

Includes grants towards science laboratories and libraries in private schools, university residential colleges, etc.

**242 Intra-sector capital grants paid****2420 INTRA-SECTOR CAPITAL GRANTS PAID**

Relates to grants made by public authorities to other public authorities to contribute towards the cost of capital development.

This category includes grants between different levels of government and grants within one level of government, e.g. general government to PTEs, budget sector to non-budget sector.

**243 Other capital transfer payments**

Refers to capital transfer payments other than grants.

**2431 TRANSFERS TO SINKING FUNDS**

This class refers to payments by non-financial public sector units (either general government or public trading enterprise units) to sinking funds in other units for the purpose of investing funds to redeem debt.

This class includes transfers from local government PTEs to a sinking fund within the local government. Excluded are payments by State authorities to the NDSF because these payments are considered as redemption of debt to the Commonwealth. This class excludes payments to sinking funds within the one unit. Such payments are treated as intra-unit transfers.

**2432 CAPITAL LEVIES PAID BY LOCAL GOVERNMENT TO OTHER GOVERNMENT AUTHORITIES**

Refers to compulsory payments of a capital nature (other than taxes) to other government authorities but excludes payments of an agency nature. It includes payments made to finance the debt redemption or capital works of other bodies.



## 2439 OTHER CAPITAL TRANSFER PAYMENTS N.E.C.

Refers to capital transfer payments not elsewhere included in ETF 24.

**25 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 repayment of such advances are netted off advances to give net advances paid.

Advances are distinguished from other financial assets (e.g. investments) in that advances are motivated by outlay policies while investments are motivated by liquidity management and the need to earn a return.

Advances include the purchase of shares or other equities in enterprises for the purpose of funding the activities of those enterprises. Sales of such shares or other equities are treated as negative advances i.e. they are netted off advances.

**251 *Advances to public financial enterprises (net)***

Includes gross advances to, and the repayment of advances by, public financial enterprises.

## 2511 GROSS ADVANCES TO PUBLIC FINANCIAL ENTERPRISES

Consists of advances to public financial enterprises including capital contributions and provision of funds for re-lending to specific categories of new borrowers.

## 2512 REPAYMENTS RECEIVED FROM PUBLIC FINANCIAL ENTERPRISES

Relates to repayments received by public authorities of advances to public financial enterprises.

**252 *Advances to the private sector (net)***

Consists of advances (net of repayments) to individuals, building societies and religious organisations for housing, schools, etc.

## 2521 GROSS ADVANCES TO PRIVATE ENTERPRISES

Consists of advances to private trading enterprises and private financial enterprises. Includes the purchase of shares or other equities in enterprises for the purpose of funding the particular enterprise's activities. Also includes occasional advances to purchasers of assets sold to private enterprises.

## 2522 REPAYMENTS RECEIVED FROM PRIVATE ENTERPRISE

Consists of repayments to public authorities of advances made to private enterprises.

## 2523 GROSS ADVANCES TO PERSONS AND NON-PROFIT INSTITUTIONS

Consists of advances 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.

## 2524 REPAYMENTS RECEIVED FROM PERSONS AND NON-PROFIT INSTITUTIONS

Consists of repayments to public authorities of advances made to persons and non-profit institutions.

**253 *Advances to foreign governments and organisations (net)***

Includes subscriptions to the International Bank for Reconstruction and Development, the International Development Association, etc.

**2531 GROSS ADVANCES TO FOREIGN GOVERNMENTS AND ORGANISATIONS**

Refers to advances to foreign governments and organisations by public authorities.

Includes subscriptions to the International Bank for Reconstruction and Development, the International Development Association, etc.

**2532 REPAYMENTS RECEIVED FROM FOREIGN GOVERNMENTS AND ORGANISATIONS**

Refers to repayment to public authorities of advances to foreign governments and organisations.

**254 *Intra-sector advances paid (net)***

Consists of advances (net of repayments) by authorities to other non-financial public sector authorities. This comprises both advances from one level of government to another and advances between units at the same level of government (e.g. general government to PTEs).

**2541 GROSS INTRA-SECTOR ADVANCES PAID**

Consists of advances made by public authorities to other public authorities.

**2542 INTRA-SECTOR REPAYMENTS RECEIVED**

Refers to repayments to public authorities of advances to other public authorities.

**SECTION 3: REVENUE AND GRANTS RECEIVED**

Refers to revenue and grants available to finance outlays of public authorities. Revenue and grants consist mainly of transfer (i.e. non-repayable) receipts and the operating surpluses of PTEs. This includes:

- taxes, fees from regulatory services, fines, gifts and other minor transfers;
- the whole of the income of PTEs and that part of the income of public financial enterprises which is paid to general government;
- interest on fixed deposits and bank accounts and interest on advances;
- land rent, royalties and dividends;
- current and capital transfers received;
- intra-sector grants received.

**31 TAXES, FEES AND FINES**

This group comprises taxes, fees from regulatory services and fines received.

The different types of taxes, fees and fines are shown in a separate *Taxes, Fees and Fines Classification*.

**311 *Taxes***

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.

### 3111 DIRECT TAXES RECEIVED

For National Accounts purposes a distinction is made between direct and indirect taxes. Direct taxes are taxes which are not charged to production account of producers. Included in direct taxes are income taxes (on individuals and companies), estate duties and gift duties. Some taxes, e.g. motor vehicle registration, are treated as partly direct (registration 'fees' paid by households) and partly indirect (registration 'fees' paid by businesses).

### 3112 INDIRECT TAXES RECEIVED

Indirect taxes are taxes assessed on producers in respect of the production, sale, purchase or use of goods and services which are charged to the expenses of production (see ETF 311).

Included in indirect taxes are sales taxes, customs duties, excise duties, land taxes, municipal rates, etc.

## 312 *Fees from regulatory services*

Fees from regulatory services are levies which are not primarily designed to raise general revenue and which are associated with the granting of a permit or privilege or regulation of activity.

Excluded are fees for the provision of services which directly benefit individual payers and for which payment is made voluntarily (see ETF 1121). Also excluded are fees mainly designed to raise revenue (these are classified as taxes).

Examples of fees from regulatory services are passport fees, fishing licenses and factory and shop registration fees.

SNA states that fees are only paid by households and, if the same type of payments were made by producers, then it should be treated as an indirect tax. However, government finance statistics recognise both direct fees (paid by households) and indirect fees (paid by producers).

### 3121 DIRECT FEES RECEIVED

Direct fees (like direct taxes) are fees which are not charged to the production account of producers.

### 3122 INDIRECT FEES RECEIVED

Indirect fees (like indirect taxes) are those fees paid by producers which are charged to the expenses of production. In the ANA, indirect fees are grouped with indirect taxes.

## 313 *Fines*

Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities. Penalties imposed by tax authorities are added to taxes received.

### 3131 DIRECT FINES RECEIVED

Direct fines (like direct taxes) are fines which are not charged to the production account of producers.

### 3132 INDIRECT FINES RECEIVED

Indirect fines (like indirect taxes) are those paid by producers which are charged to the expenses of production.

In the ANA, indirect fines (like indirect fees) are grouped with indirect taxes.

## 32 NET OPERATING SURPLUSES OF PTEs

The net operating surplus of a PTE is the excess of the value of its output over costs incurred in producing that output. These costs incurred include depreciation charges but exclude interest, dividends, land rent, royalties and direct taxes.

### 321 *Operating revenue of PTEs*

Refers to revenue obtained directly from the operations of PTEs. Includes subsidies received but excludes income from investments or from capital transactions.

#### 3211 PTE CHARGES FOR GOODS AND SERVICES

Refers to fees and charges for services rendered and sales of goods.

#### 3212 LOCAL GOVERNMENT TRADING ACTIVITY RATES (PTEs)

Refers to rates credited to the operating revenue of municipal trading activities which are separate enterprise units. Rates (including penalties) refers particularly to water and sewerage rates which are determined on the basis of property valuations. Amounts received which are determined on the basis of goods or services supplied are classified as charges for goods and services (ETF 3211).

If an LGA charges a composite rate which includes both general rates plus specified amounts to be credited to trading activities' operating revenue then the general rates component would be classified to ETF 3112 and the trading activity revenue component would be classified to ETF 3212 or ETF 1122.

#### 3213 SUBSIDIES RECEIVED (cash basis)

This class refers to the cash receipts of subsidies that were recorded as payments in ETF 1311 other than transfers from ordinary services within local government. The accrual component of subsidies received is recorded in ETF 3218.

#### 3214 TRANSFERS RECEIVED BY LOCAL GOVERNMENT TRADING ACTIVITIES FROM ORDINARY SERVICES

Represents subsidies received by the local government trading activities from the general fund of the LGA.

#### 3218 SUBSIDIES RECEIVED (cash/accrual adj.)

Comprises cash/accrual adjustments relating to subsidies received by PTEs. The cash component of subsidies received is recorded in ETF 3213.

### 322 *Operating expenditure of PTEs*

Refers to the current production expenses of PTEs. Includes wages, salaries and supplements, depreciation charges, current payments for goods and services consumed and indirect taxes. The measurement of current production expenses takes into account the value of purchases less increase in stocks (plus decrease in stocks) and excludes expenses capitalised as capital work done on own account.

#### 3221 DEPRECIATION CHARGES

Refers to amounts charged to current operations in respect of the consumption of fixed capital. Depreciation charges are an allocation of the cost of an asset over the life of the asset. Includes amounts allowed for amortisation of leased assets.

#### 3222 OTHER OPERATING EXPENDITURE

This class includes wages paid for current purposes, supplements to wages (e.g. contributions to superannuation funds), the intermediate consumption of other goods and services and indirect taxes paid.

Excluded are wages and other purchases which are charged to capital works (e.g. own-account construction). Also excluded are finance lease payments.

### 3223 OTHER OPERATING EXPENDITURE (PROVISIONS ADJ.)

This class holds adjustments required to convert GFS operating expenditure to a national accounting basis in respect of certain provisions expenses.

## 33 PROPERTY INCOME

Refers to required revenue other than the operating surpluses of PTEs. Property income includes income transferred from public enterprises, interest, land rent, royalties, dividends and seigniorage.

### 331 *Income transferred from PTEs (net)*

This sub-group includes the receipt of transfers from public trading enterprises to general government in the nature of dividends. It also includes dividends received by PTEs from subsidiaries and contributions to PTEs to offset non-recurring losses as these are considered negative transfers.

#### 3311 INCOME RECEIVED FROM PTEs

This class consists of the receipt of transfers from PTEs to general government in the nature of dividends and dividends received by PTEs from subsidiaries (see ETF 1221).

#### 3312 PAYMENT TO PTE TO OFFSET NON-RECURRING LOSS

This class records contributions to PTEs to offset losses where there was no deliberate policy to maintain revenue at below cost of production.

This class is included in income from PTEs because it is considered a negative withdrawal of income from PTEs.

### 332 *Income from public financial enterprises*

#### 3320 INCOME FROM PUBLIC FINANCIAL ENTERPRISES

Refers to receipts of income by general government from public financial enterprises in the nature of dividends.

### 333 *Interest received*

This sub-group includes gross interest received on bank balances, investments and advances.

#### 3331 INTEREST RECEIVED ON ADVANCES TO PUBLIC FINANCIAL ENTERPRISES

Comprises interest received by general government on advances to public financial enterprises.

#### 3332 INTEREST RECEIVED ON ADVANCES TO BUILDING SOCIETIES

Refers to interest received on advances to building societies excluding interest received from public sector building societies (ETF 3331).

#### 3333 INTEREST RECEIVED ON OTHER ADVANCES TO THE PRIVATE SECTOR

Refers to interest received by public authorities on advances to the private sector such as those made by public lending bodies including the Defence Services Homes Corporation, the Department of Primary Industry — War Service Land Settlement Scheme, the ACT Commissioner for Housing, State Housing Commissions and so on. Excludes interest received on advances to building societies.

## 3334 INTEREST RECEIVED ON ADVANCES TO FOREIGN GOVERNMENTS AND ORGANISATIONS

Refers to interest received by public authorities on advances made to foreign bodies, governments, etc. Includes interest received on advances to international organisations.

## 3335 INTEREST RECEIVED ON INTRA-SECTOR ADVANCES

Comprises interest received in respect of debt created by intra-sector advances. Refers to the receipt side of items in ETF 1211.

## 3336 INTEREST RECEIVED FROM BANKS

Refers to interest received on bank account balances and fixed deposits held with banks.

## 3337 INTEREST RECEIVED ON SECURITIES OF OTHER NON-FINANCIAL PUBLIC SECTOR AUTHORITIES

Refers to interest received on holdings of marketable securities issued on the open market by authorities of the non-financial public sector. Interest received from intra-sector advances is classified as ETF 3335.

## 3338 INTEREST RECEIVED ON INTRA-SECTOR DEPOSITS

Refers to interest received on deposits placed with other units of the non-financial public sector.

Includes interest credited to local government sinking funds held by State Treasuries.

## 3339 INTEREST RECEIVED N.E.C.

Refers to interest received not classified to ETF 3331-3338. Includes interest received on investments with public financial enterprises, the private sector and overseas (excluding interest received from banks), e.g. interest received on short term money market balances, interest on fixed deposits (other than with banks).

**334 *Other property income***

This sub-group consists of current required transfer receipts other than interest and income from public enterprises.

## 3341 LAND RENT RECEIVED

Refers to rent received for the use of land. Includes land rent in the Territories and leasing of crown lands. Building rentals received are classified to ETF 1121 for general government and ETF 3211 for PTEs.

## 3342 ROYALTIES RECEIVED

Consists mainly of off-shore petroleum, mineral and timber royalties.

## 3343 DIVIDENDS RECEIVED

Relates to dividends from shares held as investments and income from the IMF (not revenue from the IMF's gold disbursements).

Also includes dividends received on shares purchased as a result of an advance to a private company or to a corporation of another government.

## 3344 SEIGNIORAGE ON COINS

Refers to the profit on the issue of coins i.e. the difference between the face value of coinage and the cost of production.

## 34 OTHER REVENUE

Refers to unrequited revenue other than taxes, fees and fines. However, taxes received from general government units are included.

### 341 *Other current revenue*

This sub-group consists of unrequited current revenue other than taxes, fees and fines of ETF 31. However, taxes received from general government units are included here (see ETF 3414).

#### 3411 EX GRATIA RECEIPTS (IN LIEU OF MUNICIPAL RATES)

Refers to the revenue received, in lieu of rates, from exempt or non-rateable properties.

#### 3412 CURRENT LEVIES RECEIVED FROM LOCAL GOVERNMENT

This class records the receipt by other government authorities of those payments by local government classified to ETF 1342 (see description for ETF 1342).

#### 3413 TRANSFERS FROM ABROAD

This class refers to current grants received from foreign governments or private bodies (including international organisations).

#### 3414 TAXES RECEIVED FROM GENERAL GOVERNMENT

Refers to taxes received from general government units. These include State/Territory government payroll taxes and Commonwealth Government fringe benefits tax.

#### 3419 OTHER CURRENT REVENUE N.E.C.

Consists of other current revenue which has not been classified elsewhere. Includes gifts and other minor transfer items such as conscience money and unclaimed moneys (e.g. unclaimed lottery prizes, unclaimed TAB dividends and unclaimed moneys in bank accounts).

### 342 *Capital revenue*

This sub-group consists of capital transfers received other than intra-sector grants.

#### 3421 TRANSFERS RECEIVED BY SINKING FUNDS

This class refers to receipts by sinking funds from other enterprise units (either general government or trading enterprise) for the purpose of investing funds which will subsequently be used to redeem debt.

This class refers to receipts of items classified to ETF 2431 as payments (see ETF 2431).

#### 3422 CAPITAL LEVIES RECEIVED FROM LOCAL GOVERNMENT

This class records the receipt by other government authorities of those payments by local government classified to ETF 2432 (see description for ETF 2432).

#### 3429 CAPITAL REVENUE N.E.C.

This class refers to capital transfers received other than intra-sector grants and transfers received by sinking funds. This includes grants from private bodies for capital works, e.g. donations for road construction.

It also includes capital grants from foreign governments and organisations.

**35 INTRA-SECTOR GRANTS RECEIVED****350 *Intra-sector grants received***

Includes current grants received and capital grants received from other units in the non-financial public sector.

**3501 INTRA-SECTOR CURRENT GRANTS RECEIVED**

Comprises current grants received by one level of government from another or current grants received from the same level of government (e.g. budget sector to non-budget sector). This class is the receipts side of ETF 1333.

General government units only. Excludes current grants received by PTEs as these are classified as subsidies.

**3502 INTRA-SECTOR CAPITAL GRANTS RECEIVED**

Relates to grants received by public authorities from other non-financial public authorities to meet part of the cost of capital development. It is the receipts side of ETF 2420.

**SECTION 4 - FINANCING TRANSACTIONS**

Financing transactions are the means by which governments finance their deficits or invest their surpluses. Financing transactions represent the differences between 'Revenue and Grants' and 'Outlays'.

Financing transactions include:

- net borrowing (the domestic issue of stocks, bonds and Treasury bills, other general government and PTE securities, and borrowing from abroad);
- the receipt of advances from other government units;
- net receipts of private trust funds;
- changes in cash and bank balances;
- net investments;
- depreciation allowances, etc.

**41 INTRA-SECTOR ADVANCES RECEIVED (NET)****410 *Intra-sector advances received (net)*****4100 INTRA-SECTOR ADVANCES RECEIVED (NET)**

Consists of advances (net of repayments) received from other authorities of the non-financial public sector.

See ETF 25 for definition of advances.



**42 DOMESTIC BORROWING (NET)****420 *Domestic borrowing (net)***

## 4200 DOMESTIC BORROWING (NET)

Net borrowing from public and private bodies and individuals within Australia. Foreign borrowing is classified to ETF 43.

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 4100). Includes value of lease liability (net) under finance lease arrangements.

**43 BORROWING FROM ABROAD (NET)****430 *Borrowing from abroad (net)***

## 4300 BORROWING FROM ABROAD (NET)

This class consists of net borrowing by public authorities from abroad.

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 (see ETF 42). Includes lease liability under finance lease arrangements.

Borrowing from abroad is separated from domestic borrowing so as to allow analysis of the different effects on the economy such as the increase in the money supply as a result of borrowing from abroad.

**44 DEPOSITS RECEIVED (NET)****440 *Deposits received (net)***

## 4400 DEPOSITS RECEIVED (NET)

This class records the net increase in cash held by a government unit on behalf of a private body or public financial enterprise.

A net increase in cash held by the government is considered a financing item as governments (may) have the right to use these cash balances for their own purposes.

This class includes the change in balance of a private trust fund including both cash and investments. It records the net increase in the amount of investments of private trust funds.

This class also includes deposits held on behalf of other non-financial public sector units. This includes cash held in public accounts by the State Treasuries and the Commonwealth Department of Finance on behalf of other government units, e.g. PTEs which operate through a trust account held in the public accounts. Also includes deposits lodged by PTEs and other non-financial public sector units with Central Borrowing Authorities.

**45 INCREASE IN INVESTMENTS****450 *Increase in investments***

## 4500 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 (see ETF 25).

Investments included in this group are generally long term assets. Short term investments (relatively liquid) would be classified to ETF 46 'Increase in currency and deposits'.

This class includes net investments made by non-financial public authorities in public financial enterprises, in the private sector and abroad. It also includes net investments in other non-financial public authorities.

## **46 INCREASE IN CURRENCY AND DEPOSITS**

### **460 *Increase in currency and deposits***

#### **4600 INCREASE IN CURRENCY AND DEPOSITS**

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.

This class includes increases in cash and bank balances, funds lodged with Treasury or Finance or CBA, balances at call and foreign cash and deposits. It also includes funds invested by public authorities for a fixed period of time (short term) and net funds provided for the IMF.

## **47 INCREASE IN PROVISIONS**

Refers to the increase in provisions of public trading enterprises and the increase in imputed 'superannuation provisions' of general government (see ETF 472).

### **471 *Increase in provisions for depreciation***

#### **4710 INCREASE IN PROVISIONS FOR DEPRECIATION**

This class records the increase in provisions for depreciation which resulted from depreciation charges during the period. Excludes changes in the provisions for depreciation, shown in PTE accounts, which result from disposals of depreciated assets. Includes amounts allowed for amortisation of leased assets.

### **472 *Increase in superannuation provisions***

#### **4720 INCREASE IN SUPERANNUATION PROVISIONS**

This class records the increase in superannuation provisions of PTEs plus general government transactions relating to superannuation schemes in respect of public enterprises.

Increase in superannuation provisions of PTEs is the result of amounts credited to the provision in respect of current operations net of amounts paid as pensions or paid to superannuation funds or schemes.

The operation of a superannuation scheme by general government on behalf of public enterprises has the effect of transferring the provisions that would be accumulating in public enterprise accounts to general government. The excess of contributions received from public enterprises over pensions paid in respect of public enterprises is a financing transaction of general government.

This class includes contributions received by general government from public enterprises in respect of superannuation pension which are the responsibility of general government to pay as they become due. It includes both contributions in respect of the accruing liability of public enterprises and amounts received as reimbursement for current pensions paid by general government. It also includes superannuation pensions paid by general government to ex-employees of public enterprises.

**473**     *Increase in other provisions*

## 4730 INCREASE IN OTHER PROVISIONS

This class comprises the increases in provisions other than the provisions for depreciation or superannuation. For example, increases in the provisions for long service leave, recreation leave, deferred maintenance.

**48**           **EQUITY CAPITAL (NET)****480**     *Equity capital (net)*

## 4800 EQUITY CAPITAL (NET)

This class records net financing from the issue of shares or other equities.

It includes net financing through the issue of shares or other equities to other authorities of the non-financial public sector as well as minority private sector owners.

It also includes net financing from abroad through the issue of shares or other equities.

**49**           **OTHER FUNDS AVAILABLE (NET)****490**     *Other funds available (net)*

## 4900 OTHER FUNDS AVAILABLE (NET)

This class is a balancing item consisting mainly of movements in debtors and creditors and discrepancies arising from the inclusion of analysis based on both cash and accrual accounting systems.

It includes the increase in trading debts including creditors accounts payable, expenses charged to operations but not yet paid (e.g. accrued wages) and prepayments received.

It also includes the increase in trading financial assets including debtors accounts receivable and pre-paid expenses.

This class is intended for balancing purposes and may be used for relatively minor transactions whose substantive classifications are unresolved at the time of coding.

It includes other financing transactions that were not classified in Section 4.

This class also includes items required due to accounting differences in the accounts of public authorities (timing, cash versus accrual).

## GOVERNMENT PURPOSE CLASSIFICATION

### *Major groups*

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- 01 General public services
  - 02 Defence
  - 03 Public order and safety
  - 04 Education
  - 05 Health
  - 06 Social security and welfare
  - 07 Housing and community amenities
  - 08 Recreation and culture
  - 09 Fuel and energy
  - 10 Agriculture, forestry, fishing and hunting
  - 11 Mining and mineral resources, other than fuels;  
manufacturing; and construction
  - 12 Transport and communications
  - 13 Other economic affairs
  - 14 Other purposes
- 

## GOVERNMENT PURPOSE CLASSIFICATION

### 01. GENERAL PUBLIC SERVICES

#### 010 *General public services*

##### 0100 GENERAL PUBLIC SERVICES

Covers 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, general services, and government superannuation benefits.

##### 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.

Exclude 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 1410.

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 0200; production of cultural material intended for overseas broadcasting classified to GPC 0830; and foreign trade offices, international financial affairs and other foreign commercial or technical affairs classified to GPC 1390.

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 0200; and aid to international peace-keeping operations classified to GPC 0200.

General research

Includes outlays on:

Research directed towards the increase in scientific knowledge or discovery of new fields of investigation, not connected with a specific function; and both 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 1010.

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, co-ordinate 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; 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.

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 0612; and old age pensions, disability benefits etc paid through the general social security system to ex-military personnel, classified to appropriate GPC 061 sub-groups.

## 02 DEFENCE

### 020 *Defence*

#### 0200 DEFENCE

Covers 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 0100; and food, materials, equipment etc. used for emergency peace-time disasters classified to GPC 0620 or GPC 1430.

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.

## 03 PUBLIC ORDER AND SAFETY

### 030 *Public order and safety*

#### 0300 PUBLIC ORDER AND SAFETY

Covers outlays on administration, supervision, support, operation and review of public order and safety affairs and services. Public order and safety includes police and fire protection services, law courts and legal services, prisons and corrective services, and other services related to public order and safety.

Police and fire protection services

Includes outlays on:

All activities concerned with the prevention of illegal activities and apprehension of criminals; traffic control by police; alien registration; internal security forces; police colleges, police training and police laboratories; contributions to volunteer fire brigades; operations of fire brigade boards; and roadside clearing operations.

Excludes outlays on:

Forest fire protection services classified to GPC 1020.

### Law courts and legal services

#### Includes outlays on:

Legal representation and advice on behalf of the government and others; 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 1330; and tribunals and appeals boards that cannot be classified to specific purpose categories.

### Prisons and corrective services

#### Includes outlays on:

Places of secure detention for convicted persons, alleged offenders, child offenders and children on remand for alleged offences and non-institutional corrective services; prisons, prison farms, youth training centres, remand centres, juvenile corrective institutions 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:

Residential child care institutions that are not places of secure detention, such as juvenile hostels, family group homes, campus homes etc. classified to GPC 0620

### Other public order and safety

#### Includes outlays on:

Programs relating to the control of animals such as dog registration, pounds, control of stray cattle and associated veterinary costs; 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 0620 or GPC 1430; control of explosives; human rights organisations; and community relations.

#### Excludes outlays on:

Road safety classified to GPC 1210.

## 04 EDUCATION

### 041 *Primary and secondary education*

#### 0410 PRIMARY AND SECONDARY EDUCATION

Covers 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.

Also covers 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.

#### Excludes outlays on:

Transportation services to students classified to GPC 0440 and school medical and dental programs classified to GPC 0530.

**042 Tertiary education****0421 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 transportation services to university students classified to GPC 0440.

**0423 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 transportation services to technical and further education students classified to GPC 0440.

**0429 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 0439 or GPC 0423.

Also excludes transportation services to students classified to GPC 0440.

**043 Preschool education and education not definable by level****0431 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 preschools and kindergartens.

Excludes: 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 0620; and welfare payments to preschools classified to GPC 0620.

**0432 SPECIAL EDUCATION**

Outlays on administration, inspection, support, operation, etc. of special education programs.

Includes: 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 transportation services to students classified to GPC 0440.

**0439 OTHER EDUCATION NOT DEFINABLE BY LEVEL**

Outlays on administration, inspection, support, operation, etc. of educational programs which are not definable by level.

Includes: 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.



Excludes outlays on special education classified to GPC 0432.

**044**     ***Transportation of students***

0440   TRANSPORTATION OF STUDENTS

Outlays on administration, inspection, support, etc. of transportation services to students.

Includes outlays on contract bus services and conveyance allowances to parents. Also includes reimbursement of public trading enterprises and private sector bus operators for concessional fares offered to students.

**049**     ***Education n.e.c.***

0490   EDUCATION N.E.C.

Outlays on education affairs and services that cannot be assigned to one of the four preceding groups of GPC 04.

**05**     **HEALTH**

**051**     ***Hospital and other institutional services and benefits***

0511   GENERAL HOSPITALS

Outlays on administration, inspection, support, operation, etc. of hospitals that provide general medical care and treatment, and which do not specialise in the treatment of a particular condition, disease or class of patient.

Includes outlays on construction of hospitals, equipment and supplies, staff accommodation and amenities and outpatient department services.

0512   REPATRIATION HOSPITALS

Outlays on administration, inspection, support, operation, etc. of repatriation hospitals. These institutions generally specialise in the care and treatment, of both war caused and other disabilities, provided to current and former members of the armed forces and certain dependants, as well as providing medical services to community patients.

Includes outlays on construction of hospitals, equipment and supplies, staff accommodation and amenities and outpatient department services.

0513   MENTAL HEALTH INSTITUTIONS

Outlays on administration, inspection, support, operation, etc. of institutions mainly concerned with the treatment of psychiatric disorders.

Includes outlays on construction of institutions, equipment and supplies, and staff accommodation and amenities.

Excludes institutions mainly providing living quarters and day care centres specifically designed and equipped for use by the mentally handicapped classified to GPC 0620.

0514   NURSING HOMES

Outlays on administration, inspection, support, operations, etc. of institutions mainly specialising in provision of nursing care for the aged and infirm, and nursing home benefits.

Includes outlays on construction of homes, equipment and supplies, and staff accommodation and amenities.

## 0518 HOSPITAL AND OTHER INSTITUTIONAL SERVICES N.E.C.

Outlays on administration, inspection, support, operation, etc. of hospitals and other institutions n.e.c..

Includes: institutions that specialise in the treatment of a particular condition, disease or class of patient, for example, orthopaedic hospitals, convalescent homes, hospitals for the dying, infectious diseases hospitals, womens hospitals and childrens and maternity hospitals; hospital commissions; nursing schools associated with hospitals; and nurses registration boards.

Also includes outlays on construction of hospitals and other institutions, equipment and supplies, staff accommodation and amenities and outpatient department services.

## 0519 HOSPITAL BENEFITS

Outlays on administration, inspection, support, etc. of hospital benefits schemes designed to cover all or part of the costs of hospitalisation. Excludes nursing home benefits classified to GPC 0514.

**052 *Clinic and other non-institutional services and benefits***

## 0521 MEDICAL CLINICS AND PRACTITIONERS

Outlays on administration, inspection, support, operation, etc. of clinics and practitioners providing medical care of a general or specialised nature. Practitioners treat patients in their consulting rooms or in non-medical establishments or visit patients at home.

Includes outlays on community health centres with a medical practitioner.

Also includes outlays on construction of medical clinics, equipment and supplies.

Excludes outlays on hospital outpatient department services classified to GPC 051.

## 0522 DENTAL CLINICS AND PRACTITIONERS

Outlays on administration, inspection, support, operation, etc. of dental clinics, dental practitioners, oral hygienists or dental auxiliaries providing dental care of a general or specialised nature. Practitioners, oral hygienists or dental auxiliaries treat patients in their consulting rooms or in non-medical establishments.

Includes outlays on construction of dental clinics, equipment and supplies.

Excludes outlays on hospital outpatient department services classified to GPC 051.

## 0523 MATERNAL AND INFANT HEALTH

Outlays on administration, inspection, support, operation, etc. of centres concerned with provision of pre-natal and post-natal care and counselling to mothers and their children including mothercraft nursing services. Services are supervised and frequently delivered by staff of lower qualification than medical practitioners such as nurses.

## 0524 AMBULANCE SERVICES

Outlays on: administration, inspection, support, operation, etc. of first aid paramedical treatment; conveyance of the sick, injured and infirm to and from treatment centres; and payments to assist in meeting travel costs, etc. of patients using health services.

## 0528 CLINIC AND OTHER NON-INSTITUTIONAL SERVICES N.E.C.

Outlays on administration, inspection, support, operation, etc. of clinics, laboratories and paramedical personnel providing outpatient care and treatment, that cannot be assigned to one of the other sub-groups of GPC 052.

Includes outlays on: community health centres without a medical practitioner; chiroprac-tors, home nursing and domiciliary care personnel; non-institutional pathology and analytical laborato-ries; and domiciliary care benefits.

Also includes outlays on construction of clinics, etc. n.e.c., equipment and supplies.

Excludes outlays on hospital outpatient department services classified to GPC 051.

#### 0529 MEDICAL BENEFITS

Outlays on administration, inspection, support, etc. of medical benefits schemes designed to cover all or part of the cost of medical treatment.

### 053 *Public health*

#### 0530 PUBLIC HEALTH

Covers outlays on administration, inspection, support, operation, etc. of school medical and dental serv-ices, and programs concerned with community health goals.

School medical and dental services are usually delivered at the school by special teams not connected with a hospital, clinic or practitioner.

Includes outlays on:

Prevention services, such as immunisation and inoculation; disease detection services, such as for vene-real disease and tuberculosis; services delivered by special teams not connected with an institution or clinic in non-medical settings, such as the National Trachoma and Eye Health Program; services pro-vided to particular community groups, such as Aborigines; anti-drug and anti-smoking advertising cam-paigns; alcohol and other drug rehabilitation programs predominantly involving medical care and treatment; family planning services; occupational health services; nutrition services; regulation of food standards; epidemiology, the study of distribution of disease and factors responsible for that distribu-tion; and dissemination of information to increase public awareness of disease symptoms and health hazards.

Excludes outlays on:

Public health services not associated with a community health goal, such as community health centres, classified to other sub-groups of GPC 05; medical laboratories not associated with community health goals such as pathology, classified to the appropriate sub-group of GPC 051 if institution based or oth-erwise to GPC 0528; blood banks classified to GPC 0511; medical clinic services not associated with a community health goal classified to the appropriate sub-group of GPC 052; and alcohol and other drug rehabilitation programs predominantly involving welfare services classified to GPC 0620.

### 054 *Pharmaceuticals, medical aids and appliances*

#### 0540 PHARMACEUTICALS, MEDICAL AIDS AND APPLIANCES

Covers outlays on administration, inspection, support, operation, etc. of pharmaceutical, medical aids and appliances programs.

Includes outlays on:

The Pharmaceutical Benefits Scheme; provision of pharmaceuticals such as serums; and purchase and provision, free of charge, of medical aids and appliances such as wheel chairs, hearing aids and artifi-cial limbs.

Excludes outlays on :

The consumption of pharmaceuticals and the use of medical aids and appliances by patients of an insti-tution or other health facility if obtained through that institution or facility.

**055 Health research****0550 HEALTH RESEARCH**

Outlays on administration, promotion, support, etc. of applied research and experimental development related to the nature, prevention, diagnosis, treatment and incidence of disease and other health problems including mental disorders; and research into health services, nutritional problems, pharmacology, etc.

**059 Health n.e.c.****0590 HEALTH N.E.C.**

Outlays on administration, support, operation, etc. of health affairs and services that cannot be assigned to one of the preceding sub-groups in major group GPC 05.

**06 SOCIAL SECURITY AND WELFARE****061 Social security****0611 SICKNESS BENEFITS**

Pensions and other benefits paid to persons who are sick and thereby suffer loss of income due to work incapacity.

Includes Sickness Benefits and miners phthisis compensation.

Excludes: Special Benefits classified to GPC 0619; workers compensation payments classified to purpose; and payments for health services classified to the appropriate sub-group of major group GPC 05.

**0612 BENEFITS TO EX-SERVICEPERSONNEL AND THEIR DEPENDANTS**

Pensions and other benefits paid to ex-servicepersonnel to compensate for invalidity and other permanent disablement resulting from service in the defence forces, and to war widows and war orphans.

Includes ex-servicepersonnel disability pensions and allowances and service pensions.

Excludes: pensions from Defence Forces Retirement and Death Benefits scheme classified to GPC 0100; old age pensions, disability benefits, etc. paid through the general social security system to ex-service personnel, classified to other GPC 061 sub-groups; and payments for medical services classified to the appropriate sub-group of major group GPC 05.

**0613 INVALID AND OTHER PERMANENT DISABLEMENT BENEFITS**

Invalid pensions and other benefits paid to compensate for the permanent loss of income due to full or partial disablement.

Includes payments to chronically ill, disabled and handicapped persons.

Excludes repatriation and other disablement benefits payable only to ex-servicepersonnel classified to GPC 0612 and payments for medical services classified to the appropriate sub-group of major group GPC 05.

**0614 OLD AGE BENEFITS**

Payments of old age pensions. Excludes pensions payable only to ex-service personnel and their dependants classified to GPC 0612 and payments for medical services classified to the appropriate sub-group of major group GPC 05.

**0615 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 Class B and C widows pensions and orphans pensions.

Excludes: war widows and war orphans pensions classified to GPC 0612; and Class A widows pension and supporting parent benefits, the payments of which are made on the grounds of the need to support a dependent child, classified to GPC 0618.

**0616 UNEMPLOYMENT BENEFITS**

Unemployment benefits paid to compensate for loss of income due to unemployment.

Excludes outlays on: government labour exchanges classified to GPC 1330; unemployment relief grants through schemes such as NEAT, CYSS and YESS classified to the purpose which the industry serves or GPC 1330; pensions and other benefits paid to persons who are sick and thereby suffer loss of income due to work incapacity classified to GPC 0611; Special Benefits classified to GPC 0619; and welfare assistance to the unemployed classified to GPC 0620.

**0617 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 handicapped children not made to institutions, such as handicapped child allowances.

Excludes: payments to dependants of ex-service personnel classified to GPC 0612; payments to widows, deserted wives, divorcees and orphans classified to GPC 0615; payments to single parent households with dependent children classified to GPC 0618 and payments for handicapped children made to institutions classified to GPC 0620.

**0618 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 0615; war widows pensions classified to GPC 0612; and, payments to households on a per child basis (such as child allowances) classified to GPC 0617.

**0619 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 061, 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-group of GPC 061.

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 student transport concessions which are considered to be education outlays and are classified to GPC 0440.

**062 Welfare services****0620 WELFARE SERVICES**

Covers outlays on administration, inspection, support, operation, etc. of welfare services. Covers services for families, children and households with dependent children and for the elderly and the handicapped. Also covers services delivered by residential institutions mainly providing living quarters. Residential institutions cover homes, centres, villages, shelters, hostels, etc.

Includes outlays on:

Residential institutions for children and adolescents such as orphanages, childrens boarding homes and hostels and residential nurseries; youth refuges: juvenile hostels, campus homes and family group homes; residential institutions serving dependent mothers and their young children and mother and baby homes and hostels; child day-care centres, creches and play centres in which little or no schooling is provided; marriage and child/juvenile counselling, foster care and adoption services; emergency housekeeping services; welfare payments to pre-schools; the assessment and evaluation of offenders or persons who are alleged to have committed an offence or to have serious behavioural problems, through bodies that are not part of the judicial system such as assessment panels that provide direct inputs to the judicial determinations system and children's aid panels that provide an alternative to judicial determinations; residential institutions for elderly or physically or mentally handicapped persons in which little or no medical service is provided, such as aged persons homes, benevolent homes and hostels for the handicapped; day-care centres specifically designed and equipped for use by the handicapped; training centres for the handicapped; sheltered employment workshops; senior citizens centres; home visiting and housekeeping services; delivered meals services; other residential institutions and counselling services; prisoners aid; care of refugees; pre-marital education; homeless persons assistance; Aboriginal welfare; womens shelters; alcohol and other drug rehabilitation programs predominantly involving welfare services; general casework services which lead to the determination of eligibility for income assistance or welfare; multi-client services, such as provision of basic material needs (food and clothing), assistance in times of personal and family emergencies and relief of victims of man-made disasters including food, materials, equipment, etc.; and departments, bureaux or program units which serve the welfare system including those that disseminate information, prepare budgets and conduct or support research into welfare services.

Excludes outlays on:

Youth training centres, juvenile corrective institutions and other places of secure detention for children classified to GPC 0300 and community-based correction activities classified to GPC 0300; recreational services not associated with welfare services classified to GPC 0810; maintenance of state emergency services, such as through local government contributions, classified to GPC 0300; state emergency service operations that cannot be allocated to man-made disaster relief classified to GPC 0300 or GPC 1430; and provision of housing classified to GPC 0711.

**069 Social security and welfare n.e.c.****0690 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 06, 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.

**07 HOUSING AND COMMUNITY AMENITIES****071 Housing and community development****0711 HOUSING**

Outlays on administration, provision, support, operation, etc. of housing affairs and services.

Includes: the 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; and outlays relating to the mortgage financing of homes for ex-servicepersonnel and other low cost mortgage financing for home building or purchase.

Also includes outlays by departments, bureaux or program units producing and disseminating information about housing and on applied research into and experimental development housing standards and design.

Excludes outlays on residential institutions mainly providing living quarters classified to the appropriate sub-group of GPC 062 and provision of accommodation to serving members of the defence forces classified to GPC 0200.

Also excludes outlays on construction methods, materials or standards classified to GPC 1130.

## 0712 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 not only housing and industries but also facilities for the health, education, culture and recreation of the community and may also involve schemes for financing construction; relocating existing populations; administering zoning laws and regulations on land use and building standards, other than standards covering housing; and administering concessions to decentralised industries.

Also includes outlays by departments, bureaux, etc. on research into community development and dissemination of information such as state lands commissions.

Excludes outlays on 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.

## 072 *Water supply*

### 0720 WATER SUPPLY

Outlays on administration, regulation, research, support, etc. of water supply services.

Includes: grants, advances, subsidies or other assistance for the development, expansion or operation of water supply systems; and, outlays on the production and dissemination of information and research into the conservation, collection, purification and distribution of water.

Excludes government activities in connection with irrigation systems classified to GPC 1010.

## 073 *Sanitation and protection of the environment*

### 0730 SANITATION AND PROTECTION OF THE ENVIRONMENT

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:

Construction of drains associated with roadworks classified to GPC 1210; rural flood mitigation and agricultural drainage classified to GPC 1010; and abatement and control and other environmental protection programs classified to the purpose which the industry serves.

## **079**     *Other community amenities*

### **0790**   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 sub-groups of major group GPC 07.

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:

Public conveniences at recreational areas classified to GPC 0810.

## **08**       **RECREATION AND CULTURE**

### **081**     *Recreational facilities and services*

#### **0810**   RECREATIONAL FACILITIES AND SERVICES

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, national parks and wildlife services, and other recreational facilities and services.

Includes outlays on:

Multi-purpose halls used for recreation and cultural pursuits; dressing sheds and diving platforms; aspects of the national estate such as historic houses and sites which are part of national parks and wildlife services; 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:

Life saving, beach patrols and beach inspection classified to GPC 0300; and predominantly cultural facilities such as zoological and botanical gardens, and aquariums classified to GPC 0820.

### **082**     *Cultural facilities and services*

#### **0820**   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 0100; production of cultural material intended for overseas broadcasting classified to GPC 0830; and aspects of the national estate, which are part of national parks and wildlife services, classified to GPC 0810.

### **083      *Broadcasting and film production***

#### **0830 BROADCASTING AND FILM PRODUCTION**

Outlays on administration, regulation, support, provision, operation, etc. of broadcasting services and film production.

Includes: grants, advances or other types of 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; administration costs of the collection of commercial radio and television licence fees; and support of film production.

Excludes outlays in support of cultural activities intended for distribution overseas classified to GPC 0100.

### **089      *Recreation and culture n.e.c.***

#### **0890 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 sub-groups of major group GPC 08.

## **09      FUEL AND ENERGY**

### **091      *Fuel affairs and services***

#### **0911 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 price control, research, dissemination of information, measures designed to reduce consumption or increase production and support in the form of advances, grants or subsidies.

#### **0912 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 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 the transportation of petroleum classified to the appropriate sub-group of GPC 12.

#### **0913 GAS**

Outlays on administration, regulation, planning, support, operation, etc. of gas affairs and services which concern national gas, liquified petroleum gases and refinery gases.

Includes 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 the transportation of gas classified to the appropriate sub-group of GPC 12.

0914 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 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 the disposal of radioactive wastes classified to GPC 0730.

0919 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 091 including outlays on alternative fuels such as alcohol, wood and wood wastes.

**092**     ***Electricity and other energy***

0921 ELECTRICITY

Outlays on administration, regulation, planning, support, operation, etc. of 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 price control, research, dissemination of information, measures designed to reduce consumption or increase production and support in the form of advances, grants or subsidies.

Also includes support for the construction of dams and other works mainly designed to provide electricity.

0929 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 price control, research, dissemination of information, measures designed to reduce consumption or increase production and support in the form of advances, grants or subsidies.

**099**     ***Fuel and energy n.e.c.***

0990 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 09.

Includes outlays on measures designed to reduce consumption or increase production of both fuel and energy, for example, the National Energy Conservation Program.

**10**       **AGRICULTURE, FORESTRY, FISHING AND HUNTING**

**101**     ***Agriculture***

1010 AGRICULTURE

Outlays on administration, regulation, planning, support, management, etc. of agricultural land in general, of agriculture water resources, of agricultural affairs designed to stabilise or improve farm prices and farmers' incomes, of agricultural research and extension services, and of other agricultural affairs.

Includes 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.

Includes provision of land irrigation, rural drainage and flood mitigation systems; and subsidies, grants and advances for such work.

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.

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.

## **102     *Forestry, fishing and hunting***

### **1020 FORESTRY, FISHING AND HUNTING**

Outlays on administration, regulation, preservation, exploitation and management, etc. of timber resources, commercial fishing and hunting. Fishing covers freshwater, ocean and coastal fishing and fish farming. Hunting covers the taking of wildlife and animal propagation, protection and preservation.

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; game preserves; fish hatcheries, stocking or culling activities; licensing of fishing and hunting; research into wild animal and fish management and related problems of these industries; extension services; and dissemination of information.

Excludes outlays on:

Sport fishing and hunting classified to GPC 0810.

## **11     **MINING AND MINERAL RESOURCES, OTHER THAN FUELS; MANUFACTURING; AND CONSTRUCTION****

### **111     *Mining and mineral resources, other than fuels***

#### **1110 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; and gemstones, asbestos and gypsum.

Includes advances and bounties to foster mineral developments and production.

Excludes all activities relating to mineral fuels classified to major group GPC 09.

### **112     *Manufacturing***

#### **1120 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 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 09.

### **113 Construction**

#### **1130 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.

## **12 TRANSPORT AND COMMUNICATIONS**

### **121 Road transport**

#### **1210 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 trading enterprises 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 trading enterprises and private sector bus operators for concessional fares offered to students classified to GPC 0440; traffic control involving direct action by police classified to GPC 0300; street cleaning classified to GPC 0730; street lighting classified to GPC 0790; regulation and monitoring of pollution arising from motor vehicle operation classified to GPC 0730; grants, advances, subsidies, etc. to motor vehicle manufacturers classified to GPC 1120; integrated urban transit systems where separate road transport data are not available classified to GPC 1281.

### **122 Water transport**

#### **1220 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; and, research into the design, construction, etc. of water transport facilities.

Also includes: 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 trading enterprises and private sector systems operations; and research and dissemination of information on water transport affairs and services.

Excludes: control of water traffic involving direct action by police classified to GPC 0300; customs authorities classified to GPC 0100; grants, advances, subsidies, etc. to shipbuilders classified to GPC 1120; and integrated urban transit systems where separate water transport data are not available classified to GPC 1281.

## **123 Rail transport**

### **1230 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.; and research into the design, construction, etc. of rail transport facilities.

Also includes: tariff and passenger fares, passenger safety and frequency of service; subsidies, grants or advances to public trading enterprises and private sector system operators; and research and dissemination of information on rail transport affairs and services.

Excludes integrated urban transit systems where separate rail transport data are not available classified to GPC 1281 and grants, advances and subsidies to rolling stock manufacturers classified to GPC 1120.

## **124 Air transport**

### **1240 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; and research into the design, construction, etc. of air transport facilities.

Also includes: 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 trading enterprises and private sector system operators; and research and dissemination of information on air transport affairs and services.

Excludes the establishment and regulation of pollution standards classified to GPC 0730 and grants, advances and subsidies to aircraft manufacturers classified to GPC 1120.

## **125 Pipelines**

### **1250 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., or in supervising, licensing or regulating such work.

Also includes: registration, licensing and inspection of equipment, safety standards, operator skills and training, granting of franchises and tariffs; subsidies, grants or advances to public trading enterprises and private sector system operators; provision of equipment; and research and provision of information on pipeline transport affairs services.

## **128 Other transport**

### **1281 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: registration, licensing and inspection of equipment; safety standards and tariffs; subsidies, grants or advances to public trading enterprises; and research and dissemination of information on multi-mode urban transit systems.

Excludes outlays that can be classified to a specific transport mode.

### **1289 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 sub-groups in major group GPC 12.

## **129 Communications**

### **1290 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; and setting of tariffs.

Also includes outlays on: research into communication equipment and technology; information dissemination services; and grants, advances and subsidies for communication equipment and services.

Excludes radio and television broadcasting systems classified to GPC 0830, and water or air navigation aids classified to GPC 1220 and GPC 1240 respectively.

## **13 OTHER ECONOMIC AFFAIRS**

### **131 Storage, saleyards and markets**

#### **1310 STORAGE, SALEYARDS AND MARKETS**

Outlays on administration, planning, licensing, support, regulation, inspection, construction, maintenance, operation, etc. of storage and warehousing, and of yards and markets where sales of rural produce, livestock and other goods are conducted.

Includes 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.

Includes fishmarkets, produce markets and saleyards.

Excludes the development and monitoring of regulations concerning sales practices, labelling of packaged food and other goods intended for household consumption classified to GPC 1390.

**132 Tourism and area promotion****1320 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 0810.

**133 Labour and employment affairs****1330 LABOUR AND EMPLOYMENT AFFAIRS**

Outlays on administration, support, regulation, research, etc. of labour and employment affairs.

Includes: regulation of working conditions; conciliation and arbitration; operation of employment offices; apprenticeship training; 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; training programs designed to facilitate entry into the workforce of people currently not employed or in need of retraining; and other programs in which general labour affairs is the chief component.

Excludes labour and employment affairs of a particular industry classified to the purpose which the industry serves.

**139 Other economic affairs n.e.c.****1390 OTHER ECONOMIC AFFAIRS N.E.C.**

Outlays on administration, regulation, promotion, research, operation, etc. of distributive trades

Includes: 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: affairs related to storage and warehousing classified to GPC 1310 and price control and rationing schemes which can be identified with a specific industry sub-group (e.g. petroleum and gas classified to GPC 091).

Outlays relating to the hotel industry

Includes: 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: economic and commercial matters which cannot be allocated to a functional sub-group such as general regulation of monopolies and other restraints on trade and market entry and foreign commercial affairs; weather bureaux; patent offices; survey institutions.

Excludes: economic and commercial services classified to a particular industry.

Outlays relating to other economic affairs and services n.e.c.

**14 OTHER PURPOSES**

**141 *Public debt transactions***

1410 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 administrative costs of public debt management classified to 0100.

**142 *General purpose inter-government transactions***

1420 GENERAL PURPOSE INTER-GOVERNMENT TRANSACTIONS

Grants, advances or other inter-government transactions that cannot be allocated to purpose.

**143 *Natural disaster relief***

1430 NATURAL DISASTER RELIEF

Outlays on administration, planning, support, provision, etc. of programs concerned with the immediate relief of victims of fires, floods, droughts, 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: maintenance of state emergency services, such as through local government contributions, classified to GPC 0300; state emergency service operations that cannot be allocated to natural disaster relief classified to GPC 0300 or GPC 0620; relief of victims of man-made disasters classified to GPC 0620; reconstruction activities following man-made disasters classified to purpose; and, long term reconstruction and relief activities following natural disasters classified to purpose.

**149 *Other purposes n.e.c.***

1490 OTHER PURPOSES N.E.C.

Outlays that cannot be assigned to one of the major groups GPC 01 to GPC 13 and the preceding sub-groups of GPC 14. 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, FEES AND FINES CLASSIFICATION

### Groups

- 
- |   |   |
|---|---|
| 1 | Taxes on income, profits and capital gains          |
| 2 | Taxes on employers' payroll and labour force        |
| 3 | Taxes on property                                   |
| 4 | Taxes on provision of goods and services            |
| 5 | Taxes on use of goods and performance of activities |
| 9 | Fees and fines                                      |
- 

## TAXES, FEES AND FINES CLASSIFICATION (COMMONWEALTH)

### 1 TAXES ON INCOME, PROFITS AND CAPITAL GAINS

Covers taxes levied on the net income of individuals and on the net profit of corporations.

Included are taxes on capital gains and taxes on property, land and real estate levied on the basis of net income.

Excluded are taxes on gross income or gross sales (TFFC 4 or TFFC 5) and taxes on property, land and real estate levied on the basis of property value (TFFC 31).

#### 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 TAX 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*

#### **210**    GENERAL PAYROLL TAXES

Covers payroll taxes levied on a broad range of industries.

**22**      *Selective payroll taxes*

## 220    SELECTIVE PAYROLL TAXES

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*

## 310    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.

**32**      *Estate, inheritance and gift taxes*

## 320    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 (TFFC 5) and taxes on immovable property (TFFC 31).

## 331    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 motor vehicle registration (TFFC 510), insurance (TFFC 45) and gambling (TFFC 44).

### 332 FINANCIAL INSTITUTIONS TRANSACTIONS TAXES

Covers taxes on debits or credits to accounts with financial institutions. Includes the Commonwealth tax on bank cheque account debits.

Excludes stamp duties on cheques.

### 333 GOVERNMENT BORROWING GUARANTEE LEVIES

Covers guarantee fees/charges levied on the borrowings of public authorities by government.

## 4 TAXES ON 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 (TFFC 5).

### 41 *General taxes on provision of goods and services*

#### 410 GENERAL TAXES ON PROVISION OF GOODS AND SERVICES

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. Second-hand 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.

### 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 (TFFC 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 AND LPG

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.

## 422 EXCISES ON PETROLEUM PRODUCTS

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 TFFC 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 (TFFC 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***

## 440 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 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.

#### **45** *Taxes on insurance*

##### **450** 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.

### **5** **TAXES ON 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 (TFFC 4).

#### **51** *Motor vehicle taxes*

##### **510** MOTOR VEHICLE TAXES

Covers taxes levied on the operation of motor vehicles whether paid by households or corporations. Excluded are taxes on third party insurance (TFFC 450).

#### **52** *Franchise taxes*

##### **520** 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.

#### **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).

##### **531** BROADCASTING LISTENERS' AND TELEVISION VIEWERS' LICENCES

Covers taxes levied on radio and television owners for the permission to use their radios and TVs.

Originally introduced to help finance government controlled broadcasting services, the levies were discontinued in 1974.

##### **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 LICENCES

Covers fees for licences for commercial television 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.

## 534 DEPARTURE TAX

Covers the levy imposed on all people leaving Australia.

The fifty percent indirect component consists of the estimated tax collected from Australian residents going abroad for business purposes.

## 539 OTHER TAXES ON 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.

## 9 FEES AND FINES

Covers fees from regulatory services and fines.

Fees from regulatory services are levies which are not designed primarily to raise general revenue. Fees are levies associated with the granting of a permit or privilege, or regulation of activities.

Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities.

91 *Fees generally paid by producers*

Covers fees from regulatory services which are usually paid by producers and charged to the costs of production as a business expense.

## 911 BUILDING FEES

Covers permits or licences issued for the purpose of regulating building activities.

## 912 AVIATION EN ROUTE CHARGES

Refers to government charges for the staffing and operation of airways facilities (obstruction lighting, surveillance radar) and flight services (advice and information required for the safe and efficient conduct of flights).

## 913 EXPORT INSPECTION CHARGES

Refers to government charges for the inspection of certain export commodities (e.g. export inspection of grain, wool, fish, meat and livestock).

## 914 LIGHT DUES AND NAVIGATION ACT CHARGES

Covers light dues and charges paid under the Commonwealth Navigation Act 1912

## 919 FEES GENERALLY PAID BY PRODUCERS N.E.C.

Covers fees generally paid by producers not classified elsewhere in TFFC 91. Includes factory and shop registration, occupational licences, professional fishing fees, farm registration, motor vehicle inspection station licences, entertainment permits and fees, transport of dangerous goods fees, etc.

92 *Fees generally paid by households*

Covers fees from regulatory services which are generally paid by households. Fees in this category are not paid in pursuance of production and hence are not charged as a business expense by the payer.

## 921 DOG REGISTRATION

Covers registration and licensing of dogs and impounding fees.

## 929 FEES GENERALLY PAID BY HOUSEHOLDS N.E.C.

Covers fees, not classified elsewhere, which are generally paid by households. Includes passport fees, sporting fishing licences, hunting permits, etc.

93 *Fees paid by both producers and households*

## 930 FEES PAID BY BOTH PRODUCERS AND HOUSEHOLDS

Covers fees from regulatory services which are commonly paid by both producers and households. Includes firearm licences, quarantine fees, boat registration, etc.

94 *Fines*

Fines are monetary penalties (both civil and criminal) imposed on law breakers other than penalties imposed by tax authorities.

## 941 PARKING FINES

Covers penalties for illegal parking of motor vehicles. Excludes parking fees as these are classified as charges for services.

## 949 FINES N.E.C.

Covers fines not classified elsewhere. Includes electoral fines, court fines, library fines, civil aviation fines, bankruptcy fines, non-tax forfeits, etc.

## TAXES, FEES AND FINES CLASSIFICATION (STATE)

## 2 TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE

20 *Taxes on employers' payroll and labour force*

## 200 TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE

This class covers taxes collected from employers, levied either as a proportion of payroll or as a fixed amount per person employed.

## 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.

Indirect tax.

**32 *Estate, inheritance and gift taxes***

## 320 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 (TFFC 5) and taxes on immovable property (TFFC 31).

## 331 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 motor vehicle registration (TFFC 512), insurance (TFFC 45) and gambling (TFFC 44).

## 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.

## 4 TAXES ON 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 (TFFC 5).

### 42 *Excises*

#### 420 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.

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.

### 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 POKER MACHINE TAXES

Covers taxes and licences imposed on clubs for the operation of poker machines.

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 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 (TFFC 4).

51 *Motor vehicle taxes*

Covers taxes levied on the operation of motor vehicles whether paid by households or corporations. Excluded are taxes on third party insurance (TFFC 452).

## 511 VEHICLE REGISTRATION FEES AND TAXES

Covers motor vehicle registration, transfer, and number plate fees. These imposts are treated as taxes rather than regulatory fees because of the significant amount of revenue they generate.

## 512 STAMP DUTY ON VEHICLE REGISTRATION

Covers stamp duties imposed on motor vehicle registration, transfer, and number plate fees.

## 513 DRIVERS' LICENCES

Covers all licences to drive motorcycles, cars and trucks, bus drivers' and conductors' licences and learner drivers' permits.

## 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.

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 value of petroleum products sold or as a lump sum payment.

## 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 volume 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 a rebate to encourage consumption of low alcohol liquor.

53 *Other taxes on use of goods and performance of activities*

## 530 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, pollution taxes not based on the value of particular goods and taxes in respect of permission to perform an activity.

Covers taxes levied on radio and television owners for the permission to use their radios and TVs. Originally introduced to help finance government controlled broadcasting services, the levies were discontinued in 1974.

Covers fees for licences for commercial radio stations and television stations to transmit their services. 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.

Covers the levy imposed on all people leaving Australia.

Covers other levies on the use of goods or performance of activities, e.g. entertainment taxes.

9 **FEES AND FINES**

Covers fees from regulatory services and fines.

Fees from regulatory services are levies which are not designed primarily to raise general revenue. Fees are levies associated with the granting of a permit or privilege, or regulation of activities.

Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities.

**91**     ***Fees generally paid by producers***

## 910   FEES GENERALLY PAID BY PRODUCERS

Covers fees from regulatory services which are usually paid by producers and charged to the costs of production as a business expense.

**92**     ***Fees generally paid by households***

Covers fees from regulatory services which are generally paid by households. Fees in this category are not paid in pursuance of production and hence are not charged as a business expense by the payer.

## 921   DOG REGISTRATION

Covers registration and licensing of dogs and impounding fees.

## 929   FEES GENERALLY PAID BY HOUSEHOLDS N.E.C.

Covers fees, not classified elsewhere, which are generally paid by households. Includes sporting fishing licences, hunting permits, etc.

**93**     ***Fees paid by both producers and households***

## 930   FEES PAID BY BOTH PRODUCERS AND HOUSEHOLDS

Covers fees from regulatory services which are commonly paid by both producers and households. Includes firearm licences, quarantine fees, boat registration, etc.

**94**     ***Fines***

Fines are monetary penalties (both civil and criminal) imposed on law breakers other than penalties imposed by tax authorities.

## 941   PARKING FINES

Covers penalties for illegal parking of motor vehicles. Excludes parking fees as these are classified as charges for services.

## 949   FINES N.E.C.

Covers fines not classified elsewhere. Includes electoral fines, court fines, library fines, civil aviation fines, bankruptcy fines, forfeits, etc.

**TAXES, FEES AND FINES CLASSIFICATION (LOCAL)****3**       **TAXES ON PROPERTY**

Covers taxes on the use or ownership of property, and taxes on property transfers.

**31**     ***Taxes on immovable property***

## 310   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 capi-

realised 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.

## **9 FEES AND FINES**

Covers fees from regulatory services and fines.

Fees from regulatory services are levies which are not designed primarily to raise general revenue. Fees are levies associated with the granting of a permit or privilege, or regulation of activities.

Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities.

### **91 *Fees generally paid by producers***

#### **910 FEES GENERALLY PAID BY PRODUCERS**

Covers fees from regulatory services which are usually paid by producers and charged to the costs of production as a business expense.

### **92 *Fees generally paid by households***

#### **920 FEES GENERALLY PAID BY HOUSEHOLDS**

Covers fees from regulatory services which are generally paid by households. Fees in this category are not paid in pursuance of production and hence are not charged as a business expense by the payer.

### **93 *Fees paid by both producers and households***

#### **930 FEES PAID BY BOTH PRODUCERS AND HOUSEHOLDS**

Covers fees from regulatory services which are commonly paid by both producers and households. Includes firearm licences, quarantine fees, boat registration, etc.

### **94 *Fines***

Fines are monetary penalties (both civil and criminal) imposed on law breakers other than penalties imposed by tax authorities.

#### **941 PARKING FINES**

Covers penalties for illegal parking of motor vehicles. Excludes parking fees as these are classified as charges for services.

#### **949 FINES N.E.C.**

Covers fines not classified elsewhere. Includes electoral fines, court fines, library fines, bankruptcy fines, forfeits, etc.

**FIXED ASSET  
CLASSIFICATION**

<i>Code</i>	<i>Description</i>
1	Dwellings
2	Other buildings
3	Other construction
4	Equipment other than transport equipment
5	Transport equipment

**STATE OF ACTIVITY  
CLASSIFICATION**

<i>Code</i>	<i>Description</i>
1	New South Wales
2	Victoria
3	Queensland
4	South Australia
5	Western Australia
6	Tasmania
7	Northern Territory
8	Australian Capital Territory
9	Abroad





## Treatment of user charges and revenue in GFS

### Introduction

1 This appendix deals with the distinction between government charges for goods and services (user charges) and government revenue from taxes, regulatory fees and fines. This distinction often causes problems in classification. Difficulties can arise in deciding if a transaction should be treated as a user charge or a regulatory fee, a user charge or a tax, and a regulatory fee or a tax.

2 The appendix describes the guide-lines used in the classification of transactions as either user charges or as revenue from taxes, regulatory fees or fines in GFS.

### Background information

3 The IMF's *A Manual on Government Finance Statistics* distinguishes between tax revenue and non-tax revenue. It defines taxes as compulsory, unrequited, non-repayable payments to government. User charges, regulatory fees and fines are treated as non-tax revenue. User charges are receipts from the sale of goods and services of a non-regulatory nature. Regulatory fees are compulsory payments for regulatory services. Fines are defined as penalties for infringements not relating to taxes.

4 The UN's *A System of National Accounts* treats user charges as receipts from the voluntary and requited sale of goods and services by government to the private sector. These payments to government are considered to be receipts for commodity sales and are therefore considered to be a component of private consumption expenditure. Regulatory fees are described as compulsory payments which

primarily serve as instruments of public policy. They are treated as current transfers and are categorised with fines under 'compulsory fees, fines and penalties' in the income and outlay account. Taxes are described as payments which do not result in the provision of an identifiable service to the payer and are mainly designed to raise revenue.

5 In GFS, ETF 1121 (General government charges for goods and services) covers charges for services rendered and sales of goods and services by general government entities. It excludes sale or service receipts from other general government entities. This ETF is not treated as revenue but is an offset within ETF 11 (General government final consumption expenditure). As government is considered to be the consumer of its own output, general government final consumption expenditure is measured as the value of general government output less the value of its output sold to others. A good example of general government user charges is the charge for statistical information services provided by the ABS to the public. Other examples are admission fees to museums and public hospital charges.

6 ETF 3211 (PTE charges for goods and services) covers fees and charges for services rendered and sales of goods by public trading enterprises (PTEs). It is a component of the operating revenue of PTEs. Examples of PTE charges are water and sewerage rates, Telecom service charges and charges for electricity provided by electricity authorities.

7 Taxes are classified to ETF 311 (Taxes). Taxes are measured net of corrective amounts such as refunds. These amounts are considered to be corrective only if the refund

is made to the (original) payer. Taxes include any associated penalties imposed such as those for late payments. Examples of taxes are income tax, payroll tax, land tax and municipal rates.

8 Regulatory fees are classified to ETF 312 (Fees from regulatory services). They are usually associated with the granting of a permit or privilege, or regulation of activity. Examples of regulatory fees are passport fees, export inspection charges and fishing licences.

9 Fines are classified to ETF 313 (Fines). Penalties imposed by tax authorities are not treated as fines. However, if the tax penalty has a component which reflects an imposition by the judicial system, then this part is treated as a fine. Examples of fines are parking fines, court fines and library fines.

10 Government does not supply public goods and services nor fulfil its public purposes for commercial reasons. Its principal function is to carry out public policy through the production of non-market services for public consumption and the transfer of income. Its operations are therefore financed mainly by compulsory levies on entities in other sectors. ETF 31 (Taxes, fees and fines) is the item against which these types of receipts are recorded.

11 ETF 1121 (General government charges for goods and services) records the sale of goods and services by general government which are incidental or ancillary to its primary functions. ETF 3211 (PTE charges for goods and services) records receipts from the commercial or industrial activity carried out by government owned commercial enterprises.

12 The classification of a transaction as either a general government user charge or as a tax, fee or fine does not affect the measurement of the Deficit or Net Financing Requirement in GFS. It does, however, affect the measurement of current outlays and revenue. Inconsistent application of these classifications can therefore result in the production of statistics that are not comparable at either a national or international level.

### **Characteristics of user charges and revenue from taxes, regulatory fees, and fines**

13 User charges are considered to be voluntary payments to PTE or general government entities. They are required in nature and provide the payer with an identifiable benefit. They are generated by consumer demand and are market related and have a commercial nature. The charges are non-regulatory in nature in that they are not a policy instrument by which government regulates an activity. The basic characteristic of a user charge is that it is a payment for services rendered to the payer.

14 Taxes are collected by general government. They are considered to be compulsory imposts on the community. They are unrequited in nature and are not usually associated with an identifiable benefit. Revenue from taxes is

normally used by government to finance the production and supply of public goods and services that are not market related. Therefore taxes have a non-commercial nature. Taxes are distinguished from fees in that they are not levied to regulate a particular activity but are mainly designed to raise general revenue to enable government to meet its public policy obligations.

15 Motor vehicle registration fees are universally regarded as taxes in the international standards because of the significant amount of revenue they generate. Although motor vehicle drivers licence fees have a strong regulatory element they, along with motor vehicle registration fees, are treated as taxes in GFS.

16 Revenue from certain taxes may be put aside by government for specific purposes. For example, an excise on petrol that is paid by the motorist may be used by government to fund the maintenance and construction of particular highways. This process is called hypothecation. It does not change the characteristics of the revenue transaction. It is still considered to be compulsory and unrequited in respect of the payer.

17 In GFS, only general government units may levy and collect taxes. PTEs may collect taxes on an agency basis, that is on behalf of general government. When this occurs the effects of these transactions are netted off in the PTE sector and attributed to the general government sector, with an equivalent subsidy to the PTE if required. This type of receipt by PTEs needs to be distinguished from operating revenue. An examination of the nature of the receipt will establish this.

18 Regulatory fees are considered to be compulsory payments to general government. Although they are considered to be unrequited in nature, the payments are associated with an identifiable benefit. The benefit usually relates to the community or part of the community rather than the individual payer. In this sense the provision of any goods and services associated with the benefit is not market related. Therefore regulatory fees are considered to be non-commercial in nature. They are an instrument of public policy by which government can regulate certain activities in the economy.

19 Fines are imposed by general government. They are considered to be both compulsory and unrequited in nature. They are perceived as having no associated benefit. As there is no associated provision of goods and services, the payment of a fine is considered to be non-commercial in nature. Fines are not considered to be policy instruments by which government can regulate certain activities and therefore they are considered to be non-regulatory in nature. A fine is an imposition of a penalty which may result from the breach of a government regulation.

20 A table summarising the characteristics of user charges, and revenue from taxes, regulatory fees and fines is set out below. The summary is based on the criteria included in the international standards used in GFS. It is designed to give a general, rather than a definitive, description of the characteristics of these transactions.

TABLE 1. CHARACTERISTICS OF USER CHARGES AND REVENUE FROM TAXES, REGULATORY FEES AND FINES

User charges	General government			Public trading enterprise
	Revenue			
	Tax	Regulatory fee	Fine	
Required	Unrequited	Unrequited	Unrequited	Required
Voluntary	Compulsory	Compulsory	Compulsory	Voluntary
Identifiable benefit	Unidentifiable benefit	Identifiable benefit	Unidentifiable benefit	Identifiable benefit
Commercial nature	Non-commercial nature	Non-commercial nature	Non-commercial nature	Commercial nature
Non-regulatory nature	Non-regulatory nature	Regulatory nature	Non-regulatory nature	Non-regulatory nature
Payment for services rendered	Designed to raise general revenue	Instrument of public policy	Imposition of a penalty	Payment for services rendered

## Classification issues

21 The process of classifying user charges, taxes, regulatory fees and fines in GFS involves the interpretation and application of criteria derived from the individual characteristics of these payments. This process raises a number of classification issues.

22 The identification of any benefit received by the payer is an important aspect of the classification process. In some cases this can be difficult. Sometimes there may appear to be more than one benefit associated with the payment and sometimes there may appear to be none at all.

23 The need to determine if the payment is required or unrequited can therefore cause problems. A number of considerations need to be taken into account when addressing this issue. The proportionality between the payment and the benefit received needs to be considered. The relationship between the payment and the cost of providing the benefit is another consideration. Another aspect to be considered is whether or not non-payers derive the same benefit as payers.

24 The compulsory and voluntary criteria are often difficult to interpret and apply to payments. Most payments are compulsory to those who wish to benefit from any service offered. On the other hand very few payments are completely unavoidable.

25 The distinction between a payment that has a commercial nature and one that has a non-commercial nature is based on the type of government good or service received by the payer. A market related commodity is considered to be commercial in nature and a public commodity is considered to be non-commercial in nature. This distinction can often be difficult to determine.

26 In order to determine if a payment is regulatory, the activity that is being regulated needs to be identified. Other aspects to be considered include the nature of the benefit in terms of the community and whether or not the benefit can only be provided by government. The treatment of the payment as an instrument of public policy also comes under consideration. Most government activity promotes some aspect of public policy. An instrument of public pol-

icy is designed for a specific purpose in the area of public policy. This distinction is sometimes difficult to determine.

27 Some of the problems encountered in classifying user charges, taxes, regulatory fees and fines in GFS may be overcome by formulating a set of definitions for the characteristics of these transactions and by preparing a set of classification guide-lines.

## Definitions

28 A payment is considered to be *required* when the payer receives a direct benefit in return for it. The payment is proportional to the benefit received. This means that the payment is directly related to the value of the benefit received or to the cost of providing the benefit. A payment is considered to be *unrequited* when the payer does not receive a direct benefit in return for it. This means that the payer does not receive any benefit at all or that he receives a benefit which is not directly related to the payment.

29 A payment is considered to be *voluntary* if the payer receives a benefit which he wants and is willing to pay for. A payment is considered to be *compulsory* if the payer receives a benefit which he does not want, or if he does not receive any benefit at all. Compulsory payments are usually governed by legislation making the payment mandatory and giving the government power to penalise for non-compliance.

30 An *identifiable benefit* is recognisable by the payer as being goods and services acquired as a result of the payment.

31 A payment is considered to have a *commercial nature* if it relates to services that may be supplied through the normal market mechanism. The sale of market services is generated by consumer demand. Provision of market-like services by government is usually the primary function of PTEs. Market-like services provided by general government are usually ancillary to a primary function. A payment is considered to have a *non-commercial nature* if it relates to services that can only be supplied by government. These services are deemed to be public commodities, the supply of which is not influenced by market forces.

32 A payment is considered to have a *regulatory nature* when it is associated with the granting of a permit or privilege or regulation of activity and serves as an instrument of public policy. An instrument of public policy is solely designed for a specific purpose by government. It is usually established by specific legislation which gives the government power to penalise for non-compliance. Any benefit derived from such an instrument pertains to the community rather than the individual. Any payment that does not have these characteristics is considered to be *non-regulatory* in nature.

33 A payment for services rendered usually involves some degree of cost recovery. Cost recovery occurs when a charge is set to retrieve the cost of providing the service to the payer. The payment may be less than the value of full cost recovery.

34 When a payment is designed to raise general revenue the payer does not receive any direct benefit. The payment may greatly exceed any perceived indirect benefit. Some non-payers may receive the indirect benefit and some payers may not receive the indirect benefit.

35 An imposition of a penalty by government reflects its power to enforce compliance to its regulations.

### Classification guide-lines

36 These guide-lines are designed to provide a broad outline of the process involved in classifying transactions as either user charges or revenue from taxes, regulatory

fees and fines in GFS. Chart 1 is a schematic representation of the guide-lines.

37 The initial step in the process is to determine the institutional sector classification of the unit in receipt of the payment.

38 If the unit is a PTE and the receipt is included in operating revenue as a payment for services rendered then the receipt by the PTE is treated as charges for goods and services (ETF 3211).

39 If the unit is general government then the classification process becomes more complex. Any service or benefit associated with the payment needs to be identified.

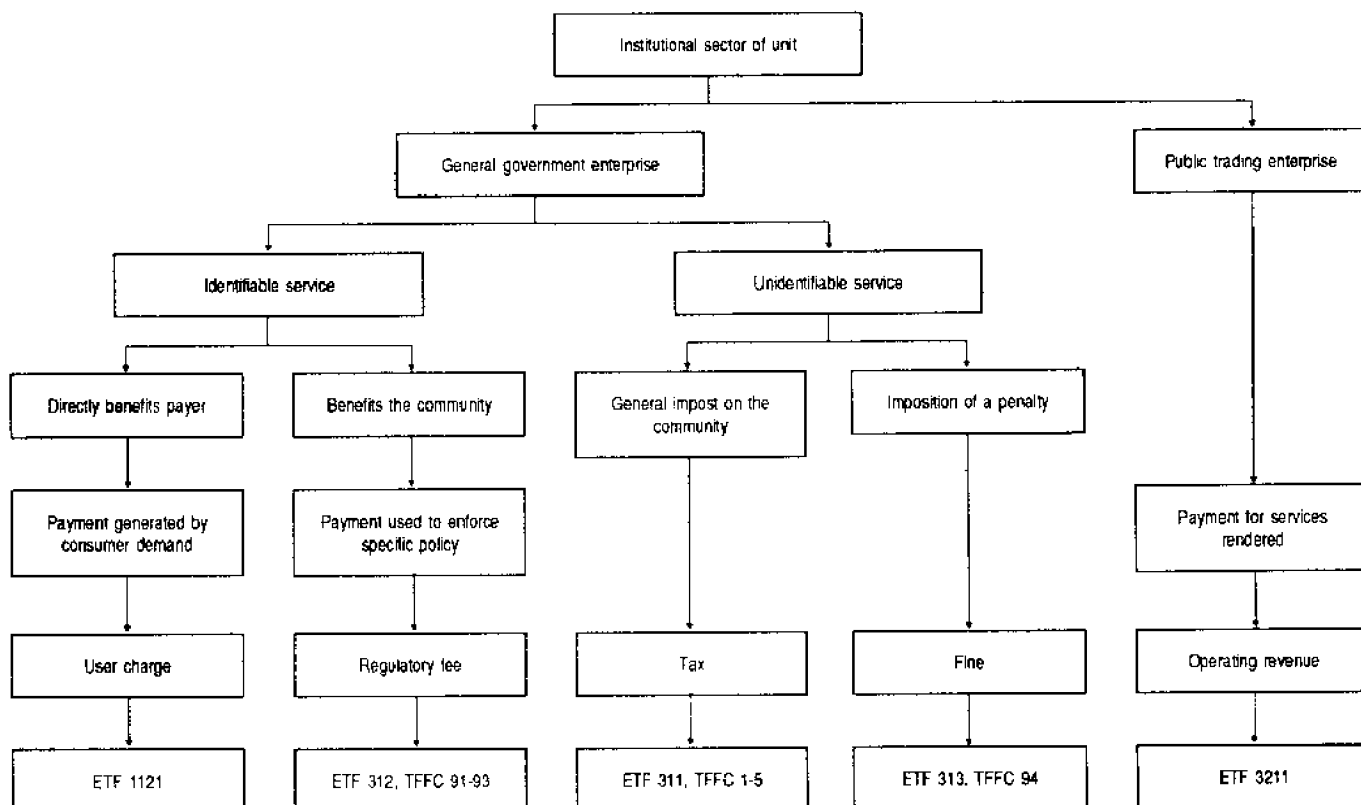
40 Once the associated service is identified, its nature and the nature of the payment for it needs to be looked at.

41 If the payment is generated by consumer demand and the service derived from it directly benefits the individual payer then it is treated as a user charge (ETF 1121).

42 If the payment is used by government to enforce a specific policy objective and the service derived from it benefits the community rather than directly benefiting the individual payer then it is treated as a regulatory fee (ETF 312).

43 If a service or benefit cannot be associated with the payment then the nature of the payment needs to be looked at.

CHART 1. DECISION TABLE TO ASSIST CLASSIFICATION OF USER CHARGES AND REVENUE



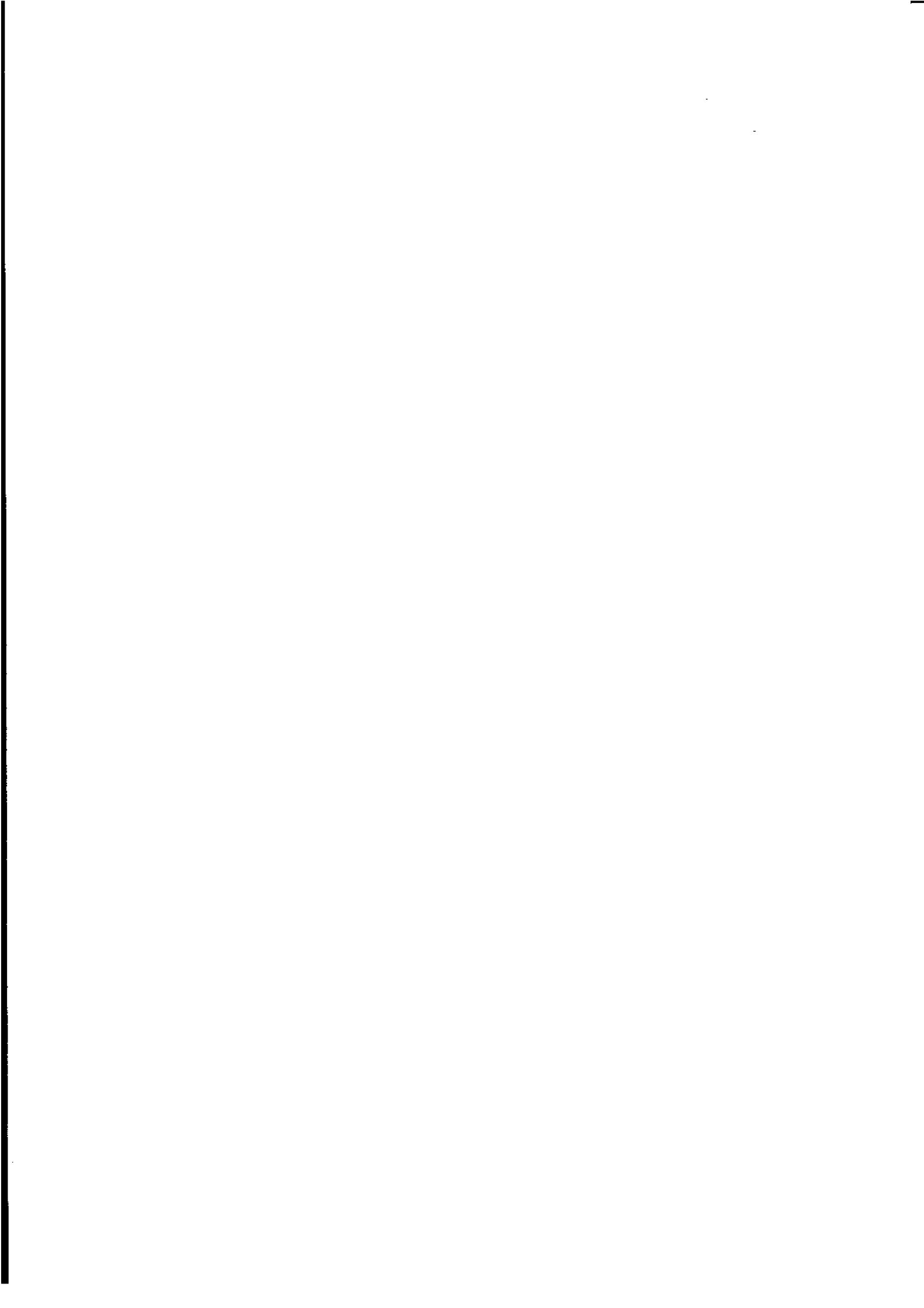
44 If the payment is in the nature of a general impost on the community or part of the community then it is treated as a tax (ETF 311).

45 If the payment is an imposition of a penalty then it is treated as a fine (ETF 313).

46 The majority of these types of transactions can be unambiguously classified. However, some may require subjective judgement. Decisions are made on a case by case basis and all relevant characteristics are considered together. The decision making procedures discussed in this

appendix are only guide-lines and do not always apply unambiguously to particular cases.

47 Some transactions may display characteristics that are typical of both user charges and revenue. In these cases the predominant characteristics are used to determine the correct treatment. The principal criteria that distinguishes a user charge from revenue is that it is a voluntary and required payment by the payer. If a transaction is *not* clearly a *voluntary* payment for a service then it should be treated as revenue.



# Treatment of reimbursements in GFS

## Introduction

1 A public enterprise sometimes undertakes or executes work for or on behalf of other enterprises, both public and private. The amounts received by the executing agency for such work are often referred to as reimbursements in GFS.

2 The term 'reimbursements' is used to show that the executing agency is undertaking the work in an agency capacity. The executing agency has no formal responsibility (for example, through statutory or constitutional requirements) to carry out the particular work on its own account.

3 As an agent, the executing agency does not have any material influence on the extent and direction of the work in question. It may have some influence on timing, but this would normally be associated with its capacity rather than responsibility.

## Nature of reimbursements

4 The work may be either current or capital in nature. The current versus capital characteristic is normally taken from the purchaser's point of view. When one party regards it as current and the other capital, the item is treated as capital, following the normal conventions of economic statistics.

5 The executing agency carrying out the work may be a general government enterprise, for example, a local government authority being reimbursed for certain road maintenance work done on behalf of a State road authority, or public trading enterprise.

6 Whether the work is of a current or capital nature and whether it is done by a general government or a public

trading enterprise are relevant considerations in classifying the transactions.

7 The scope of reimbursements excludes receipts related to the sale of goods and services in the market, which the executing agency would receive in the ordinary course of its function or business. The nature of reimbursements is therefore different from receipts from sales or operating revenue.

8 Generally, there would be no pressing requirement for costs of reimbursement work (materials, wages, etc.) to be separately identified from other expenses of the entity for their correct classification in GFS. However, there are cases where the costs of capital work done for others are shown as current or operating expenditure (or vice versa). In such cases, a consistent treatment is necessary in GFS to avoid the distortion that would otherwise result.

## Treatment of reimbursements

9 In classifying the reimbursements and the related expenses, the receipts and outgoings are offset in adjacent or near adjacent areas of the ETF, without crossing over important classification distinctions e.g. current/capital. Therefore, at the most detailed 4-digit level, the reimbursements and costs are treated on a gross basis.

10 Since the offsetting takes place at the 4-digit level within localised areas of the classification, in most instances there are no effects at the normal publication levels (ETF 3-digit and higher), for the executing agency. The published statistics therefore do not reflect work undertaken in an agency capacity as substantive or own-account transactions of the executing agency. If the purchasing entity is in scope of GFS, i.e. in the non-financial public sector, the coding treatment used results in the

statistics correctly attributing the purchase to that entity (and therefore the sector of that entity).

11 Where the amount of the reimbursement is more than the related cost, a surplus is generated for the executing agency. The offsetting treatment outlined above means that this surplus effectively gets the same economic classification as the reimbursement.

12 The treatment of reimbursements in financial statements will normally vary according to the type of entity and whether cash or accruals based accounting is used. Where reimbursements and the related costs are not readily identifiable in source documents, valuable resources are not allocated to tracking down insignificant items.

13 The recommended ETF classifications are set out in the table below.

TABLE 1. ETF CLASSIFICATION OF REIMBURSEMENTS AND RELATED TRANSACTIONS

	<i>For the executing agency</i>		<i>For the purchasing agency(a)</i>
	<i>Reimbursements</i>	<i>Related expenses(b)</i>	<i>Purchases</i>
<b>General government</b>			
Current	1123 Cr	1113 Dr and/or 1115 Dr	1115 Dr
Capital	2112 Cr	2111 Dr	2111 Dr
<b>Public trading enterprises</b>			
Current	3211 Cr	3222 Dr	3222 Dr
Capital	3211 Cr or 2112 Cr	3222 Dr or 2111 Dr	2111 Dr

(a) Only if in the non-financial public sector. (b) Including materials and wages.



## Treatment of superannuation transactions in GFS

### Introduction

1 This appendix outlines the recommended treatment of general government and PTE superannuation transactions in GFS.

2 Superannuation schemes for government employees operate under different arrangements in different jurisdictions. Some schemes operate on a fully funded basis, some on a partially funded basis and others on an unfunded or emerging costs basis. Some schemes are self-administered and some are administered by others on an 'agency' basis.

### Superannuation transactions and the ETF

3 The ETF identifies superannuation transactions for both the general government and PTE sectors. Those for general government are:

- ETF 1111 (Employer contributions to superannuation schemes);
- ETF 1112 (Superannuation pensions and lump sums paid directly to former employees);
- ETF 1124 (Amounts received from employees, superannuation funds or other employers in respect of superannuation);
- ETF 4722 (General government receipts from public enterprises to finance pensions); and,
- ETF 4723 (General government payments of pensions in respect of public enterprises).

4 These ETFs reflect superannuation schemes that are administered by general government. Such schemes include:

- unfunded schemes for general government employees;
- funded or partially funded schemes for general government employees;
- funded schemes for general government employees where the funds are held by private trust funds;
- funded schemes for public enterprise employees where the funds are held by private trust funds; and
- funded schemes for public enterprise employees where the funds are held by general government.

5 Superannuation transactions in the ETF relating to the PTE sector are:

- ETF 3222 (Other operating expenditure); and,
- ETF 4721 (Increase in superannuation provisions of PTEs).

6 These transactions reflect superannuation schemes for PTE employees and include:

- funded schemes administered by PTEs where the funds are held by PTEs; and,
- funded schemes administered outside the PTE sector where the funds are also held outside the PTE sector.

## Treatment of superannuation transactions

7 Given the diverse nature of government superannuation schemes, the cash accounting basis of the general government sector, and the accruals accounting basis of the PTE sector, it is important to highlight the classification issues or principles which need to be taken into account in order to treat superannuation transactions correctly in GFS. Factors that are taken into account include:

- the institutional sector of the sector recording the transaction;
- the accounting basis of the sector recording the transaction;
- the sector in which superannuation financial assets are held;
- the sector of the employer of the former employees in receipt of superannuation;
- where both employer and employee amounts are handled by government, the statistics reflect only the employer amounts as substantive transactions of government;
- the net cost of general government superannuation is reflected in government final consumption expenditure;
- any 'provisions' set aside within a cash accounting based sector are netted out as internal transfers;
- the balance of a private superannuation trust fund administered by a government is treated as a financing transaction of that government;

- where general government operates a superannuation scheme on behalf of its public enterprises (actually or in effect), the contributions received from these enterprises and payments by general government to former employees of these enterprises are treated below-the-line and only the net result is reflected as financing transactions in the general government sector;
- all provisions and contributions for superannuation expensed by PTEs are included in operating expenditure; and,
- the increase in any provisions put aside by a PTE to finance superannuation payments is treated as its financing transactions provided the PTE demonstrates control of the fund through its inclusion in its own financial statement.

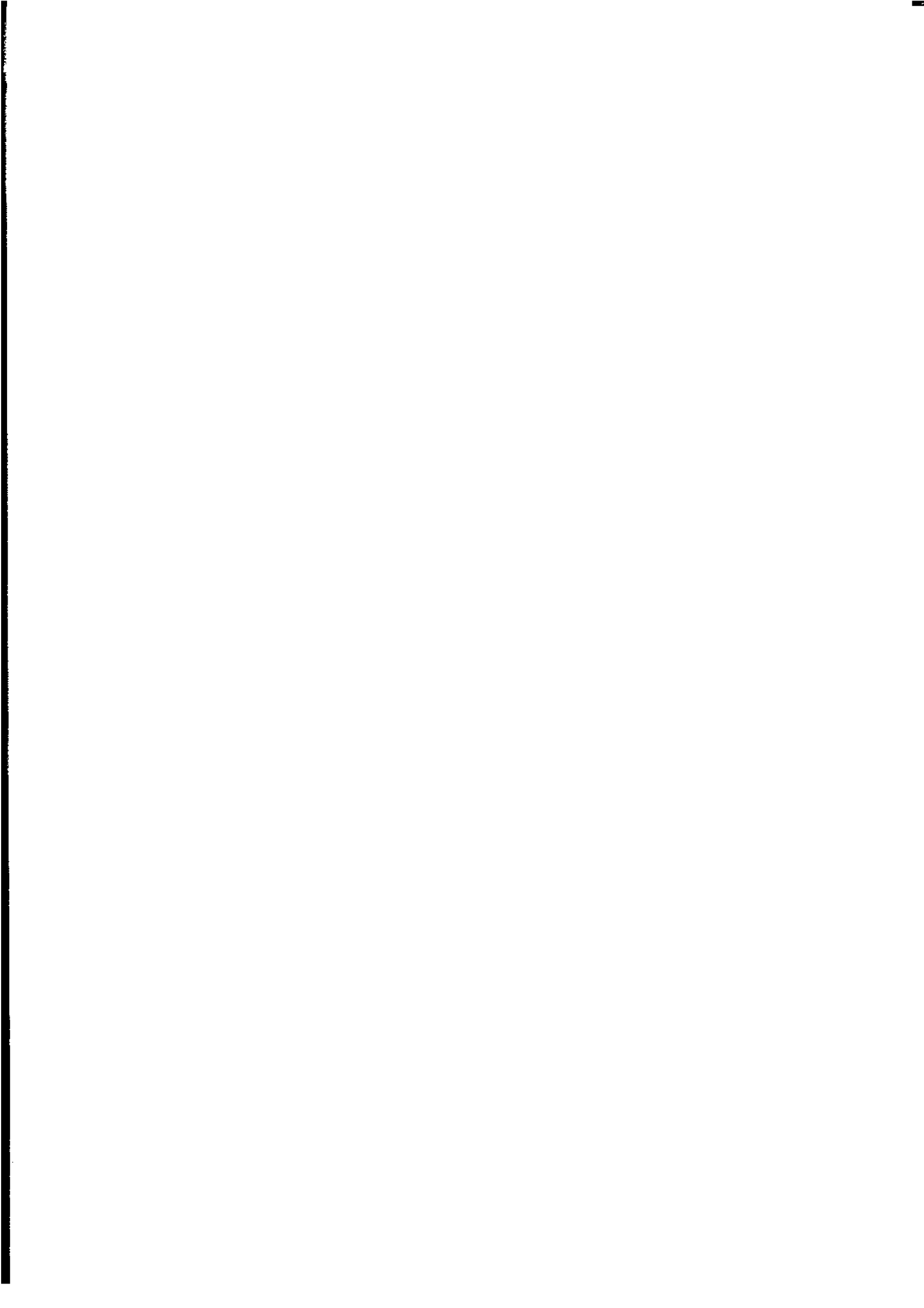
8 Table 1 outlines the recommended classification treatments for the different types of superannuation transactions in GFS. The table variables have the following meanings:

- *GFS sector* refers to the sector recording the superannuation transactions;
- *Client sector* refers to the sector of the employer of the employees or former employees concerned;
- *Administration* refers to the sector which manages or administers the scheme;
- *Funding* refers to the funding arrangement of the scheme;
- *Assets* refers to the sectoral location of any financial assets created from superannuation funding; and,
- *Classification of superannuation transactions* refers to the ETFs involved.

TABLE 1. CLASSIFICATION OF SUPERANNUATION TRANSACTIONS IN GFS(a)

<i>GFS sector</i>	<i>Client sector</i>	<i>Administration</i>	<i>Funding</i>	<i>Assets</i>	<i>Classification of superannuation transactions</i>
GG	GG	By GG	Unfunded	No assets held	ETF 1112 Dr for funds leaving the sector as payments to former GG employees
GG	GG	By GG	Funded or partially funded by GG	Assets held by GG	ETF 1112 Dr for funds leaving the sector as payments to former GG employees (ETFs 1111 Dr and -1111 Cr for contributions paid and received within the GG sector, and ETFs 1111 Dr and 1124 Cr for contributions paid and received from outside the GG sector)
GG	GG	By GG as 'trustee'	Funded by GG	Assets held by PTF	ETF 1111 Dr for payments to PTF ETF 4410 Cr for the movement in balance of the PTF
GG	PE	By GG as 'trustee' on 'behalf' of PE	Funded by PE	Assets held by PTF	ETF 4722 Cr for GG receipts from PE to finance superannuation ETF 4723 Dr for GG payments to PTF ETF 4410 Cr (GG) for the movement in balance of the PTF
GG	PE	By GG on 'behalf' of PE	Funded by PE	Assets held by GG	ETF 4722 Cr for GG receipts from PE to finance superannuation ETF 4723 Dr for GG payments of superannuation on behalf of PE with respect to former employees
PTE	PTE	By PTE	Funded by PTE	Assets held by PTE	ETF 3222 Dr for superannuation contributions ETF 4721 Cr for increase in superannuation provisions
PTE	PTE	Outside PTE	Funded by PTE	Assets held outside PTE	ETF 3222 Dr for superannuation contributions

(a) In this table, GG refers to general government, PE refers to the public enterprises (trading or financial), PTE refers to the public trading enterprises and PTF refers to the private trust fund.



# Treatment of CBA transactions in GFS

## Introduction

1 Each State government has established a Central Borrowing Authority (CBA). The principal function of each CBA is to co-ordinate and administer the borrowings of the State's own authorities. It does this by borrowing on behalf of client authorities and subsequently on-lending to them. The client authorities of a CBA are those which have been established by the same State government as the CBA.

2 A CBA may also undertake investment activities, either on its own account, or on behalf of client authorities. Authorities may lodge deposits with a CBA. These deposits may be held in a CBA fund or lodged with other entities on behalf of the client authorities. In some

circumstances, CBAs may also be considered to be making advances for public policy purposes to other public or private enterprises.

3 This appendix outlines the recommended classification treatments associated with the major CBA activities.

## Treatment of CBA borrowing and on-lending

4 Charts 1 and 2 outline the treatment of CBA borrowing and on-lending to other non-financial public enterprises and public financial enterprises (PFEs) in the same State.

5 When a CBA borrows on behalf of a client authority,

CHART 1. TREATMENT OF CBA BORROWING AND ON-LENDING TO OTHER NON-FINANCIAL PUBLIC ENTERPRISES

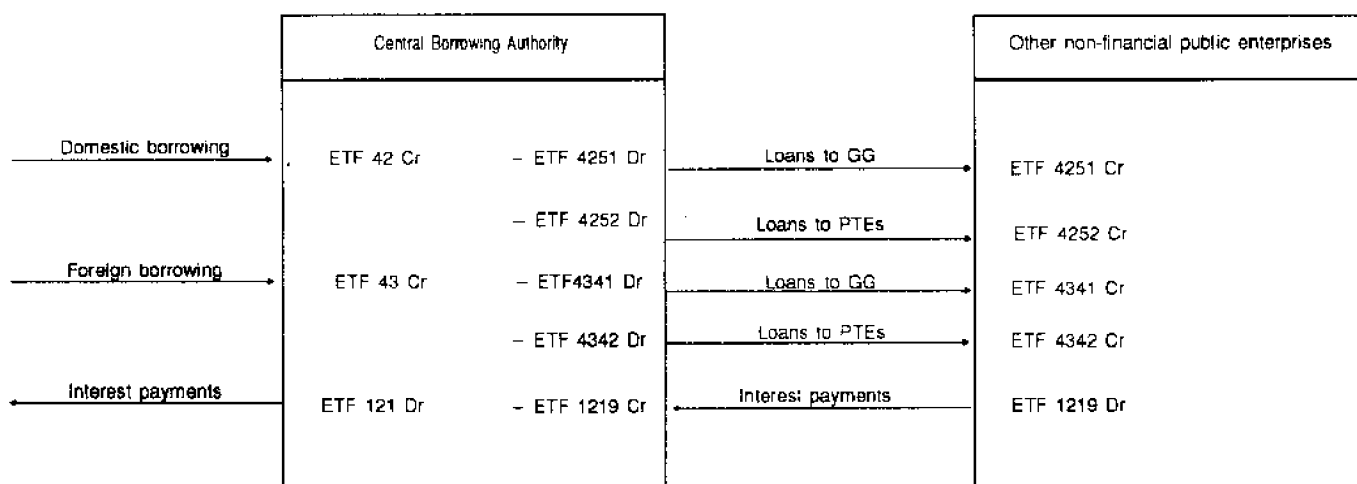
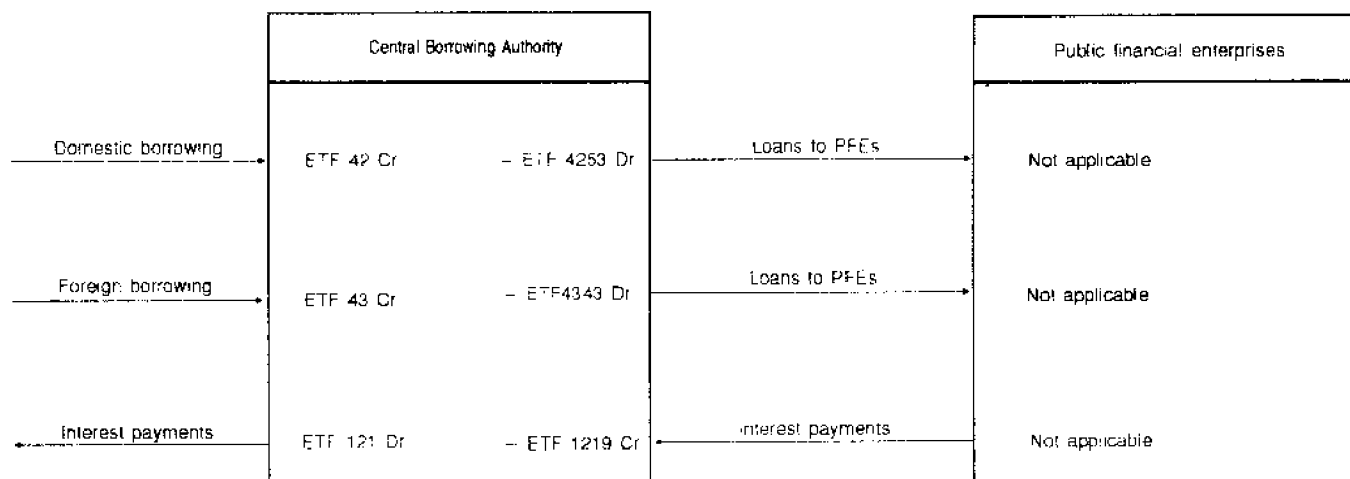


CHART 2. TREATMENT OF CBA BORROWING AND ON-LENDING TO PUBLIC FINANCIAL ENTERPRISES



the borrowing is attributed to the authority. The on-lending is netted off the borrowing of the CBA and the receipt of the loan is treated as borrowing by the authority (this will be recorded in GFS if the client authority is a PTE, but not if it is a PFE). This treatment effectively attributes the borrowing to the sector of the client authority. Interest flows in respect of such borrowing are similarly offset and attributed to the client sector. Any lending for public policy purposes is not offset in the above manner but treated advances paid (ETF 25 Dr).

6 ETF 1219 (interest paid on loans from CBAs) refers to interest paid by units of the non-financial public sector on borrowings from their CBA. The receipt of this interest by the CBA is treated as a negative payment to effect the netting procedure described above.

7 ETFs 4251 (CBA domestic loans to general government (net)), 4252 (CBA domestic loans to public trading enterprises (net)), and 4253 (CBA domestic loans to public financial enterprises (net)) refer to net domestic borrowing by CBAs on behalf of client authorities. These classes cover the loans received by authorities from their CBA.

The payment of these loans by the CBA is treated as a negative receipt.

8 ETFs 4341 (CBA foreign loans to general government (net)), 4342 (CBA foreign loans to PTEs (net)), and 4343 (CBA foreign loans to public financial enterprises (net)) refer to net foreign borrowing by CBAs on behalf of client authorities. These categories are only used when overseas borrowing conditions are passed on to the client sector. If this does not occur, the ETF 42 (domestic borrowing) categories are used.

### Treatment of CBA 'own account' investments

9 Chart 3 outlines the treatment of 'own account' inter-sector investments by CBAs and Chart 4 outlines the treatment of 'own account' intra-sector investments by CBAs. This type of investment includes arbitrage and similar activities. If these activities are large and separate financial statements are available, then they should be excluded from GFS coverage.

CHART 3. TREATMENT OF CBA 'OWN ACCOUNT' INTER-SECTOR INVESTMENTS

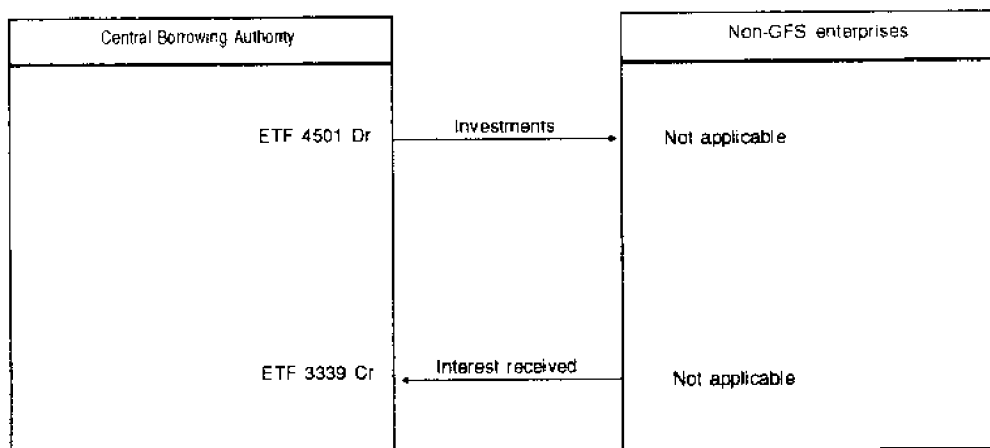
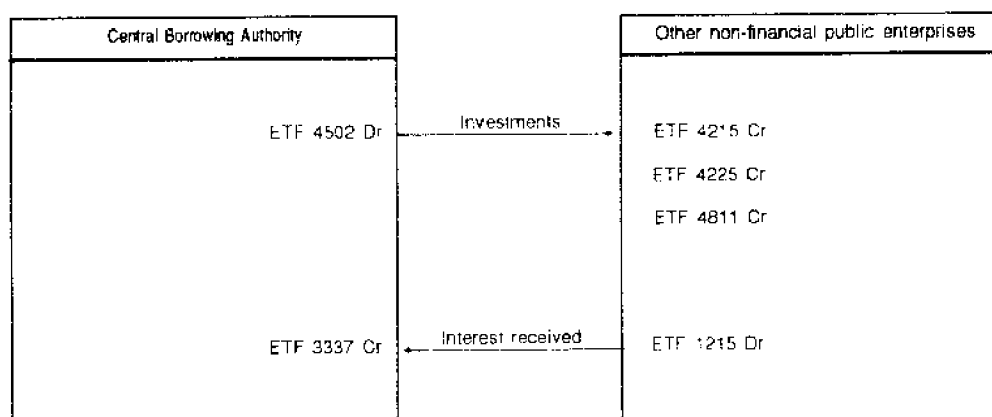


CHART 4. TREATMENT OF CBA 'OWN ACCOUNT' INTRA-SECTOR INVESTMENTS



10 Investments are the creation of financial assets, through lending money, for the purpose of earning a return and managing liquidity.

11 ETF 4501 (increase in inter-sector investments) refers to net investments made by non-financial public authorities in PFEs and in the private sector. ETF 4502 (increase in intra-sector investments) refers to net investments in other non-financial public authorities. Investments included in ETF 45 are generally long term assets. Short term investments which are relatively liquid are included in ETF 46 (increase in currency and deposits).

12 When a CBA makes an investment on its own account the payments and receipts involved are directly attributable to it. There is no netting off of the transactions involved. The CBA makes the investment and receives the interest from it.

13 ETF 1215 covers interest paid on bonds and bills in Australia. ETF 3337 refers to interest received on securities of other non-financial public sector authorities. ETF 3339 includes interest received on investments with PFEs and the private sector.

14 ETF 4215 refers to net intra-sector borrowing through the issue and redemption of long term bonds. ETF 4225 refers to net intra-sector borrowing through the issue and redemption of short term bonds and bills. ETF 4811 refers to net intra-sector equity capital and covers the issue of shares or other equities.

### Treatment of investments by CBAs on behalf of other public enterprises

15 Charts 5 and 6 outline the treatment of investments by

CHART 5. TREATMENT OF INVESTMENTS BY CBAs ON BEHALF OF PUBLIC FINANCIAL ENTERPRISES

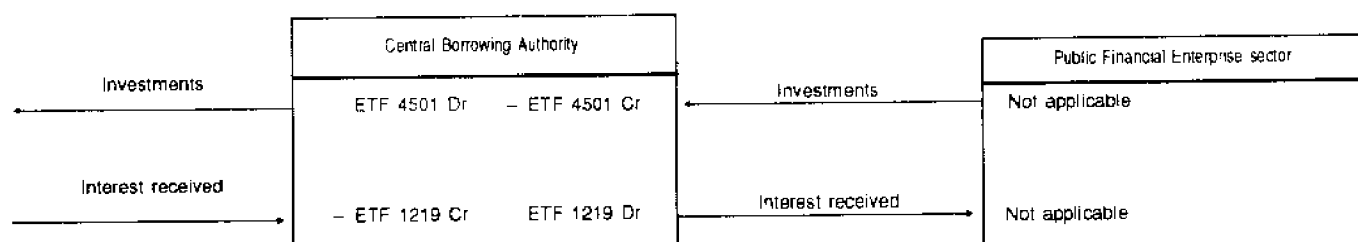


CHART 6. TREATMENT OF INVESTMENTS BY CBAs ON BEHALF OF OTHER NON-FINANCIAL PUBLIC ENTERPRISES

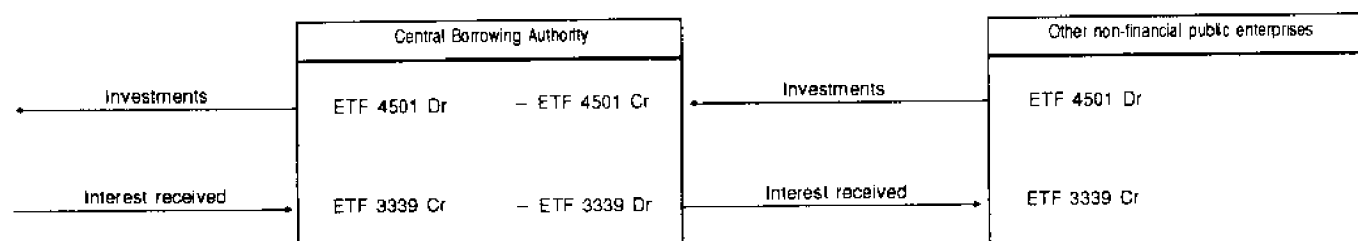
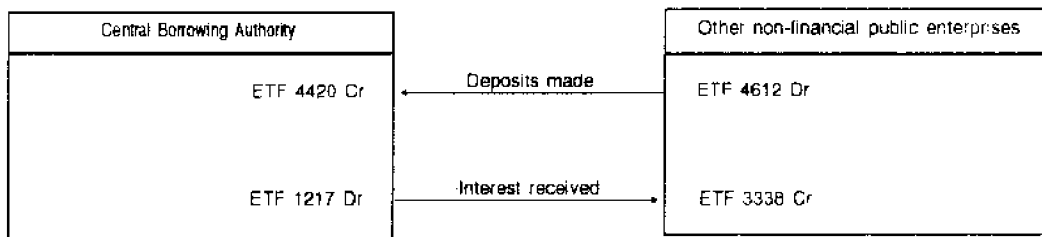


CHART 7. TREATMENT OF DEPOSITS HELD IN CBA FUNDS



CBA's on behalf of PFEs and other non-financial public enterprises in the same State. These investments are considered to be inter-sector in nature.

16 When a CBA makes an investment on behalf of a client authority the transactions involved need to be offset in the CBA sector and attributed to the client sector. ETFs 1219 and 3339 can be used for the interest transactions. As these investments are considered to be inter-sector in nature, ETF 4501 can be used for the investment transactions.

### Treatment of deposits held by CBAs

17 Chart 7 outlines the treatment of deposits held in CBA funds. Chart 8 outlines the treatment of deposits held by CBAs on behalf of client authorities. These deposits are considered to be inter-sector deposits.

18 When deposits are held in a CBA fund, the transactions involved are directly attributable to the CBA and the authority making the deposit. ETF 4420 covers the receipt of such deposits by the CBA and ETF 4612 covers the payment by the authority. ETF 1217 refers to the interest paid by the CBA in respect of the deposits held and ETF

3338 refers to the interest received by the authority in respect of the deposits lodged with the CBA.

19 When deposits are lodged with other entities on behalf of an authority, the transactions involved need to be offset in the CBA sector and attributed to the client sector. These deposits are considered to be inter-sector deposits.

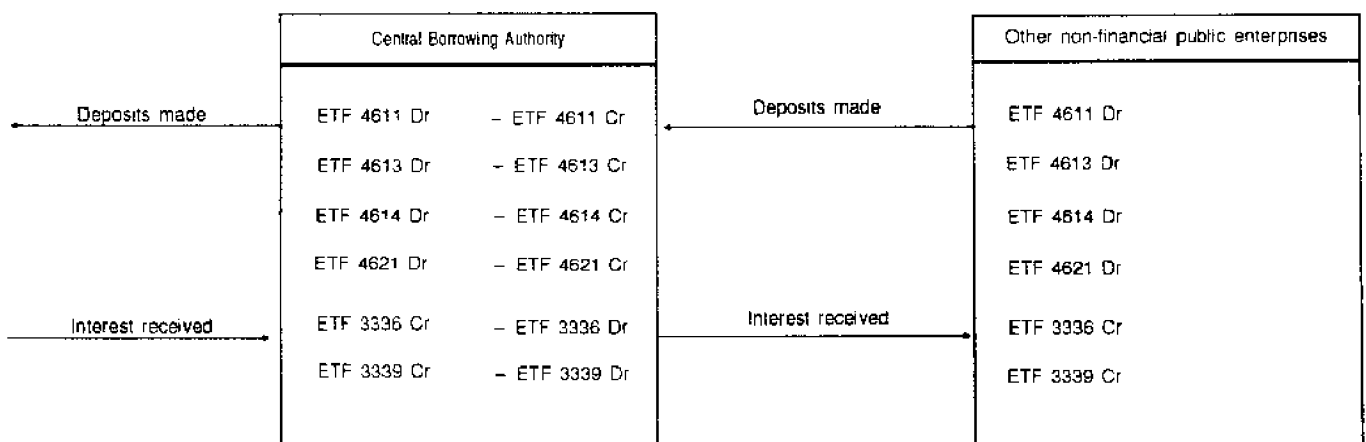
20 ETFs 4611, 4613 and 4614 refer to the increase in liquid funds other than those lodged with Treasury/Finance/CBA. ETF 4621 refers to the increase in fixed deposits and includes fixed deposits held by banks and other financial institutions.

21 ETF 3336 refers to interest received on bank account balances and fixed deposits held with banks. ETF 3339 includes interest received on short term money market balances and interest on fixed deposits other than with banks.

### Treatment of advances by CBAs

22 When a CBA makes advances for public policy purposes, the related transactions are directly attributed to it and the netting-off procedure is not applied. Advances by CBAs are therefore classified to ETF 25 (Advances paid, net).

CHART 8. TREATMENT OF DEPOSITS HELD BY CBAs ON BEHALF OF CLIENT AUTHORITIES





# Treatment of discounts and premiums in GFS

## Introduction

1 As transactions relating to discounts and premiums on financial instruments are often complex, a separate discussion is provided here to assist in illustrating their treatment in GFS. The complexities of these transactions may be linked to a number of factors including the use of active liability management strategies whereby securities are purchased prior to maturity and re-issued with subsequent capital gains or losses arising from these market operations.

2 Although the basic rationale for the treatment of these transactions is the same in both the general government and the public trading sectors, there are differences arising from the adoption of different accounting bases (cash and accrual). An attempt has been made to highlight these differences in the examples provided.

## Types of instruments

3 Capital may be raised through a variety of different financial instruments or securities such as bills, bonds, loans, etc., with their cost (interest) structured to suit the market. For example, interest bearing securities may be issued:

- at par, where the principal payable on maturity (face value) is the same as the issue value and the effective interest rate is the same as the contract (coupon) rate;
- at a discount, where the issue value is less than the face value and the effective interest rate is greater

than the coupon rate (this generally occurs when market interest rates at the issue date are higher than the coupon rate); and

- at a premium, where the issue value is higher than the face value and the effective interest rate is lower than the coupon rate (this generally occurs when the market interest rates at the issue date are lower than the coupon rate).

4 The difference between the face value (which represents the principal amount payable to the holder on maturity) and the issue value (which represents the proceeds received by the issuer) is the discount or premium. A discount is viewed as interest deferred till maturity of the instrument. A premium, on the other hand, is viewed as the converse of a discount, i.e. as negative interest.

## Basic components

5 A notable feature of the finance industry in recent years has been the introduction of new financial instruments to the market. Whatever the structure, complexity or novelty of these instruments, a close scrutiny usually reveals that they can be broken down into regular components, such as the:

- capital or the principal component;
- cost of the capital or the interest component; and
- gain or loss component, due to movements in the interest market.

## Classification objectives

6 By decomposing the instruments into their underlying components and subjecting them to the same classification principles as all other transactions, the classification process can be made less difficult. Essentially, the objectives of the GFS classificatory treatment are to ensure that the:

- cost of capital (interest) is distinguished separately from the capital or the principal;
- the cost of capital is matched or spread out over the period of its use if the accrual basis of accounting is applicable;
- interest payments are classified as outlays (above-the-line treatment);
- discount is recorded as interest not as capital loss, on redemption;
- premium is recorded as negative interest not as capital gain, on issue;
- principal is classified as financing transactions (below-the-line treatment);
- interest and principal are treated consistently irrespective of whether the securities run to full maturity or are redeemed prior to maturity;
- gains or losses arising from early redemptions are viewed as comprising two elements ('accrued interest' and 'early repurchase penalty', as detailed below);
- accrued interest element is classified as interest; and
- 'penalty element', reflecting the capital gain or loss, is classified as principal, without separate identification of this component.

7 Gains or losses arising from early redemptions, i.e. repurchases prior to maturity, are separated into the 'accrued interest' (or amortised discount) and 'early repurchase penalty' elements so as to maintain a consistent treatment of interest and principal with securities that run to full maturity. The rationale for the classification of the accrued interest element as if it had been paid is that the capital in question has been used up to the time of repurchase and the accrued interest should therefore be properly reflected as its cost, consistent with the treatment of securities that run to full maturity.

8 The rationale for the classification of the penalty element as financing transactions is that this element properly reflects the capital gain or loss incurred in going (voluntarily) to the market prior to maturity and accepting the consequences of that market through the changes in the interest rate. In GFS, a capital gain or loss of this nature is treated below-the-line as part of the principal and is not separately identified in the statistics.

## Classification examples

9 The two examples provided below illustrate the GFS treatment of discounts and premiums for the cash based general government sector. Both examples highlight the transactions and GFS classifications as follows:

- at the time of issue;
- redemption prior to maturity; and
- redemption on maturity.

10 For simplicity, the related debit and credit entries are shown adjacent to each other. Also for simplicity, the proceeds of borrowing are shown below as only impacting on the cash position though normally these would also be reflected in outlays.

### Example 1: Discounted Issues

11 Assume:

- a 5 year bond with a face value of \$100 is issued by the government at a discount of 10% at the start of the year;
- the bond carries ten interest coupons, maturing half yearly, each worth \$7;
- at the end of year 3 interest rates have fallen, raising the market capital value of the bond to \$110; and
- the government elects to repurchase the bond at the end of year 3 at the market capital value.

#### TREATMENT: ON ISSUE (END OF YEAR 1)

	ETF	\$
Borrowing	4200	90 Cr
Change in cash (due to proceeds received)	4611	90 Dr
Interest paid (coupon related)	1210	14 Dr
Change in cash (due to interest paid)	4611	14 Cr
Interest (discount related)	Will be recorded on redemption	

12 In the above example, note that:

- for general government, the whole of the amortised discount is recorded on redemption as the cash basis of accounting is applicable;
- for public trading enterprises, \$2 will be recorded as the amortised discount each year, consistent with the accrual basis of accounting.

**TREATMENT: EARLY REDEMPTION (END OF YEAR 3)**

	ETF	\$
Change in cash (due to redemption)	4611	110 Cr
Borrowing, redemption of	4200	104 Dr
Interest paid (discount related)	1210	6 Dr
Interest paid (coupon related)	1210	14 Dr
Change in cash (due to interest paid)	4611	14 Cr

## 13 Note that:

- as the book capital value of the bond at the end of 3 years is \$96 (comprising \$90 proceeds plus \$6 amortised interest), the amount of accrued interest (amortised discount) to be recorded in GFS is \$6;
- the 'accrued discount' has been separately identified and treated as interest paid, consistent with the treatment of discounts when bonds run to maturity (see below); and
- the balance of the repurchase price (\$104) has been treated as principal repayment, without distinguishing separately the loss due to revaluations or movements in the market.

**TREATMENT: REDEMPTION ON MATURITY (END OF YEAR 5)**

	ETF	\$
Change in cash (due to redemption)	4611	100 Cr
Borrowing, redemption of	4200	90 Dr
Interest paid (discount related)	1210	10 Dr
Interest paid (coupon related)	1210	14 Dr
Change in cash (due to interest paid)	4611	14 Cr

## 14 Note that:

- the whole amount of the discount accruing to the bond, i.e. the discount amortised over its life (\$10), has been recorded as interest paid in year 5;
- the coupon amounts relating to year 5 only have also been recorded as interest paid in this period;
- the recording of interest is consistent with the cash basis of accounting in the general government sector in that the \$100 paid includes \$10 representing the discount; and
- the recording of interest in the PTE sector would be spread out over the period over which the capital was used, consistent with the accrual basis of accounting — thus, the 'interest paid (discounted related)' series would be \$2 for each of the five year periods.

**Example 2: Premiumed Issues**

## 15 Assume:

- a 5 year bond with a face value of \$100 is issued by the government at a premium of 10% at the start of the year;
- the bond carries ten interest coupons, maturing half yearly, each worth \$8;
- at the end of year 3 interest rates have risen, decreasing the market capital value of the bond to \$95; and
- the government elects to repurchase the bond at the end of year 3 at the market capital value.

**TREATMENT: ON ISSUE (END OF YEAR 1)**

	ETF	\$
Change in cash (due to proceeds received)	4611	110 Dr
Borrowing	4200	100 Cr
Interest paid (premium related)	1210	10 Cr
Interest paid (coupon related)	1210	16 Dr
Change in cash (due to interest paid)	4611	16 Cr

## 16 Note that:

- premium has been treated as negative interest paid on issue.

**TREATMENT: EARLY REDEMPTION (END OF YEAR 3)**

	ETF	\$
Change in cash (due to redemption)	4611	95 Cr
Borrowing, redemption of	4200	91 Dr
Interest paid (premium related)	1210	4 Dr
Interest paid (coupon related)	1210	16 Dr
Change in cash (due to interest paid)	4611	16 Cr

## 17 Note that:

- the book capital value of the bond at the end of 3 years is \$104 (i.e. \$110 proceeds plus -\$6 amortised premium) and the amount of accrued premium is -\$6;
- the difference of \$4 between the book capital value of \$104 and the face value of \$100 has been treated as an adjustment to the interest series, and,
- the difference of \$5 between the face value of \$100 and the market value of \$95 represents the gain arising from revaluations or movements in the mar-

ket and this portion of the gain has been treated as part of the principal.

**TREATMENT: REDEMPTION ON MATURITY  
(END OF YEAR 5)**

	<i>ETF</i>	<b>\$</b>
Change in cash (due to redemption)	4611	100 Cr
Borrowing, redemption of	4200	100 Dr
Interest paid (coupon related)	1210	16 Dr
Change in cash (due to interest paid)	4611	16 Cr
Interest (premium related)	Was recorded on issue	

18 Note that:

- the face value of \$100 is the amount repayable on maturity.

# Treatment of fixed assets and stocks in GFS

## Introduction

1 The purpose of this appendix is to set down the treatment in GFS of fixed assets and stocks. These two items form a significant part of capital outlays of the non-financial public sector.

2 General government and public trading enterprise expenditure on new fixed assets and sales of assets are important GFS aggregates in their own right. These aggregates are also components of gross fixed capital expenditure, which is made up of payments for new fixed assets, reimbursements received for capital work done for others, and purchases of second-hand fixed assets less sales of previously rented dwellings and other second-hand fixed assets.

3 Gross fixed capital expenditure is compiled to provide a measure of net additions to the nation's capital stock used to produce output. The term 'gross'<sup>1</sup> used in gross fixed capital expenditure means that the aggregate is gross of depreciation (i.e. depreciation is not deducted in calculating the value).

4 Increase in stocks is a measure of the value of changes in stocks of goods other than capital equipment used in production. General government stocks comprise strategic and emergency goods or materials which are of particular importance to the nation. Public trading enterprise stocks comprise work-in-progress, finished products,

goods for resale and inventories of raw materials and stores.

5 Financial accounts of general government and public trading enterprises are the prime data sources for producing statistics of both gross fixed capital expenditure (and its components) and increase in stocks. However, figures appearing in enterprise accounts cannot be directly translated into GFS. Adjustments must be made to account for items such as asset revaluations and sales of fixed assets made during the year.

6 Processes involved in deriving the components of gross fixed capital expenditure and increase in stocks are discussed in the following text.

## Treatment of fixed assets

7 An enterprise's balance sheet shows (amongst other items) end-of-year fixed asset figures and accumulated depreciation. The balance sheet may, where asset revaluations have occurred, also indicate amounts provided in asset revaluation reserves. Profit and loss statements also contain data items of relevance (profit/loss on disposal of assets, depreciation expense).

8 The 'stock' data in the balance sheets for two consecutive periods are used to derive 'flows' i.e. movements in new fixed assets and sales of assets for a reporting period, as well as removing the effect of asset revaluations.

9 For GFS purposes, the data items of interest are:

- acquisitions of fixed assets at cost;

<sup>1</sup> This concept of 'gross' is a national accounting concept. In the GFS context, 'gross' generally means showing payment and receipt transactions separately, while 'net' means deducting receipts from payments.

- disposal or write-off of fixed assets at cost;
- depreciation provided for the period;
- accumulated depreciation on assets disposed of or written-off;
- profit or loss on the sale of assets; and
- split of fixed asset acquisitions by type of asset (this is a requirement for the national accounts).

10 In processing the data items from source documents, the classification objectives to be achieved are that:

- the correct amount is reflected in ETF 2111 (Expenditure on new fixed assets);
- depreciation charges during the year (ETF 3221) equal the increase in the provisions for depreciation (ETF 4710);
- the correct amount is reflected in ETF 2123 (Sales of second-hand fixed assets); and
- revaluations are removed as 'book-keeping' or 'non-economic' transactions through the use of ETFs 5321 and 5322 which are used by the ABS for internal processing purposes rather than publication.

11 The derivations of expenditure on new fixed assets, depreciation, increase in provisions for depreciation and sales of fixed assets are illustrated in the following example, which sets out the recommended GFS treatment of the appropriate items from the balance sheet and profit and loss statement. Alternative derivations, based on cash flow statements, are also possible.

12 In this example, assume that:

- value of fixed assets owned or leased, at cost, at the beginning of the year (BOY) equals \$1,000, new fixed assets purchased during the year equals \$400, value of fixed assets sold, at cost, during the year equals \$100, revaluation of fixed assets for the year equals \$10, resulting in the value of fixed assets owned or leased, at cost or valuation, at the end of the year (EOY) of \$1,310;
- accumulated depreciation BOY equals \$300, depreciation charges for the year equals \$200, accumulated depreciation on fixed assets sold during the year equals \$80, resulting in an accumulated depreciation EOY figure of \$420; and
- profit on the sale of fixed assets during the year equals \$30.

#### TREATMENT OF FIXED ASSETS(a)

	\$m	ETF
<b>Profit and loss statement</b>		
Profit on sale of fixed assets	30	2123 Cr
Depreciation expense	200	3221 Dr
<b>Balance sheet</b>		
Fixed assets, at cost, EOY	1,310	2111 Dr
Fixed assets, at cost, BOY	-1,000	2111 Cr
Adjustment for sale of fixed assets	100	2111 Dr
Sale of fixed assets, at cost	100	2123 Cr
Adjustment for revaluation of fixed assets	-10	2111 Cr
Revaluation of fixed assets	10	5321 Dr
Accumulated depreciation EOY	420	4710 Cr
Accumulated depreciation BOY	-300	4710 Dr
Adjustment for depreciation on fixed assets sold	80	4710 Cr
Value of fixed assets sold	-80	2123 Dr
Asset revaluation reserve EOY	10	5322 Cr
Asset revaluation reserve BOY	-0	5322 Dr

(a) In the ABS's processing system for GFS, every ETF classification category is nominated, for positive values, as either a debit (Dr) or credit (Cr). When a value is entered as a negative, the system reverses this default nomination of the particular ETF category. Thus a value of \$1,000 entered against ETF 2111 (which is nominated as a Dr) effectively yields \$1,000 Cr in the same category.

13 In the above treatment, the net impact of the various line items of data on the relevant classification categories is as follows:

- ETF 2111 correctly reflects the value of expenditure on new fixed assets of \$400 Dr (the net result in ETF 2111 of \$1,310 Dr, \$1,000 Cr, \$100 Dr and \$10 Cr is \$400 Dr);
- ETF 3221 correctly reflects depreciation charges during the year of \$200 Dr;
- ETF 4710 correctly reflects the increase provisions for depreciation during the year of \$200 Cr (the net result in ETF 4710 of \$420 Cr, \$300 Dr and \$80 Cr);
- depreciation charges (ETF 3221 = \$200 Dr) correctly equals the increase in provisions for depreciation for the year (ETF 4710 = \$200 Cr);
- ETF 2123 correctly reflects proceeds from the sale of fixed assets of \$50 Cr, derived from the sum of the book value of the asset sold (the result of \$100 Cr and \$80 Dr) and profit thereon (\$30 Cr).
- ETF 5321 (\$10 Dr) balances with ETF 5322 (\$10 Cr) and correctly reflects the removal of asset re-

valuation from fixed assets because this does not represent a real increase in the stock of capital.

15 Though not illustrated above, expenditures on new fixed assets are also identified in the GFS database by the type of fixed asset through the application of Fixed Asset Classification (FAC) codes. These codes identify whether the asset relates to dwellings, other buildings, other construction, equipment other than transport equipment or transport equipment. The type of asset is determined from either notes attached to an enterprise's financial statements or (where the required detail is not published) by way of supplementary data requests.

16 From time to time, enterprises also acquire fixed assets under instalment or progress payment arrangements. The treatment of such progress payments (prepayments) is detailed in Appendix 8.

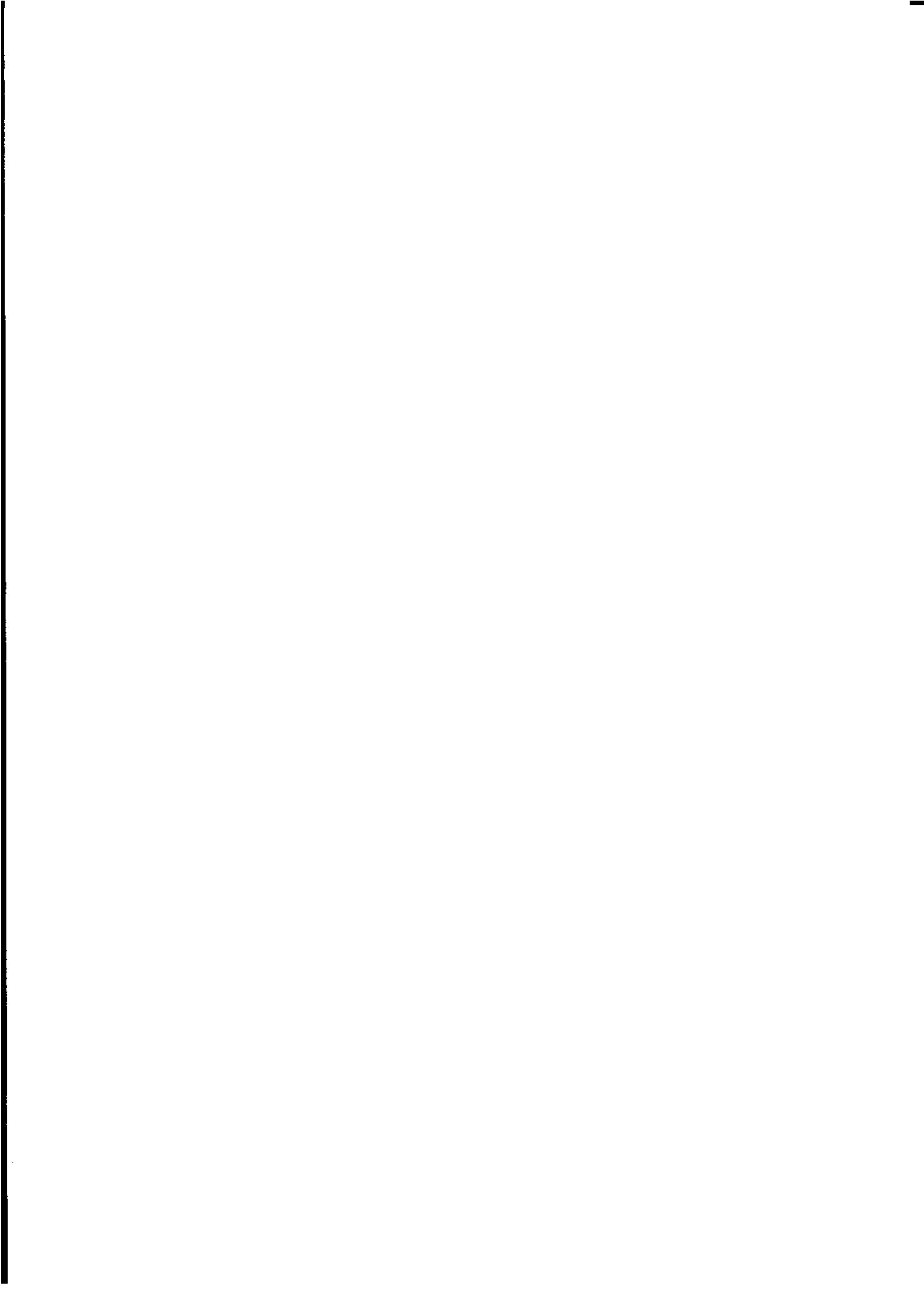
### Treatment of stocks

17 For GFS, the increase in stocks aggregate is compiled from the net increase in stock account balances which ap-

pear in public enterprise balance sheets. Where stocks have been subject to revaluation, it is removed in a similar way and for similar reasons to that applied to fixed assets. The treatment of stocks, assuming a revaluation of \$200m, is as follows:

#### TREATMENT OF STOCKS

	<i>\$m</i>	<i>EIF</i>
<b>Balance sheet</b>		
Stock revaluation reserve EOY	200	5322 Cr
Stock revaluation reserve BOY	-0	5322 Dr
Stocks EOY	1,200	2200 Dr
Stocks BOY	-900	2200 Cr
Adjustment for revaluation of stocks	-200	2200 Cr
Revaluation of stocks	200	5321 Dr





# Treatment of capital expenditure and prepayments in GFS

## Introduction

1 The purpose of this appendix is to clarify the treatment of capital expenditure and prepayments associated with large capital items such as aircraft, ships and heavy machinery which are often built to order over a period of time.

2 A capital item may be acquired through a change in ownership or through a finance lease. It may be acquired in a finished or 'off-the-shelf' form where payment is made at the time of delivery, either in cash or via instalments. A capital item may also be acquired progressively over time as it is being built to order. In such cases, progress payments are usually made as the item is being built or manufactured.

## Treatment of capital expenditure and prepayments

3 The principle underlying the recording of capital expenditure in GFS is based on the change in ownership. A change in ownership occurs when the buyer acquires legal title to the item in question. Acquisition of a fixed asset by finance lease is considered to involve a notional change in ownership.

4 When a capital item is acquired in finished form, the change in ownership is considered to have occurred either when the full payment has been made or, when a partial payment has been made and the sale/purchase contract has been exchanged between the seller and purchaser.

5 In the treatment of progress payments in GFS a broad distinction is made between immovable and moveable physical assets. Immovable items include construction and buildings. Moveable items include aircraft, ships and heavy machinery.

6 For immovable items the buyer is regarded as having attained ownership of work that has been physically put in place. The value of such work is treated as capital expenditure. A payment over and above the value of work put into place is treated as a trade advance (i.e. a prepayment representing a financial asset of the buyer) and is included with financing transactions.

7 For moveable items built over a protracted period of time all progress payments are recorded as trade advances. The buyer is not treated as usually acquiring legal title to the item until it is completed and delivered. The full value of the capital item is then treated as capital expenditure of the buyer.

8 The classification of prepayments or trade advances as financing transactions is consistent with the treatment recommended by the SNA. If prepayments were treated as capital outlays they would affect the measurement of the deficit or surplus. The treatment of prepayments as financing transactions rather than as capital outlays results in a smaller deficit than would otherwise be the case in the year in which the prepayments occur and a larger deficit in the year in which the project is completed.

9 Table 1 summarises the treatment of capital expenditure and prepayments in GFS.

TABLE 1. TREATMENT OF CAPITAL EXPENDITURE AND PREPAYMENTS IN GFS

<i>Type of asset</i>	<i>Treatment</i>	<i>Classification</i>
Machinery and equipment in finished form	Treat as capital expenditure when purchased or contracted for delivery	ETF 2111 Dr
Machinery and equipment built to order	Treat as capital expenditure when buyer takes legal possession (usually when item is completed and delivered)	ETF 2111 Dr
	Treat prepayments as trade advances (i.e. as financing transaction)	ETF 4902 Dr
Construction and buildings in finished form	Treat as capital expenditure when buyer takes legal possession	ETF 2111 Dr
Construction and buildings built to order	Treat value of work put into place as capital expenditure of buyer	ETF 2111 Dr
	Treat payments exceeding the value of work put into place as trade advances	ETF 4902 Dr
Own-account capital work	Treat as capital expenditure	ETF 2111 Dr
Assets acquired under a finance lease	Treat as capital expenditure when contracted for delivery or acquisition	ETF 2111 Dr

# Treatment of land and housing commission transactions in GFS

## Introduction

1 The objective of this appendix is to outline the guidelines for classifying transactions relating to the development and sale of land for homesites, the construction and sale of houses and the provision of public rental housing. These transactions are typically undertaken by PTEs such as land and housing commissions (LHCs) of State and Territory governments.

## Background

2 LHCs are involved in the following activities:

- provision of housing finance;
- rental rebates, rental assistance and mortgage assistance;
- maintenance of dwellings;
- modification and capital improvement of dwellings;
- construction of dwellings and neighbourhood facilities;
- acquisition and development of land;
- purchase of second-hand dwellings;
- purchase of land and housing packages;
- renting and letting of dwellings;

- sale of homesites;
- sale of second-hand dwellings;
- sale of current rental property to tenants;
- sale of shares in public rental property to tenants;
- sale of new homes to existing public tenants;
- sale of home and land packages;
- sale of major commercial sites.

3 The two Australian and New Zealand Standard Industrial Classification (ANZSIC) codes most commonly associated with LHCs are ANZSIC 7711 (Residential property operators) and ANZSIC 7712 (Commercial property operators and developers).

4 In the ANA (see page 87 of the 1981 issue of Cat. No. 5216.0), expenditure on construction of dwellings for rental purposes by housing authorities less the book value of previously rented dwellings sold to tenants is included in government gross fixed capital expenditure. Expenditure on houses built for sale is excluded from government gross fixed capital expenditure and included with private gross fixed capital expenditure.

5 In the ANA (see page 64 of the 1990 issue of Cat. No. 5216.0), stocks are defined to include:

- goods for sale whether of own production or purchased for resale;
- work in progress; and,
- raw materials and stores.

6 Work put in place on structures, including dwellings and on other forms of construction (e.g. roads, dams, ports) is excluded from stocks and included in gross fixed capital expenditure. Work on uncompleted heavy machinery and equipment (e.g. shipbuilding) is included with increase in stocks. Land and financial assets are not regarded as stocks.

## Issues

7 LHCs carry out the following functions which raise particular classification issues. They acquire and develop land for sale as homesites for prospective home builders. The treatment of homesite development, sale of homesites and land held for resale requires special attention.

8 LHCs also provide land and housing packages for sale to prospective new home owners. The treatment of construction of houses for sale, sale of land and housing packages and work-in-progress raises a number of issues.

9 They provide rental housing to the public. The treatment of construction of dwellings for rent, purchase of second-hand dwellings for rent and the sale of rental property requires special attention.

## Discussion of treatments

10 In economic accounting, land is regarded as being non-reproducible and in fixed supply, except for small amounts which may be reclaimed. This means that amounts paid for land represent 'transfers' rather than 'additions' or new capital assets. Land transactions (net of improvements, developments and transfer costs) are not within the production boundary and are not included in the Domestic Production Account. Land transactions are therefore identified separately from transactions involving new assets.

11 Land development involves making improvements to raw land and includes:

- site subdivision; and,
- the provision of roads, drainage, sewerage and electricity.

12 Development of land for sale as homesites is considered to be the production of goods for sale where the associated costs are treated as operating expenditure. Development of land for use in the construction of rental housing is own-account construction. Since land improvements are to be used in producing a service (i.e. rental accommodation) and the associated costs are treated as expenditure on new fixed assets.

13 The unimproved land component should be separated from the improved component. If the cost of land improvements is treated as operating expenditure, then the sale of land improvements should be treated as operating revenue. If the cost of land improvements is treated as expenditure on fixed assets, then sales should be treated as sales of fixed assets.

14 Land is not considered as part of stocks in the ANA. Land held for resale is therefore treated as purchased land in GFS, even though the item may appear under 'inventories' in LHC financial statements.

15 The building of houses for sale is regarded as production of a good for sale and the costs involved are treated as operating expenses. However, houses built for rental are included in expenditure on new fixed assets as the constructed house is a capital input into the production of a rental accommodation service.

16 Work-in-progress, such as houses under construction, are excluded from stocks even though the item may appear under 'inventories' in LHC financial statements. This follows the ANA treatment of valuing construction on a 'work put into place' basis.

17 Work-in-progress on houses being built for rental purposes is treated as gross fixed capital expenditure of LHCs. Work-in-progress on houses being built for sale on a non-speculative basis (where there are prospective buyers) is treated as operating revenue of LHCs (the builders) and gross fixed capital expenditure of the buyers. Work-in-progress on houses being built for sale on a speculative basis (where there are no prospective buyers) is treated as gross fixed capital expenditure of LHCs (the builders) on the premise that if the houses are not sold they will be rented out.

18 Purchases of new and second-hand houses (excluding land) is treated as either expenditure on new and second-hand fixed assets or as operating expenditure. If the houses are to be rented out, then the purchase is expenditure on a fixed asset. If the houses are to be sold, then the purchase is treated as operating expenditure.

19 Sales of houses built or purchased for the home buyers market are similar to sales of goods and are treated as operating revenue. Sales of previously rented houses are treated as sales of second-hand fixed assets.

## Treatments

### Land transactions

20 Land transactions are treated as follows:

- *Acquisition of land*
  - ETF 2311 (Purchases of land) for purchases of land.
- *Development of land (improvements)*

ETF 3222 (Other operating expenditure) if the land is to be sold as a homesite, or if a house for sale is to be built on the land.

ETF 2111 (Payments for new fixed assets) if the land is to be used as sites for rental housing.

ETF 2111 (Payments for new fixed assets) if a distinction cannot be made (assumes rental activity predominant).

- *Sale of homesites*

ETF 2312 (Sales of land) for the land component.

ETF 3211 (PTE charges for goods and services) for the development (improvements) component.

ETF 2312 (Sales of land) if the components cannot be separately identified (assumes land component more important).

- *Stocks (land held for resale)*

ETF 2311 (Purchases of land) for developed, partially developed and undeveloped land.

## Housing transactions

21 Housing transactions should be treated as follows:

- *Construction of houses*

ETF 3222 (Other operating expenditure) for houses built for sale.

ETF 2111 (Payments for new fixed assets) for houses built to rent out.

ETF 2111 (Payments for new fixed assets) for completed houses if a distinction cannot be made (assumes rental activity predominant).

- *Purchases of houses*

ETF 3222 (Other operating expenditure) for houses to be sold.

ETF 2111 (Payments for new fixed assets) for new houses to be rented.

ETF 2121 (Purchases of second-hand fixed assets) for second-hand houses to be rented.

ETF 2121 (Purchases of second-hand fixed assets) if a distinction cannot be made (assumes this activity predominant).

- *Sale of houses*

ETF 3211 (PTE charges for goods and services) for houses built or purchased for sale.

ETF 2122 (Sales of previously rented dwellings) for previously rented houses.

ETF 2122 (Sales of previously rented dwellings) if a distinction cannot be made (assumes this activity predominant).

- *Stocks*

ETF 2200 (Increase in stocks) for raw materials, i.e. materials not forming part of work put in place.

ETF 3211 (PTE charges for goods and services) for changes in stocks of construction (work-in-progress, finished construction (net of land value)) on houses for sale on a non-speculative basis.

ETF 2111 (Payments for new fixed assets) for changes in stocks of construction (work-in-progress, finished construction (net of land value)) on houses for rent and on houses for sale on a speculative basis.

ETF 2111 (payments for new fixed assets) if raw materials cannot be separately identified from work-in-progress and finished construction.

- *Renting out of houses*

ETF 3211 (PTE charges for goods and services) for rent received.



## Treatment of asset sales in GFS

### Introduction

1 Recent focus on reforms in the public sector has brought into widespread use a number of terms such as *privatisation*, *corporatisation* and *commercialisation*. This appendix provides a brief description of these terms and discusses the classification of related proceeds, for example, from the sale of assets such as land, buildings, equipment and equity held in public trading and financial enterprises.

### Privatisation

2 A hitherto public entity is *fully privatised* when control of that entity passes from the public to the private sector, for example, through a public float or trade sale of *all or the majority* of the equity. Where control remains in the public sector, for example through the issue of *minority* equity, the entity is *partially privatised*.

### Corporatisation

3 A public entity is *corporatised* when it is separately incorporated and allowed to adopt management and financial practices typically found in the private sector, including the expectation of dividend payments. If it remains under government control, it continues to be classified to the public sector.

### Commercialisation

4 This term usually reflects an attempt by public entities to adopt structures and practices of the private sector, for example, full cost recovery via user charges, without becoming incorporated.

5 To appreciate the treatment of transactions related to these reforms and their effect on GFS aggregates, the criteria for distinguishing the public and private sectors, the role of government and the manner in which the deficit/surplus is derived have to be borne in mind.

6 In GFS, a fundamental tenet is that governments lend money for the same reason they spend money, i.e. to pursue policy goals. Lending in this context is interpreted to include government's acquisition of equity in its own enterprises as well as in others, as such acquisitions are usually intended to achieve policy goals rather than to earn a return or manage liquidity.

7 The lending for policy purposes and acquisition of equity are included with other expenditure in deriving the deficit/surplus. When the lending is repaid or the equity sold, they are treated as reversals of the original transactions thereby reducing the deficit or increasing the surplus.

8 The acquisition of investments primarily aimed at managing liquidity are classified as below-the-line financing transactions with no effect on the deficit/surplus.

### Classification of proceeds

9 The sale of a public enterprise by government often involves a series of separately distinguishable transactions. For example, there is usually a 'main transaction' relating to what some may regard as the sale proper as well as several 'supporting transactions' designed to facilitate that sale. For GFS classification purposes, all supporting transactions are viewed as a part of a package that includes the pivotal transaction (the sale of the equity). Such individual supporting transactions are therefore not viewed in isolation and classified separately.

10 The classification of proceeds from sales of assets and the effect on GFS aggregates are set out below.

### Classification and possible effects

#### *Privatisation*

##### *Full*

11 Proceeds received by government are treated as offset to outlays (negative advances), reducing the deficit. The transaction may also reduce debt and debt servicing costs and also has implications for future dividend receipts and subsidy payments.

##### *Partial*

12 Proceeds are treated as offsets to outlays if received by government (therefore reducing the deficit), or as financing transactions if retained by the enterprise (leaving the deficit unchanged unless the proceeds are used to fund outlays).

#### *Corporatisation*

13 This usually involves restructuring and a new entity may be incorporated under the Corporations Act. If government simply swaps existing debt for equity in the new entity then there is no effect on the deficit or other GFS aggregates even though appropriations and subsequent receipts may be shown in its accounts.

#### *Commercialisation*

14 This usually involves administrative reorganisation to allow the entity more operational flexibility. A commercialised entity will generally charge for its goods and services rather than fund these through tax revenue: such receipts could reduce outlays or increase operating surplus, depending on whether the unit is treated as a general government or a public trading enterprise.

15 It would be evident from the above that repayment of previous lending by public enterprises, or the receipt of proceeds from the sale of equity in these enterprises, will reduce outlays and therefore the government's deficit provided the funds in question are not applied to other outlays in the same accounting period.

16 The impact on the deficit of subsequent periods depends on the disposition of the proceeds. Deficits in later years may be increased if 'productive' assets have been sold off and proceeds have been used towards outlays in the current period. Conversely, purchase of equity will result in a higher deficit in the current period but may result in revenue flows from dividends, taxes or tax equivalents, which will reduce deficits in future periods.

#### **Timing of recording**

17 The receipt by government of proceeds from the sale of equity are recorded in GFS as a reduction in outlays when the change in ownership of the equity occurs, fol-

lowing the normal convention in economic and financial statistics.

18 An ownership change may occur without full settlement, with government having a lien over the entity. In such cases, the full amount is recorded as an 'advance repaid' (though not actually received at the time) together with an 'advance paid', equivalent to the outstanding amount. This effectively results in proceeds being recorded as negative outlays on a cash accounting basis.

19 A sale process may take place over several accounting periods and may involve receipt of deposits, advances or subscriptions prior to the legal change of ownership. Pre-payments of this nature are recorded below-the-line as financing transactions and do not affect the deficit in the particular period.

#### **Gross or net recording**

20 The gross amounts received by government may be broken down into components representing the 'book value' and the 'gain or loss' on sale if the method of accounting used supports this. In GFS however, the whole amount received is classified as negative capital outlays, without attempting identification and separate classification of the capital gain or loss components.

21 It may be noted that while the gross amounts received by government are treated as negative capital outlays, costs incurred in selling the enterprise e.g. flotation, advertising, legal costs, etc. are classified as current outlays (gross current expenditure) as these are viewed as a different set of transactions to the asset sale.

#### **Piecemeal sale**

22 It is possible for a public enterprise to be sold piecemeal rather than as a 'going' concern, in one or over several accounting periods. Where this occurs, the receipts are classified as 'sales of fixed assets' (for the enterprise) and as 'repayment of advances' (if the funds are received into government), thereby reducing the deficit.

23 This treatment includes cases where a whole operational unit or division of an enterprise is sold off. The receipts are treated as 'sales of fixed assets' (for the enterprise) and as 'repayment of advances' (if funds are received into government).

24 The rationale for the above treatment of receipts by the enterprise as 'sales of fixed assets' is based on the view that it is simply selling off components of itself, since a division would not normally be a separate legal entity. Where these amounts are 'on-passed' to government, the government's receipt is viewed simply as a reduction in its equity in that enterprise, hence a 'repayment of advance' classification.

25 However, where a public enterprise sells a subsidiary (normally a separate legal entity), the proceeds are treated as 'repayment of advances' for the parent enterprise as



well as for the government, if any amounts are received by the latter.

26 The treatment of any prepayments received in respect of piecemeal sales is the same as for the sale of equity outlined above. Thus, the deficit will be affected in the period of ownership change rather than in the period of prepayment receipt, if the two are different.

#### **Clean sale**

27 The majority of arrangements result in 'clean' sales where ownership titles pass from the vendors to purchasers without any related or secondary contractual obligations.

However, where secondary or consequential contractual arrangements exist, some judgement is needed to establish whether a clean sale had effectively taken place and whether classification as outlined above would properly reflect the underlying nature of the transaction.

28 For example, a sale may not be regarded as a clean sale if, in the sale process, the vendor simultaneously (and irrevocably) contracts itself to purchase goods and or services for a long term from the entity it has just sold. There would be strong grounds to view a sale which bound the vendor into such a take-or-pay type of contract as borrowing by the vendor, with quite a different statistical outcome.



## Treatment of assumed debt and debt assistance transactions in GFS

### Introduction

1 This appendix sets out the treatment of assumed debt and debt assistance transactions in GFS. These transactions often involve large values and their classification has an important bearing on the derivation of the deficit or surplus.

2 The transactions in question arise when governments make principal and/or interest payments relating to others' debt. Such debt may or may not have been guaranteed previously by government. Cases involving government assumption or assistance with debt may occur, for example, in relation to the debt obligations of public enterprises (non-financial and financial) or, to a lesser extent, private enterprises where government may have particular policy interests.

3 The provision of a guarantee generates a contingent liability for government. If no cash transaction relating to this guarantee ever takes place, the guarantee has no impact on GFS. This is not the case when government makes principal or interest repayments as result of a call on a guarantee, or when it makes similar payments relating to debt not previously guaranteed.

4 The assumption of others' debt may be obligatory (reflecting a 'forced' takeover as a guarantor) or discretionary (reflecting voluntary action by government). Transactions related to both obligatory and discretionary debt assumptions are treated alike in GFS. However, certain transac-

tions related to assumed debt are treated differently from those related to non-assumed debt.

### Assumed debt

5 Government *assumes* a debt if it takes over from the defaulter all the contractual obligations associated with the debt. In this process, the defaulter is discharged fully from the original contract. However, government may require the defaulter to enter into an equivalent or revised contract with it concerning the repayment of principal and interest, or other matters. If this occurs, government holds a claim on the defaulter for the repayment of the amounts involved.

### Non-assumed debt

6 Government may also make payments in relation to others' debt without actually assuming it or otherwise acknowledging or accepting any liability. As used here, the term *non-assumed debt* therefore refers to cases where government involvement leaves the contractual obligations of the debt intact between the original parties.

7 Government involvement in situations where it has not assumed a particular debt usually relates to the provision of assistance with amounts in arrears or other assistance which has the effect of ameliorating the terms. Again, the government may bind the recipient into a (separate) contract with it requiring repayment of the amounts in question.

## Classification of transactions

8 Where government has assumed a debt without a claim on the defaulter for repayment, no transactions are shown in GFS for the debt assumption itself and the principal and interest transactions occurring as result of the debt assumption are treated in the same way as other similar payments of the government. Thus, principal repayments are classified below-the-line as reduction in borrowings (ETF 42 Dr) and interest payments above-the-line as required current transfers (ETF 121 Dr).

9 A government's assumption of some or all of the non-government debt of one of its enterprises just prior to the sale of that enterprise would normally not be accompanied by a consequential claim (by government) on the enterprise for the repayment of the debt just taken over. In such cases, government's subsequent repayments of principal are treated as financing transactions (below-the-line) and related interest payments as outlays (above-the-line).

10 Where the debt is not assumed and there is no claim on the defaulter for repayment, principal payments are

treated as capital grants paid (ETF 24 Dr) and interest payments as subsidies paid (ETF 131 Dr) or as current grants paid (ETF 133 Dr).

11 In classifying assumed debt and debt assistance transactions in GFS, the relevant classification issues or principles considered are whether:

- the debt has been assumed or not by government;
- a claim on the defaulter for repayment exists;
- the transactions relate to principal, or interest, or both;
- the assumption has been accompanied by cashflows in the period; and,
- the cash or accrual basis of accounting is applicable for the sector recording the transaction(s).

12 The above principles are reflected in the classification of various types of transactions set out in Table 1 below.

TABLE 1. RECOMMENDED CLASSIFICATION OF ASSUMED DEBT AND RELATED TRANSACTIONS

<i>Type of transaction</i>	<i>Recommended classification(a)</i>
<i>Payment relating to others' debt which has been assumed by government</i>	
Principal	
With claim on defaulter for repayment	Advance paid (ETF 25 Dr)
With no claim on defaulter for repayment	Borrowings repaid (ETF 42 Dr)
Interest	
With claim on defaulter for repayment	Advance paid (ETF 25 Dr)
With no claim on defaulter for repayment	Interest paid (ETF 121 Dr)
<i>Payment relating to others' debt which has not been assumed by government</i>	
Principal	
With claim on defaulter for repayment	Advance paid (ETF 25 Dr)
With no claim on defaulter for repayment	Capital grant paid (ETF 24 Dr)
Interest	
With claim on defaulter for repayment	Advance paid (ETF 25 Dr)
With no claim on defaulter for repayment	Subsidy paid (ETF 131 Dr) or Current grant paid (ETF 133 Dr)
<i>Assumption of others' debt with no cash transaction</i>	<i>Not recorded as a transaction</i>
<i>Swap of debt owed to government for equity held by government</i>	<i>Nets out (ETF 25 unchanged)</i>
<i>Payments to enterprises to cover losses accumulated over an extended period</i>	
With a claim on the enterprise for repayment	Advance paid (ETF 25 Dr)
With no claim on the enterprise for repayment	Capital grant paid (ETF 24 Dr)

(a) These recommendations relate to the general government sector where the cash basis of accounting is adopted as the standard in GFS and where the more significant debt assumptions have occurred in the past.

## Treatment of trust funds in GFS

### Introduction

1 This appendix outlines the recommended treatment for government and private trust funds in GFS.

2 A *government trust fund* is one in which the fund moneys are owned by government. Government therefore has control and use of these moneys. As used here, the term 'government trust fund' includes all government funds, special funds and deposit accounts satisfying the ownership criteria.

3 A *private trust fund* is one in which the fund moneys are owned (or deemed to be owned) by the private sector but, due to the particular circumstances, government has effective control or use of the fund moneys (i.e. the government is trustee for the fund).

4 Categorisation of a fund as either 'government' or 'private' is mostly straightforward. However, there are occasions when some judgement is required. Essentially, the determination rides on the party (government or private) which is deemed to have, on the one hand, ownership (therefore control and use of fund moneys) and on the other, effective control and use (without ownership of fund moneys).

5 A fund may have a mixture of both government and private moneys. If the data source does not identify readily the transactions attributable to each party, the only pragmatic option is to treat the entire fund according to the predominant source.

6 The segregation of funds into government and private is important in GFS as a different classification treatment is applied to each type. If the values of the transactions are large, the statistical outcome for the jurisdiction in ques-

tion may be significantly affected by the different treatments.

7 Treatment as a government trust fund means that all the transactions of the fund are reflected in GFS as transactions of the particular government. This means that outlays, revenues, financing transactions and the deficit/surplus of the government may be affected. Expressed alternatively using GFS jargon, the transactions of government trust funds are treated 'above-the-line'.

8 Treatment as a private trust fund means that the individual receipts and payments of the fund (i.e. the transactions) are not reflected as substantive transactions of government. The government's financial position will be affected only to extent it uses the balances to fund its own outlays. The transactions of private trust funds are treated 'below-the-line' in GFS.

9 Once a fund has been classified as either government or private, it is treated consistently in both the 'transaction' or 'flow' based data (GFS) and the 'stock' or 'level' based financial assets and liabilities statistics (FALS).

10 To illustrate the application of principles and the effects of the different treatments in GFS, this appendix analyses a specimen fund as:

- a government trust fund; and,
- a private trust fund.

11 The details of the fund used in the illustration (the Specimen Trust Fund) are provided below:

**SPECIMEN TRUST FUND**  
(Smillion)

<i>Opening balance</i>		100	
<i>Plus: Receipts during year</i>			
Publication sales	10		
Cash gifts	40		
Interest from banks	20		
Miscellaneous	10		80
			180
<i>Less: Payments during year</i>			
Salaries	60		
Miscellaneous goods and services	10		70
			110
<i>Closing balance</i>			110

### Analysis as a government trust fund

12 Using the above data, the following sets out the analysis of both the Specimen Trust Fund and the Treasury Unit:

**SPECIMEN TRUST FUND UNIT**  
(Smillion)

<i>Treatment of balances</i>				
EOY	ETF 4612	110 Dr		
-BOY	ETF 4612	-100 Cr		10 Dr
<i>Treatment of receipts</i>				
Publication sales	ETF 1121	10 Cr		
Cash gifts	ETF 3419	40 Cr		
Interest from banks	ETF 3336	20 Cr		
Miscellaneous	ETF 3419	10 Cr		80 Cr
<i>Treatment of payments</i>				
Salaries	ETF 1113	60 Dr		
Miscellaneous goods and services	ETF 1115	10 Dr		70 Dr
				10 Cr

**TREASURY UNIT**  
(Smillion)

<i>Treatment of deposits and cash balances</i>			
Deposit from STF		ETF 4420	10 Cr
Increase in cash		ETF 4611	10 Dr

13 In this analysis as government trust fund, note that:

- the trust fund and the treasury are treated as separate units;

- the transactions of each of the two units are in balance, i.e.  $\Sigma$  debits =  $\Sigma$  credits for each unit;
- the individual receipt and payments of this fund are coded to substantive ETFs, thus portraying them as government's own transactions consistent with its ownership of the fund moneys; and,
- ETFs 4612 and 4420 are transactions which require Source Destination Codes (SDCs) for consolidation.

### Analysis as a private trust fund

14 If the Specimen Trust Fund were a private trust fund, then the following analysis would apply:

**SPECIMEN TRUST FUND UNIT**  
(Smillion)

<i>Treatment of balances</i>			
EOY	ETF 4411	110 Cr	
-BOY	ETF 4411	-100 Dr	
			10 Cr
<i>Treatment of investments</i>			
Net increase in investments	ETF 4412		10 Dr

**TREASURY UNIT**  
(Smillion)

<i>Treatment of funds lodged with Treasury</i>			
Borrowing from STF		ETF 4244	10 Cr
Increase in cash		ETF 4611	10 Dr
<i>Treatment of Treasury's use of funds</i>			
Increase in cash		ETF 4611	10 Cr
Current expenditure		ETF 1	10 Dr

15 In this analysis as a private trust fund, note that:

- the principle of units being in balance is still maintained, i.e.  $\Sigma$  debits -  $\Sigma$  credits = 0 for each unit;
- the individual receipts and payments of this private trust fund are not classified to substantive ETF codes, i.e. they are not portrayed as transactions of the government; and,
- if the balance of this fund is held within government and is used by government to finance its outlays, then the deficit/surplus will be affected.

# Treatment of provisions in GFS

## Introduction

1 This appendix outlines the treatment of provisions in GFS. It also outlines how the measurement of net operating surplus generated by this treatment is converted to an ANA basis.

2 The term 'provisions' generally refers to allocations set aside by enterprises from current revenue or income for future payments such as superannuation, recreation leave, long service leave, income tax, self-insurance and deferred maintenance. The term also includes allowances made by enterprises for depreciation, bad debts, stock obsolescence and stock shrinkage.

3 The concept of provisions applies in accrual accounting but not in cash accounting. Provisions are therefore only conceptually relevant to the PTE sector in GFS. However, in practice, some cash based general government units may set aside funds to provide for future liabilities. Also, some general government units are accruals based and record provisions accordingly. This discussion on the treatment of provisions in GFS therefore includes reference to the general government sector as well as the PTE sector.

## Categories of PTE provisions

4 A number of different categories of PTE provisions may be differentiated for discussion purposes. These relate to:

- items that are expensed and reflected in asset balances;
- items that are expensed before pre-tax profit and reflected in liability balances;

- items that are 'expensed' after pre-tax profit and reflected in liability balances.

It should be noted that items which represent movements to or between reserves are excluded from the concept of provisions in GFS.

5 The first category includes depreciation which is an accounting adjustment which allows for the decrease in value of a non-current asset over its useful life. Periodic depreciation charges are shown in the profit and loss statement of the reporting enterprise. The corresponding *increase in provisions for depreciation* is derived from consecutive balances of the accumulated depreciation accounts of the reporting enterprise.

6 Since GFS data are sourced from financial statements, the measure of depreciation compiled reflects, to some extent, accounting and taxation practices rather than the underlying economic concept of the *consumption of fixed capital*. For this reason, the ANA does not use GFS as a source for its measurement of this item.

7 The Australian Accounting Standard AAS 4 (Depreciation of Non-current Assets) advocates the reporting, in financial statements, of depreciation related to non-current assets. This also includes depreciation of assets acquired by finance lease.

8 Depreciation charged to the operating expenditure of PTEs is separately identified in the ETF. The increase in provisions for depreciation is also separately identified under financing transactions.

9 Provisions for bad debt, stock obsolescence and stock shrinkage are similar in nature to depreciation charges in that no external payments as such are made from them.

They represent an accounting allowance made for the reduction in value of assets due to unpaid debts, stock deterioration or loss.

10 The second category of PTE provisions includes those items that are expensed before pre-tax profits in business accounting and reflected in liability balances. This category includes provisions for superannuation, recreation leave, long service leave, deferred maintenance and self-insurance. The items in this category are closely related to items normally associated with the operating expenses of enterprises. Unlike provisions for depreciation, bad debts and similar items, the provisions in this category have actual external payments made from them. Such provisions are treated in GFS as operating expenditure and the related change in provision account balances (increase in provisions) are treated as financing transactions.

11 The third category of PTE provisions relates to items whose amounts are determined after the pre-tax profit has been derived and represent the transfer of operating surplus to liability accounts. This category includes provisions for dividends and provisions for income tax. The items in this category are not normally associated with the operating expenses of enterprises. However, actual payments may be made from the provision accounts in subsequent accounting periods.

### Nature of provisions

12 Provisions are internally generated transactions. They represent internal transfers of funds that do not leave the enterprise or sector of origin. Only payments out of provisions represent funds that leave the enterprise or sector. Because of their internal nature, provisions are not viewed as contributing to the government deficit or surplus. In GFS, the change in the balance of provisions is therefore deducted from financing transactions in the calculation of the deficit or surplus. Increase in provisions are separately identified in the ETF for this purpose.

### Treatment of provisions in GFS

13 In GFS, PTE provisions are treated as operating expenditure if they relate to items generally associated with the operating expenses of PTEs. If the provisions are not related to operating expenses, they are treated as intra-unit transfers. The deficit or surplus is not affected by either treatment of provisions. However, net operating surplus is comparatively less when provisions are treated as operating expenditure rather than intra-unit transfers. The impact of provisions on net operating surplus depends on the type of provision involved.

14 General government may also put aside allowances for future liabilities such as superannuation. Such transactions are netted out in the general government sector. This treatment has no effect on the deficit or surplus. Only the payments out of these allowances that leave the sector are included in general government outlays. These payments will contribute to the deficit or surplus.

15 The treatment of transactions relating to provisions in

GFS depends upon the sector and accounting basis of the transactor. The general principles or classification objectives that need to be followed are listed below.

#### General government sector

- amounts designated in general government accounts as 'provisions' are netted out within the general government sector; and
- only cash payments leaving the general government sector are included in outlays.

#### Public trading enterprise sector

- provisions are treated on an accruals basis;
- provisions relating to items generally associated with operating expenditure are treated as operating expenditure;
- provisions not relating to items generally associated with operating expenditure are treated as intra-unit transfers or other transfers;
- the movement in provision balances reflects both transfers into the provision and payments out of the provision; and,
- depreciation charged to PTE operating expenditure equals the increase in provisions for depreciation derived from the balance sheet after taking into account asset disposals and asset revaluations.

16 The ETF specifies a number of classes relating to provisions. These include:

- ETF 3221 (Depreciation charges);
- ETF 4710 (Increase in provisions for depreciation);
- ETF 4721 (Increase in superannuation provisions of PTEs);
- ETF 4722 (General government receipts from public enterprises to finance pensions);
- ETF 4723 (General government payments of pensions in respect of public enterprises);
- ETF 4730 (Increase in other provisions);
- ETF 5231 (Depreciation charges (Commonwealth and State)); and,
- ETF 5232 (Increase in depreciation allowances (Commonwealth and State)).

17 ETFs 3221, 4710 and 4721 are specified as PTE categories. ETFs 4722, 4723, 5231 and 5232 are specified as general government categories. ETF 4730 has no specific categorisation.



18 Those transactions recorded under ETFs 4722 and 4723 are not genuine provisions in that they represent external general government payments and receipts in respect of PTE and PFE superannuation. The treatment of these transactions as provisions will be reviewed.

## Conversion to an ANA basis

19 The measure of NOS compiled on an accruals basis in GFS is not suitable for inclusion in the ANA. For example, the treatment of 'provision for self-insurance' and 'provision for maintenance' as operating expenditure or 'consumption' for an entity in GFS implies that related goods and services were 'produced' in the period by some other entity in the economy. Since this is clearly not the case, the preferred economic accounting approach is not to treat such items as intermediate consumption.

20 The GFS measure of NOS is adjusted to the ANA basis during output processing. This is done by adding back the change in provisions (except depreciation) to operating expenditure, effectively converting this aggregate to the required national accounting basis. This approach is used as the gross components of the change in provision accounts (the amounts set aside less payments during the period) are not always readily identified in source documents.

## Examples

21 The following examples illustrate the different methods of treating provisions in GFS. These examples analyse the 'typical' transactions relating to provisions in GFS sectors.

### EXAMPLE 1. TREATMENT OF GENERAL GOVERNMENT PROVISIONS ON A CASH BASIS

	<i>\$million</i>	<i>ETF</i>
<b>Final consumption expenditure</b>		
Amounts set aside for future super	100	1111 Dr
Amounts received in respect of super	-100	1111 Cr
<i>or</i>	100	1124 Cr
Superannuation payments	50	1112 Dr
Amounts set aside for long service leave	125	5221 Dr
Amounts received in respect of LSL	125	5222 Cr
Payments of long service leave	75	1113 Dr

22 In the above example:

- ETFs 1111 Dr and 1111 Cr net out superannuation 'provisions' received from within the general government sector;
- ETFs 1111 Dr and 1124 Cr net out superannuation 'provisions' received from outside the general government sector;
- ETFs 5221 and 5222 net out 'provisions' for long service leave; and,

- ETFs 1112 and 1113 record payments leaving the sector.

### EXAMPLE 2. TREATMENT OF GENERAL GOVERNMENT PROVISIONS ON AN ACCRUALS BASIS

	<i>\$million</i>	<i>ETF</i>
<b>Income and outlay statement</b>		
Depreciation charges	4	5231 Dr
Amounts set aside for long service leave	125	5221 Dr
<b>Balance sheet</b>		
Increase in depreciation allowances	EOY 15	5232 Cr
	-BOY -11	5232 Dr
Increase in provisions for LSL	EOY 985	4730 Cr
	-BOY -910	4730 Dr
Adjustment	-75	4730 Dr
Payments set aside for LSL	125	5222 Cr
Payment out of provisions	50	1113 Dr

23 In the above example:

- ETFs 5231 and 5232 consolidate depreciation charges and increase in depreciation allowances;
- ETFs 5221 and 5222 consolidate the intra-unit movement of provisions for long service leave;
- ETF 4730 is used to adjust the increase in provisions for long service leave to zero; and,
- ETF 1113 records the payment out of provisions leaving the sector.

### EXAMPLE 3. TREATMENT OF PUBLIC TRADING ENTERPRISE DEPRECIATION CHARGES

	<i>\$million</i>	<i>ETF</i>
<b>Profit and loss statement</b>		
Depreciation charges	11	3221 Dr
<b>Balance sheet</b>		
Increase in provisions for depreciation	EOY 89	4710 Cr
	-BOY -81	4710 Dr
Adjustment	3	4710 Cr
Value of depreciation on assets sold	-3	2123 Dr

24 In the above example:

- an adjustment is made for depreciation on assets sold; and,
- ETF 3221 matches ETF 4710.

**EXAMPLE 4. TREATMENT OF PUBLIC TRADING  
ENTERPRISE PROVISIONS FOR BAD DEBTS**

	<i>\$million</i>	<i>ETF</i>
<b>Profit and loss statement</b>		
Provisions for bad debts	10	5321 Dr
<b>Balance sheet</b>		
Trade receivables	EOY 100	4902 Dr
	-BOY -80	4902 Cr
Adjustment for bad debts	10	4902 Dr
Provisions for bad debts	10	5322 Cr

25 In the above example:

- ETF 5 is used to denote a provision that is not related to operating expenditure; and,
- the adjustment expenses the reduction in trade receivables to the P/L statement.

**EXAMPLE 5. TREATMENT OF PUBLIC TRADING  
ENTERPRISE PROVISIONS FOR LONG SERVICE LEAVE**

	<i>\$million</i>	<i>ETF</i>
<b>Profit and loss statement</b>		
Provisions for long service leave	13	3222 Dr
<b>Balance sheet</b>		
Increase in provisions for LSL	EOY 114	4730 Cr
	-BOY -109	4730 Dr

26 In the above example:

- provisions for long service leave is treated as operating expenditure in the P/L statement; and,
- the change in ETF 4730 reflects a transfer into provisions of \$13m and a payment out of provisions of \$8m which results in a net movement of \$5m.

**EXAMPLE 6. TREATMENT OF PUBLIC TRADING  
ENTERPRISE PROVISIONS FOR DIVIDENDS**

	<i>\$million</i>	<i>ETF</i>
<b>Profit and loss statement</b>		
Provisions for dividends	75	5321 Dr
<b>Balance sheet</b>		
Increase in provisions for dividends	EOY 225	5322 Cr
	-BOY -175	5322 Dr
Adjustment	25	5322 Cr
Payment of dividend from provisions	25	1232 Dr

27 In the above example:

- provisions for dividends is treated in the P/L statement as a transfer of operating surplus to a reserve account i.e. as an intra-unit transfer; and,
- in the Balance sheet, ETF 5322 (Increases in Reserves) reflects a transfer into reserves of \$75m and a payment out of \$25m, resulting in a net movement of \$50m.

# ABS-IMF classification concordance

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a)

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
<b>Current and capital outlays</b>			
1111	Employer contributions to superannuation schemes	C.1.2.1 C.1.2.2 C.1.2.3	Employer contributions: To social security schemes at other levels of government To pension and welfare schemes outside government To pension and welfare schemes at other levels of government
1112	Superannuation pensions and lump sums paid directly to former employees	C.1.1	Wages and salaries
1113	Wages, salaries and other supplements	C.1.1	Wages and salaries
1115	Purchases of goods and services	C.1.3	Other purchases of goods and services
1121	General government charges for goods and services	A.9	Administrative fees and charges, nonindustrial and incidental sales
1122	Local government trading activity rates (GG)	A.9	Administrative fees and charges, nonindustrial and incidental sales
1123	Reimbursements received for current expenditure	A.9	Administrative fees and charges, nonindustrial and incidental sales
1124	Amounts received from employees, superannuation funds or other employers in respect of superannuation	A.11.1 A.11.2	Contributions to government employee pension and welfare funds within government: Employees Employer contributions from other levels of government
1211	Interest paid on intra-sector advances	C.2.1	Interest payments: To other levels of national government
1212	Interest paid on bank overdraft	C.2.2	Interest payments: Other domestic

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
1213	Interest paid on other bank loans	C.2.2	Interest payments: Other domestic
1214	Interest paid on loans from other financial institutions	C.2.2	Interest payments: Other domestic
1215	Interest paid on bonds and bills in Australia	C.2.1 C.2.2	Interest payments: To other levels of national government Other domestic
1216	Interest paid on borrowing from abroad	C.2.3	Interest payments: Abroad
1217	Interest paid on deposits	C.2.1 C.2.2	Interest payments: To other levels of national government Other domestic
1218	Interest paid on loans from the non-financial private sector	C.2.2	Interest payments: Other domestic
1219	Interest paid on loans from CBAs	C.2.1	Interest payments: To other levels of national government
1231	Land rent and royalties paid	(d)	
1232	Dividends paid	(d)	
1311	Subsidies paid to PTEs	C.3.1.1	Subsidies: To non-financial public enterprises
1312	Subsidies paid to other enterprises	C.3.1.2 C.3.1.4	Subsidies: To financial institutions To other enterprises
1321	Personal benefit payments in cash to Australian residents	C.3.4	Transfers to households
1322	Other personal benefit payments to Australian residents	C.3.4	Transfers to households
1323	Personal benefit payments to non-residents	C.3.5.4	Other transfers abroad
1331	Current grants to non-profit institutions	C.3.3	Transfers to non-profit institutions
1332	Grants to foreign governments and organisations	C.3.5.1	Transfers abroad: To governments and international organisations
1333	Intra-sector current grants paid	C.3.2	Transfers to other levels of national government
1342	Current levies paid by local government to other government authorities	C.3.2	Transfers to other levels of national government
1343	Taxes paid by general government	C.3.2	Transfers to other levels of national government
1349	Other current transfer payments nec	C.3.1.3 C.3.5.2 C.3.5.3 C.3.5.4	Subsidies: Cash operating deficits of departmental enterprise sales to the public with a deficit Current transfers abroad: To supranational authorities From supranational authorities to their headquarters Other transfers abroad
2111	Payments for new fixed assets	C.4	Acquisition of fixed capital assets
2112	Reimbursements received for capital work done for others	A.13	Sales of fixed capital assets
2121	Purchases of second-hand fixed assets	C.4	Acquisition of fixed capital assets
2122	Sales of previously rented dwellings	A.13	Sales of fixed capital assets

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
2123	Sales of other second-hand fixed assets	A.13	Sales of fixed capital assets
2200	Increase in stocks	C.5	Purchases of stocks
		A.14	Sales of stocks
2311	Purchases of land	C.6	Purchases of land and intangible assets
2312	Sales of land	A.15	Sales of land and intangible assets
2321	Purchases of intangible assets	C.6	Purchases of land and intangible assets
2322	Sales of intangible assets	A.15	Sales of land and intangible assets
2411	Capital grants to public financial enterprises	C.7.1.3	Domestic capital transfers: To financial institutions
2412	Capital grants to private enterprises	C.7.1.3	Domestic capital transfers: To financial institutions
		C.7.1.4	To other enterprises
2413	Capital grants to persons	C.7.1.5	Other domestic capital transfers
2414	Capital grants to non-profit institutions	C.7.1.5	Other domestic capital transfers
2420	Intra-sector capital grants paid	C.7.1.1	Domestic capital transfers: To other levels of national government
		C.7.1.2	To nonfinancial public enterprises
2431	Transfers to sinking funds	C.7.1.1	Domestic capital transfers: To other levels of national government
2432	Capital levies paid by local government to other government authorities	C.7.1.1	Domestic capital transfers: To other levels of national government
2439	Other capital transfer payments nec	C.7.2.1	Capital transfers abroad: To governments and international organisations
		C.7.2.2	To supranational authorities
		C.7.2.3	From supranational authorities to their headquarters
		C.7.2.4	Other capital transfers abroad
2511	Gross advances to public financial enterprises	C.8.3	Lending minus repayments: To financial institutions
2512	Repayments received from public financial enterprises	C.8.3	Lending minus repayments: To financial institutions
2521	Gross advances to private enterprises	C.8.3	Lending minus repayments: To financial institutions
		C.8.4	Other domestic lending minus repayments
2522	Repayments received from private enterprises	C.8.3	Lending minus repayments: To financial institutions
		C.8.4	Other domestic lending minus repayments
2523	Gross advances to persons and non-profit institutions	C.8.4	Other domestic lending minus repayments
2524	Repayments received from persons and non-profit institutions	C.8.4	Other domestic lending minus repayments
2531	Gross advances to foreign governments and organisations	C.9.1	Lending minus repayments abroad: To governments and international organisations
		C.9.2	To supranational authorities
		C.9.3	Other lending minus repayments abroad

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
2532	Repayments received from foreign governments and organisations	C.9.1 C.9.2 C.9.3	Lending minus repayments abroad: To governments and international organisations To supranational authorities Other lending minus repayments abroad
2541	Gross intra-sector advances paid	C.8.1 C.8.2	Lending minus repayments: To other levels of national government To nonfinancial public enterprises
2542	Intra-sector repayments received	C.8.1 C.8.2	Lending minus repayments: To other levels of national government To nonfinancial public enterprises
<b>Revenue and grants received</b>			
3111	Direct taxes received	A.1.1 A.1.2 A.1.3  A.2.1 A.2.3 A.2.4  A.4.3 A.4.6  A.5.5.1 A.5.5.2  A.6.6  A.7.1 A.7.3	Taxes on income, profits, and capital gains: Individual Corporate Other unallocable taxes on income, profits, and capital gains  Social security contributions: Employees Self-employed or nonemployed Other unallocable social security contributions  Taxes on property: Estate, inheritance, and gift taxes Other recurrent taxes on property  Taxes on use of goods or on permission to use goods or to perform activities: Business and professional licenses Motor vehicle taxes  Other taxes on international trade and transactions  Other taxes: Poll taxes Other taxes not elsewhere classified
3112	Indirect taxes received	A.2.2 A.2.4  A.3  A.4.1 A.4.2.1 A.4.2.2 A.4.4 A.4.5 A.4.6  A.5.1 A.5.2 A.5.3 A.5.4  A.5.5.1 A.5.5.2 A.5.5.3  A.5.6	Social security contributions: Employers Other unallocable social security contributions  Taxes on payroll and workforce  Taxes on property: Recurrent taxes on immovable property Recurrent taxes on net wealth: Individual Corporate Taxes on financial and capital transactions Nonrecurrent taxes on property Other recurrent taxes on property  Domestic taxes on goods and services: General sales, turnover, or value-added taxes Excises Profits of fiscal monopolies Taxes on specific services Taxes on use of goods or on permission to use goods or to perform activities: Business and professional licenses Motor vehicle taxes Other taxes on the use of goods or on permission to use goods or to perform activities Other taxes on goods and services

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
			Taxes on international trade and transactions:
			Import duties:
		A.6.1.1	Customs duties
		A.6.1.2	Other import charges
		A.6.2	Export duties
		A.6.3	Profits of export or import monopolies
		A.6.4	Exchange profits
		A.6.5	Exchange taxes
		A.6.6	Other taxes on international trade and transactions
			Other taxes:
		A.7.2	Stamp taxes
		A.7.3	Other taxes not elsewhere classified
3121	Direct fees received	A.9	Administrative fees and charges, nonindustrial and incidental sales
3122	Indirect fees received	A.9	Administrative fees and charges, nonindustrial and incidental sales
3131	Direct fines received	A.10	Fines and forfeits
3132	Indirect fines received	A.10	Fines and forfeits
3311	Income received from PTFs	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
3312	Payment to PTF to offset non-recurring loss	C.3.1.1	Subsidies: To nonfinancial public enterprises
3320	Income from public financial enterprises	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
3331	Interest received on advances to public financial enterprises	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
3332	Interest received on advances to building societies	A.8.3	Other property income
3333	Interest received on other advances to the private sector	A.8.3	Other property income
3334	Interest received on advances to foreign governments and organisations	A.8.3	Other property income
3335	Interest received on intra-sector advances	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
		A.8.3	Other property income
3336	Interest received from banks	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
		A.8.3	Other property income
3337	Interest received on securities of other non-financial public sector authorities	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
		A.8.3	Other property income
3338	Interest received on intra-sector deposits	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		A.8.3	Other property income
3339	Interest received nec	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
		A.8.3	Other property income
3341	Land rent received	A.8.3	Other property income
3342	Royalties received	A.8.3	Other property income
3343	Dividends received	A.8.3	Other property income
3344	Seigniorage on coins	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
3411	Ex gratia receipts (in lieu of municipal rates)	A.8.3	Other property income
3412	Current levies received from local government	A.8.2	Entrepreneurial and property income: From nonfinancial public enterprises and public financial institutions
		A.8.3	Other property income
3413	Transfers from abroad	A.17.1	Grants from abroad: Current
3414	Taxes received from general government	A.7.3	Other taxes not elsewhere classified
3419	Other current revenue nec	A.8.1	Entrepreneurial and property income: Cash operating surpluses of departmental enterprise sales to the public with a surplus
		A.12	Other nontax revenue
		A.19.1	Grants from supranational authorities to member countries: Current
		A.20.1	Grants to supranational authorities from their headquarters: Current
3421	Transfers received by sinking funds	A.18.2	Grants from other levels of national government: Capital
3422	Capital levies received from local government	A.18.2	Grants from other levels of national government: Capital
3429	Capital revenue nec	A.16.1	Capital transfers from nongovernmental sources: From residents
		A.16.2	From abroad
		A.17.2	Grants from abroad: Capital
		A.19.2	Grants from supranational authorities to member countries: Capital
		A.20.2	Grants to supranational authorities from their headquarters: Capital
3501	Intra-sector current grants received		Grants from other levels of national government:

For footnotes, see end of Table.



TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		A.18.1	Current
3502	Intra-sector capital grants received	A.18.2	Grants from other levels of national government: Capital
<b>Financing transactions(e)</b>			
4101	Gross intra-sector advances received (net)		Domestic financing from other general government: From other parts of the same level of government: D.1.1.1 Net borrowing From other levels of government: D.1.2.1 Net borrowing  Domestic long-term loans nec: E.3.1 Drawings E.3.2 Amortisation
4102	Intra-sector advances repaid		Domestic financing: Short-term loans and advances not elsewhere classified  Domestic financing from other general government: From other parts of the same level of government D.1.1.1 Net borrowing From other levels of government: D.1.2.1 Net borrowing  Domestic long-term loans nec: E.3.1 Drawings E.3.2 Amortisation  Domestic financing: Short-term loans and advances not elsewhere classified
4211	Borrowing from the Reserve Bank (net)	D.2.1	Domestic financing from domestic monetary authorities: Net borrowing  Domestic long-term bonds: E.1.1 Issues E.1.2 Amortisation
4212	Borrowing from other banks (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing  Domestic long-term bonds: E.1.1 Issues E.1.2 Amortisation
4213	Borrowing from other financial institutions (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing  Domestic long-term bonds: E.1.1 Issues E.1.2 Amortisation
4214	Borrowing from the non-financial private sector (net)	D.4.3.1 D.4.3.2	Domestic financing from the nonfinancial private sector: From enterprises From households  Domestic long-term bonds: E.1.1 Issues E.1.2 Amortisation
4215	Intra-sector borrowing (net)	D.1.1.1	Domestic financing from other general government: From other parts of the same level of government: Net borrowing

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		D.1.2.1	From other levels of government: Net borrowing
		D.4.2.1	Domestic financing from nonfinancial public enterprises: Net borrowing
		E.1.1	Domestic long-term bonds: Issues
		E.1.2	Amortisation
4221	Borrowing from the Reserve Bank (net)	D.2.1	Domestic financing from monetary authorities: Net borrowing
		E.2	Domestic financing: Short term bonds and bills
4222	Borrowing from other banks (net)	D.3.1	Domestic financing from deposit money banks: Net borrowing
		D.4.1.1	Domestic financing from other financial institutions: Net borrowing
		E.2	Domestic financing: Short-term bonds and bills
4223	Borrowing from other financial institutions (net) Domestic financing from other financial institutions:	D.4.1.1	Net borrowing
		E.2	Domestic financing: Short-term bonds and bills
4224	Borrowing from the non-financial private sector (net)	D.4.3.1	Domestic financing from the nonfinancial private sector: From enterprises
		D.4.3.2	From households
		E.2	Domestic financing: Short-term bonds and bills
4225	Intra-sector borrowing (net)	D.1.1.1	Domestic financing from other general government: From other parts of the same level of government: Net borrowing
		D.1.2.1	From other levels of government: Net borrowing
		D.4.2.1	Domestic financing from nonfinancial public enterprises: Net borrowing
		E.2	Domestic financing: Short-term bonds and bills
4231	Borrowing from the Reserve Bank (net)	D.2.1	Domestic financing from monetary authorities: Net borrowing
		E.3.1	Domestic long-term loans nec: Drawings
		E.3.2	Amortisation
4232	Borrowing from other banks (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing
			Domestic long-term loans nec:

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) - continued

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		E.3.1	Drawings
		E.3.2	Amortisation
4233	Borrowing from other financial institutions (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing
			Domestic long-term loans nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4234	Borrowing from the non-financial private sector (net)	D.4.3.1	Domestic financing from the nonfinancial private sector: From enterprises
		D.4.3.2	From households
			Domestic long-term loans nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4241	Borrowing from the Reserve Bank (net)	D.2.1	Domestic financing from monetary authorities: Net borrowing
		E.4	Domestic financing: Short-term loans and advances not elsewhere classified
4242	Borrowing from other banks (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing
		E.4	Domestic financing: Short-term loans and advances not elsewhere classified
4243	Borrowing from other financial institutions (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing
		E.4	Domestic financing: Short-term loans and advances not elsewhere classified
4244	Borrowing from the non-financial private sector (net)	D.4.3.1	Domestic financing from the nonfinancial private sector: From enterprises
		D.4.3.2	From households
		E.4	Domestic financing: Short-term loans and advances not elsewhere classified
4251	CBA domestic loans to general government (net)	D.1.1.1	Domestic financing from other general government: From other parts of the same level of government: Net borrowing
			Domestic long-term loans nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4252	CBA domestic loans to public trading enterprises (net)	D.4.2.1	Domestic financing from nonfinancial public enterprises: Net borrowing
			Domestic long-term loans nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4253	CBA domestic loans to public financial enterprises (net)	D.4.1.1	Domestic financing from other financial institutions: Net borrowing

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		E.3.1	Domestic long-term loans nec: Drawings
		E.3.2	Amortisation
4311	Long term bonds (net)		Financing abroad: From international development institutions:
		D.6.1	Drawings
		D.6.2	Amortisation
			Long-term bonds abroad:
		E.7.1	Issues
		E.7.2	Amortisation
4312	Long term loans (net)		Financing abroad: From international development institutions:
		D.6.1	Drawings
		D.6.2	Amortisation
			Long-term loans abroad nec:
		E.9.1	Drawings
		E.9.2	Amortisation
4313	Short term bonds, bills and loans (net)		Financing abroad: From international development institutions:
		D.6.1	Drawings
		D.6.2	Amortisation
		E.8	Financing abroad: Short-term bonds and bills
		E.10	Financing abroad: Short-term loans and advances not elsewhere classified
4321	Long term bonds (net)		Financing abroad: From foreign governments:
		D.7.1	Drawings
		D.7.2	Amortisation
			Long-term bonds abroad:
		E.7.1	Issues
		E.7.2	Amortisation
4322	Long term loans (net)		Financing abroad: From foreign governments:
		D.7.1	Drawings
		D.7.2	Amortisation
			Long-term loans abroad nec:
		E.9.1	Drawings
		E.9.2	Amortisation
4323	Short term bonds, bills and loans (net)		Financing abroad: From foreign governments:
		D.7.1	Drawings
		D.7.2	Amortisation
		E.8	Financing abroad: Short-term bonds and bills
		E.10	Financing abroad: Short-term loans and advances not elsewhere classified

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
4331	Long term bonds (net)	D.8.3	Other borrowing abroad not elsewhere classified
			Financing abroad:
			Long-term bonds:
		E.7.1	Issues
		E.7.2	Amortisation
4332	Long term loans (net)	D.8.1	Other borrowing abroad:
		D.8.2	Bank loans and advances
		D.8.3	Supplier credits
			Other borrowing abroad not elsewhere classified
			Long-term loans abroad nec
		E.9.1	Drawings
		E.9.2	Amortisation
4333	Short term bonds, bills and loans (net)	D.8.1	Other borrowing abroad:
		D.8.2	Bank loans and advances
		D.8.3	Supplier credits
			Other borrowing abroad not elsewhere classified
		E.8	Financing abroad:
			Short-term bonds and bills
		E.10	Financing abroad:
			Short-term loans and advances not elsewhere classified
4341	CBA foreign loans to general government (net)	D.8.3	Other borrowing abroad not elsewhere classified
			Long-term loans abroad nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4342	CBA foreign loans to public trading enterprises (net)	D.8.3	Other borrowing abroad not elsewhere classified
			Long-term loans abroad nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4343	CBA foreign loans to public financial enterprises (net)	D.8.3	Other borrowing abroad not elsewhere classified
			Long-term loans abroad nec:
		E.3.1	Drawings
		E.3.2	Amortisation
4411	Net receipts by private trust funds	D.4.3.1	Domestic financing from the nonfinancial private sector:
		D.4.3.2	From enterprises
			From households
		E.6	Domestic financing:
			Changes in cash, deposits, and securities held for liquidity purposes
4412	Increase in investments by private trust funds	D.4.3.1	Domestic financing from the nonfinancial private sector:
		D.4.3.2	From enterprises
			From households
		E.6	Domestic financing:
			Changes in cash, deposits, and securities held for liquidity purposes
4420	Increase in balance of intra-sector deposits held	D.4.4	Other domestic financing not elsewhere classified

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		E.6	Domestic financing: Changes in cash, deposits, and securities held for liquidity purposes
4501	Increase in inter-sector investments	D.4.1.2	Domestic financing: Change in claims on other financial institutions for liquidity purposes
		D.4.4	Other domestic financing not elsewhere classified
			Financing abroad: Change in cash, deposits, and securities held for liquidity purposes:
		D.9.1	Held by sinking funds
		D.9.2	Other changes in cash, deposits, and securities held for liquidity purposes
		E.6	Domestic financing: Changes in cash, deposits and securities held for liquidity purposes
		E.12	Financing abroad: Changes in cash, deposits, and securities held for liquidity purposes
4502	Increase in intra-sector investments		Domestic financing from other general government: From other parts of the same level of government:
		D.1.1.2	Change in holdings of their securities for liquidity purposes
			From other levels of government:
		D.1.2.2	Change in holdings of other levels of government's securities for liquidity purposes
		D.4.2.2	Change in holdings of nonfinancial public enterprises' securities for liquidity purposes
		D.4.4	Other domestic financing not elsewhere classified
		E.6	Domestic financing: Changes in cash, deposits, and securities held for liquidity purposes
4611	Increase in cash and bank balances		Domestic financing from monetary authorities:
		D.2.2	Change in deposits
		D.2.3	Change in currency holdings
		D.2.4	Transfers to government of unrealised profits or losses on revaluation of foreign exchange
		D.3.2	Change in claims on deposit money banks for liquidity purposes
		D.4.1.2	Changes in claims on other financial institutions for liquidity purposes
		E.6	Domestic financing: Change in cash, deposits, and securities held for liquidity purposes
4612	Increase in funds lodged with Treasury/Finance/CBA	D.4.4	Other domestic financing not elsewhere classified
		E.6	Domestic financing: Changes in cash, deposits, and securities held for liquidity purposes
4613	Increase in balances at call	D.3.2	Change in claims on deposit money banks for liquidity purposes
		D.4.1.2	Change in claims on other financial institutions for

For footnotes, see end of Table.

TABLE 1. ABS-IMF GENERAL GOVERNMENT SECTOR CLASSIFICATION CONCORDANCE(a) - *continued*

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
			liquidity purposes
		E.6	Domestic financing: Changes in cash, deposits, and securities held for liquidity purposes
4614	Increase in foreign cash and deposits		Financing abroad: Change in cash, deposits, and securities held for liquidity purposes:
		D.9.1	Held by sinking funds
		D.9.2	Other changes in cash, deposits, and securities held for liquidity purposes
		E.12	Financing abroad: Changes in cash, deposits, and securities held for liquidity purposes
4621	Increase in fixed deposits	D.3.2	Change in claims on deposit money banks for liquidity purposes
		D.4.1.2	Change in claims on other financial institutions for liquidity purposes
		E.6	Domestic financing: Changes in cash, deposits, and securities held for liquidity purposes
4622	Funds provided for the IMF (net)	(d)	
4722	General government receipts from public enterprises to finance pensions	(d)	
4723	General government payments of pensions in respect of public enterprises	(d)	
4811	Intra-sector equity capital (net)	D.4.4	Other domestic financing not elsewhere classified
		E.5	Domestic financing: Other liabilities
4812	Other domestic equity capital (net)	D.4.4	Other domestic financing not elsewhere classified
		E.5	Domestic financing: Other liabilities
4820	Foreign equity capital (net)	D.8.3	Other borrowing abroad not elsewhere classified
		E.11	Financing abroad: Other liabilities
4908	Balancing transactions	(d)	
4909	Financial claims nec including errors and omissions	(d)	

(a) One ABS-GFS code may be concorded to a number of IMF-GFS codes and/or a number of ABS-GFS codes may be concorded to one IMF-GFS code. (b) ETF codes and items from the *Classifications Manual for Government Finance Statistics, Australia (1217.0)*, 1989. (c) IMF codes and items from classification tables in *A Manual on Government Finance Statistics*, 1986. (d) Not applicable to the IMF classification or to a specific category. (e) Concordance with IMF Table D reflects financing by type of debt holder and concordance with IMF Table E reflects financing by type of debt instrument.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a)

<i>Australian Bureau of Statistics GFS(b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
<b>Current and capital outlays</b>			
1211	Interest paid on intra-sector advances	K.5.2.1	Interest: To government
1212	Interest paid on bank overdraft	K.5.2.2	Other interest costs
1213	Interest paid on other bank loans	K.5.2.2	Other interest costs
1214	Interest paid on loans from other financial institutions	K.5.2.2	Other interest costs
1215	Interest paid on bonds and bills in Australia	K.5.2.2	Other interest costs
1216	Interest paid on borrowing from abroad	K.5.2.2	Other interest costs
1217	Interest paid on deposits	K.5.2.1 K.5.2.2	Interest: To government Other interest costs
1218	Interest paid on loans from the non-financial private sector	K.5.2.2	Other interest costs
1219	Interest paid on loans from CBAs	K.5.2.1	Interest: To government
1221	Income transferred by PTEs	K.9.1 K.9.2	Dividends and other distributions of entrepreneurial income: To other nonfinancial public enterprises To government
1222	Receipt by PTE of contribution to offset non-recurring loss	K.4.4.3	Other nonoperating revenues not elsewhere classified
1231	Land rent and royalties paid	K.5.3	Land rents and royalties
1232	Dividends paid	K.9.3	Dividends and other distributions of entrepreneurial income: To others
1331	Current grants to non-profit institutions	K.5.1.1.3	Other current transfers
1332	Grants to foreign governments and organisations	K.5.1.1.3	Other current transfers
1333	Intra-sector current grants paid	K.5.1.1.1	Current transfers: To government
1341	Direct taxes paid (cash basis)	K.7	Direct taxes accrued
1342	Current levies paid by local government to other government authorities	K.5.5.2	Other nonoperating expenses not elsewhere classified
1348	Direct taxes paid (cash/accrual adj.)	K.7	Direct taxes accrued
1349	Other current transfer payments nec	K.5.1.1.3 K.5.5.2	Other current transfers Other nonoperating expenses not elsewhere classified
2111	Payments for new fixed assets	K.1.3 K.2 K.11.1.1.1 K.11.1.1.2	Own account fixed capital formation Operating expenses Purchase of fixed capital assets Own account fixed capital formation
2112	Reimbursements received for capital work done for others	K.4.4.3	Other nonoperating revenues not elsewhere classified
2121	Purchases of second-hand fixed assets	K.11.1.1.1	Purchase of fixed capital assets

For footnotes, see end of Table.



TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – continued

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
2122	Sales of previously rented dwellings	K.4.3	Gains on sales of capital assets (sales price minus net book value)
		K.5.4	Losses on sales of capital assets (net book value minus sales price)
			Net book value of capital assets sold:
		K.11.1.2.1	Fixed capital assets
2123	Sales of other second-hand fixed assets	K.4.3	Gains on sales of capital assets (sales price minus net book value)
		K.5.4	Losses on sales of capital assets (net book value minus sales price)
			Net book value of capital assets sold:
		K.11.1.2.1	Fixed capital assets
2200	Increase in stocks	K.11.1.1.3	Change in inventories
2311	Purchases of land		Acquisition of capital assets:
		K.11.1.1.4	Land
2312	Sales of land		Net book value of capital assets sold:
		K.11.1.2.2	Land
2321	Purchases of intangible assets		Acquisition of capital assets:
		K.11.1.1.5	Intangible assets
2322	Sales of intangible assets		Net book value of capital assets sold:
		K.11.1.2.3	Intangible assets
2411	Capital grants to public financial enterprises	K.5.1.2.2	Other capital transfers
2412	Capital grants to private enterprises	K.5.1.2.2	Other capital transfers
2413	Capital grants to persons	K.5.1.2.2	Other capital transfers
2414	Capital grants to non-profit institutions	K.5.1.2.2	Other capital transfers
2420	Intra-sector capital grants paid		Capital transfers:
		K.5.1.2.1	To government
2431	Transfers to sinking funds		Capital transfers:
		K.5.1.2.1	To government
2432	Capital levies paid by local government to other government authorities		Capital transfers:
		K.5.1.2.1	To government
2439	Other capital transfer payments nec	K.5.1.2.2	Other capital transfers
2511	Gross advances to public financial enterprises	(d)	
2512	Repayments received from public financial enterprises	(d)	
2521	Gross advances to private enterprises	(d)	
2522	Repayments received from private enterprises	(d)	
2523	Gross advances to persons and non-profit institutions	(d)	
2524	Repayments received from persons and non-profit institutions	(d)	
2531	Gross advances to foreign governments and organisations	(d)	

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
2532	Repayments received from foreign governments and organisations	(d)	
2541	Gross intra-sector advances paid	(d)	
2542	Intra-sector repayments received	(d)	
<b>Revenue and grants received</b>			
3211	PTE charges for goods and services	K.1.1.1 K.1.1.2 K.1.4  K.4.4.1	Sales of goods and services: To government To others Change in inventories, goods produced but not yet sold, and work-in-progress  Casualty insurance claims
3212	Local government trading activity rates (PTEs)	K.1.1.2	Sales of goods and services: To others
3213	Subsidies received (cash basis)	K.1.2	Subsidies
3214	Transfers received by local government trading activities from ordinary services	K.1.2	Subsidies
3218	Subsidies received (cash/accrual adj.)	K.1.2	Subsidies
3221	Depreciation charges	K.2.3 K.2.4	Consumption of fixed capital Consumption of intangible assets
3222	Other operating expenditure	K.2.1.1 K.2.1.2 K.2.1.3 K.2.1.4  K.2.2.1 K.2.2.2  K.2.5 K.2.6  K.5.1.1.2 K.5.5.1	Compensation of employees: Wages and salaries Employer contributions to social security Employer contributions to pension and welfare schemes Other compensation of employees Other goods and services: Purchases Less: change in inventories, goods purchased but not yet used Taxes and compulsory fees incurred in the course of production Other operating expenses  Unfunded employee welfare benefits Casualty insurance premiums
3223	Other operating expenditure (provisions adj.)	K.2.1.1 K.2.1.2 K.2.1.3 K.2.1.4  K.2.2.1 K.2.2.2  K.2.5 K.2.6  K.5.1.1.2 K.5.5.1	Compensation of employees: Wages and salaries Employer contributions to social security Employer contributions to pension and welfare schemes Other compensation of employees Other goods and services: Purchases Less: change in inventories, goods purchased but not yet used Taxes and compulsory fees incurred in the course of production Other operating expenses  Unfunded employee welfare benefits Casualty insurance premiums
3311	Income received from PTEs	K.4.2.2.1	Dividends and other withdrawals of entrepreneurial income: From other nonfinancial public enterprises
3312	Payment to PTE to offset non-recurring loss	K.5.1.1.3	Other current transfers

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – continued

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
3331	Interest received on advances to public financial enterprises	K.4.2.1.2	Interest: Other
3332	Interest received on advances to building societies	K.4.2.1.2	Interest: Other
3333	Interest received on other advances to the private sector	K.4.2.1.2	Interest: Other
3334	Interest received on advances to foreign governments and organisations	K.4.2.1.2	Interest: Other
3335	Interest received on intra-sector advances	K.4.2.1.2	Interest: Other
3336	Interest received from banks	K.4.2.1.2	Interest: Other
3337	Interest received on securities of other non-financial public sector authorities	K.4.2.1.1	Interest: From government
3338	Interest received on intra-sector deposits	K.4.2.1.1	Interest: From government
3339	Interest received nec	K.4.2.1.1 K.4.2.1.2	Interest: From government Other
3341	Land rent received	K.4.2.3	Land rents and royalties
3342	Royalties received	K.4.2.3	Land rents and royalties
3343	Dividends received	K.4.2.2.1 K.4.2.2.2	Dividends and other withdrawals of entrepreneurial income: From other nonfinancial public enterprises From other enterprises
3412	Current levies received from local government	K.4.4.3	Other nonoperating revenues not elsewhere classified
3413	Transfers from abroad	K.4.1.1	Transfers: Current nongovernmental
3419	Other current revenue nec	K.4.1.1 K.4.4.2 K.4.4.3	Transfers: Current nongovernmental Sales of used goods, scraps, and wastes Other nonoperating revenues not elsewhere classified
3421	Transfers received by sinking funds	K.4.1.2.1	Capital transfers: Governmental
3422	Capital levies received from local government	K.4.1.2.1	Capital transfers: Governmental
3429	Capital revenue nec	K.4.1.2.1 K.4.1.2.2	Capital transfers: Governmental Nongovernmental
3502	Intra-sector capital grants received	K.4.1.2.1	Capital transfers: Governmental
<b>Financing transactions(e)</b>			
4101	Gross intra-sector advances received	K.15.3.1.2 K.15.3.2.2	Domestic net borrowing: Long-term loans Short-term loans
			Domestic financing:

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		K.20.2	Government
4102	Intra-sector advances repaid		Domestic net borrowing:
		K.15.3.1.2	Long-term loans
		K.15.3.2.2	Short-term loans
			Domestic financing:
		K.20.2	Government
4211	Borrowing from the Reserve Bank (net)		Domestic net borrowing:
		K.15.3.1.1	Long-term bonds
			Domestic financing:
		K.20.3	Monetary authorities
4212	Borrowing from other banks (net)		Domestic net borrowing:
		K.15.3.1.1	Long-term bonds
		K.20.5	Other domestic financing
4213	Borrowing from other financial institutions (net)		Domestic net borrowing:
		K.15.3.1.1	Long-term bonds
		K.20.5	Other domestic financing
4214	Borrowing from the non-financial private sector (net)		Domestic net borrowing:
		K.15.3.1.1	Long-term bonds
		K.20.5	Other domestic financing
4215	Intra-sector borrowing (net)		Domestic net borrowing:
		K.15.3.1.1	Long-term bonds
			Domestic financing:
		K.20.1	Other non-financial public enterprises
		K.20.2	Government
4221	Borrowing from the Reserve Bank (net)		Domestic net borrowing:
		K.15.3.2.1	Short-term bonds and bills
			Domestic financing:
		K.20.3	Monetary authorities
4222	Borrowing from other banks (net)		Domestic net borrowing:
		K.15.3.2.1	Short-term bonds and bills
		K.20.5	Other domestic financing
4223	Borrowing from other financial institutions (net)		Domestic net borrowing:
		K.15.3.2.1	Short-term bonds and bills
		K.20.5	Other domestic financing
4224	Borrowing from the non-financial private sector (net)		Domestic net borrowing:
		K.15.3.2.1	Short-term bonds and bills
		K.20.5	Other domestic financing
4225	Intra-sector borrowing (net)		Domestic net borrowing:
		K.15.3.2.1	Short-term bonds and bills
			Domestic financing:
		K.20.1	Other nonfinancial public enterprises
		K.20.2	Government
4231	Borrowing from the Reserve Bank (net)		Domestic net borrowing:
		K.15.3.1.2	Long-term loans

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
		K.20.3	Domestic financing: Monetary authorities
4232	Borrowing from other banks (net)	K.15.3.1.2	Domestic net borrowing: Long-term loans
		K.20.5	Other domestic financing
4233	Borrowing from other financial institutions (net)	K.15.3.1.2	Domestic net borrowing: Long-term loans
		K.20.5	Other domestic financing
4234	Borrowing from the non-financial private sector (net)	K.15.3.1.2	Domestic net borrowing: Long-term loans
		K.20.5	Other domestic financing
4241	Borrowing from the Reserve Bank (net)	K.15.3.2.2	Domestic net borrowing: Short-term loans
		K.20.3	Domestic financing: Monetary authorities
4242	Borrowing from other banks (net)	K.15.3.2.2	Domestic net borrowing: Short-term loans
		K.20.5	Other domestic financing
4243	Borrowing from other financial institutions (net)	K.15.3.2.2	Domestic net borrowing: Short-term loans
		K.20.5	Other domestic financing
4244	Borrowing from the non-financial private sector (net)	K.15.3.2.2	Domestic net borrowing: Short-term loans
		K.20.5	Other domestic financing
4251	CBA domestic loans to general government (net)	K.15.3.1.2	Domestic net borrowing: Long-term loans
		K.20.2	Domestic financing: Government
4252	CBA domestic loans to public trading enterprises (net)	K.15.3.1.2	Domestic net borrowing: Long-term loans
		K.20.2	Domestic financing: Government
4253	CBA domestic loans to public financial enterprises (net)	K.15.3.1.2	Domestic net borrowing: Long-term loans
		K.20.2	Domestic financing: Government
4311	Long term bonds (net)	K.18.3.1.1	Net borrowing abroad: Long-term bonds
		K.21.1	Financing abroad: International development institutions
4312	Long term loans (net)	K.18.3.1.2	Net borrowing abroad: Long-term loans
		K.21.1	Financing abroad: International development institutions

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – *continued*

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
4313	Short term bonds, bills and loans (net)	K.18.3.2.1	Net borrowing abroad: Short-term bonds and bills
		K.18.3.2.2	Short-term loans
4321	Long term bonds (net)	K.21.1	Financing abroad: International development institutions
		K.18.3.1.1	Net borrowing abroad: Long-term bonds
4322	Long term loans (net)	K.21.2	Financing abroad: Foreign governments
		K.18.3.1.2	Net borrowing abroad: Long-term loans
		K.21.2	Financing abroad: Foreign governments
4323	Short term bonds, bills and loans (net)	K.18.3.2.1	Net borrowing abroad: Short-term bonds and bills
		K.18.3.2.2	Short-term loans
		K.21.2	Financing abroad: Foreign governments
4331	Long term bonds (net)	K.18.3.1.1	Net borrowing abroad: Long-term bonds
		K.21.5	Other financing abroad
4332	Long term loans (net)	K.18.3.1.2	Net borrowing abroad: Long-term loans
		K.21.3	Financing abroad: Bank loans and advances
		K.21.4	Supplier credits
		K.21.5	Other financing abroad
4333	Short term bonds, bills and loans (net)	K.18.3.2.1	Net borrowing abroad: Short-term bonds and bills
		K.18.3.2.2	Short-term loans
		K.21.3	Financing abroad: Bank loans and advances
		K.21.4	Supplier credits
		K.21.5	Other financing abroad
4341	CBA foreign loans to general government (net)	K.18.3.1.2	Net borrowing abroad: Long-term loans
		K.21.5	Other financing abroad
4342	CBA foreign loans to public trading enterprises (net)	K.18.3.1.2	Net borrowing abroad: Long-term loans
		K.21.5	Other financing abroad
4343	CBA foreign loans to public financial enterprises (net)	K.18.3.1.2	Net borrowing abroad: Long-term loans
		K.21.5	Other financing abroad
4411	Net receipts by private trust funds	(d)	
4412	Increase in investments by private trust funds	(d)	

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – continued

<i>Australian Bureau of Statistics GFS (b)</i>		<i>International Monetary Fund GFS(c)</i>	
<i>Code</i>	<i>Item</i>	<i>Code</i>	<i>Item</i>
4501	Increase in inter-sector investments		Change in domestic financial assets:
		K.16.2.1.1	Long-term bonds
		K.16.2.1.2	Long-term loans
		K.16.2.1.3	Corporate and quasi-corporate equities
			Change in financial assets abroad:
		K.19.2.1.1	Long-term bonds
		K.19.2.1.2	Long-term loans
		K.19.2.1.3	Corporate and quasi-corporate equities
			Domestic financing:
		K.20.3	Monetary authorities
		K.20.5	Other domestic financing
			Financing abroad:
		K.21.1	International development institutions
		K.21.2	Foreign governments
		K.21.3	Bank loans and advances
		K.21.4	Supplier credits
		K.21.5	Other financing abroad
4502	Increase in intra-sector investments		Change in domestic financial assets:
		K.16.2.1.1	Long-term bonds
		K.16.2.1.2	Long-term loans
		K.16.2.1.3	Corporate and quasi-corporate equities
			Domestic financing:
		K.20.1	Other nonfinancial public enterprises
		K.20.2	Government
4611	Increase in cash and bank balances		Change in domestic financial assets:
		K.16.2.2.1	Cash and deposits
			Domestic financing:
		K.20.4	Deposit money banks
4612	Increase in funds lodged with Treasury/Finance/CBA		Change in domestic financial assets:
		K.16.2.2.1	Cash and deposits
			Domestic financing:
		K.20.2	Government
4613	Increase in balances at call		Change in domestic financial assets:
		K.16.2.2.1	Cash and deposits
			Domestic financing:
		K.20.4	Deposit money banks
		K.20.5	Other domestic financing
4614	Increase in foreign cash and deposits		Change in financial assets abroad:
		K.19.2.2.1	Cash and deposits
		K.21.5	Other financing abroad
4621	Increase in fixed deposits		Change in domestic financial assets:
		K.16.2.2.1	Cash and deposits
		K.16.2.2.2	Short-term bonds and bills
			Domestic financing:
		K.20.4	Deposit money banks
		K.20.5	Other domestic financing
4710	Increase in provisions for depreciation	K.11.2	Consumption of fixed capital
		K.11.3	Consumption of intangible assets
4721	Increase in superannuation provisions of PTFs	(d)	

For footnotes, see end of Table.

TABLE 2. ABS-IMF PUBLIC TRADING ENTERPRISE SECTOR CLASSIFICATION CONCORDANCE(a) – continued

Australian Bureau of Statistics GFS (b)		International Monetary Fund GFS(c)	
Code	Item	Code	Item
4730	Increase in other provisions	(d)	
4811	Intra-sector equity capital (net)	K.15.1.1	Change in domestic equity capital:
		K.15.1.2	Other nonfinancial public enterprises
			Government
4812	Other domestic equity capital (net)	K.15.1.3	Change in equity capital:
			Other domestic
4820	Foreign equity capital (net)	K.18.1	Change in liabilities abroad:
			Change in equity capital
4901	Increase in accounts payable, accrued expenses and prepayments received	K.15.2.1	Change in domestic liabilities:
			Change in accounts payable
			Change in accrued expenses:
			Taxes:
		K.15.2.2.1.1	Indirect
		K.15.2.2.1.2	Direct
		K.15.2.2.2	Accrued interest
		K.15.2.2.3	Other accrued expenses
			Change in financial assets abroad:
		K.18.2.1	Change in accounts payable
			Change in accrued expenses:
		K.18.2.2.1	Accrued interest
		K.18.2.2.2	Other accrued expenses
4902	Increase in accounts receivable and prepaid expenses	K.16.1.1	Change in domestic financial assets:
			Change in accounts receivable
			Change in prepaid expenses:
			Taxes:
		K.16.1.2.1.1	Indirect
		K.16.1.2.1.2	Direct
		K.16.1.2.2	Other prepaid expenses
			Change in financial assets abroad:
		K.19.1.1	Change in accounts receivable
		K.19.1.2	Change in prepaid expenses
4908	Balancing transactions	(d)	
4909	Financial claims nec including errors and omissions	(d)	

(a) One ABS-GFS code may be concorded to a number of IMF-GFS codes and/or a number of ABS-GFS codes may be concorded to one IMF-GFS code. (b) ETF codes and items from the *Classifications Manual for Government Finance Statistics, Australia (1217.0)*, 1989. (c) IMF codes and items from classification tables in *A Manual on Government Finance Statistics*, 1986. (d) Not applicable to the IMF classification or to a specific category. (e) Concordance with IMF K.13 to K.19 reflects financing by type of debt instrument and concordance with IMF K.20 to K.21 reflects financing by type of debt holder which excludes equity capital, trade payables and trade receivables.



## Concordance to the Australian National Accounts

TABLE 1. CONCORDANCE TO THE GENERAL GOVERNMENT INCOME AND OUTLAY ACCOUNT

<i>Australian Government Finance Statistics</i>		<i>Australian National Accounts(a)</i>	
<i>ETF</i>	<i>Item</i>	<i>Account Line</i>	<i>Item</i>
11	General government final consumption expenditure	IID 2	Final consumption expenditure (this item includes accrual adjustments e.g. for depreciation, defence expenditure)
121	Interest payments	IID 13a	Interest, etc. paid
123	Land rent, royalties, dividends paid	IID 13a	Interest, etc. paid
131	Subsidies paid to enterprises	IID 12b	Subsidies (this item may include accrual adjustments)
1321	Personal benefit payments in cash to Australian residents	IID 23	Personal benefit payments to residents
1322	Other personal benefit payments to Australian residents	IID 23	Personal benefit payments to residents
1323	Personal benefit payments to non-residents	IID 14b	Unrequited transfers to overseas
1331	Current grants to non-profit institutions	IID 22b	Current grants to non-profit institutions
1332	Grants to foreign governments and organisations	IID 14b	Unrequited transfers to overseas
1333	Intra-sector current grants paid	IID 13a	Interest, etc. paid
134	Other current transfer payments	IID 13a	Interest, etc. paid
3111	Direct taxes received	IID	Direct taxes on income: Individuals: 15e Net tax instalments 15f Other 15g Enterprises 14d Non-residents 24 Other direct taxes, fees, fines etc.
3112	Indirect taxes received	IID 12a	Indirect taxes
312	Fees from regulatory services	IID 24	Other direct taxes, fees, fines, etc.
313	Fines	IID 24	Other direct taxes, fees, fines etc.

TABLE 1. CONCORDANCE TO THE GENERAL GOVERNMENT INCOME AND OUTLAY ACCOUNT — *continued*

<i>Australian Government Finance Statistics</i>		<i>Australian National Accounts(a)</i>		
<i>ETF</i>	<i>Item</i>	<i>Account</i>	<i>Line</i>	<i>Item</i>
331	Income transferred from PTEs (net)	IID	13x	Income transferred from public trading enterprises
332	Income from public financial enterprises	IID	13y	Income transferred from public financial enterprises
333	Interest received	IID	13z	Interest, etc. and dividends received
334	Other property income	IID	13z	Interest, etc. and dividends received
341	Other current revenue	IID	13z	Interest, etc. and dividends received
3501	Intra-sector current grants received	IID	13z	Interest, etc. and dividends received
..	Current revenue minus current outlays	IID	18	Surplus on current transactions (this item represents general government 'saving')
3	Revenue and grants received			
- 342	Capital revenue			
- 3502	Intra-sector capital grants received			
- 1	Current outlays			

TABLE 2. CONCORDANCE TO THE GENERAL GOVERNMENT CAPITAL ACCOUNT

<i>Australian Government Finance Statistics</i>		<i>Australian National Accounts(a)</i>		
<i>ETF</i>	<i>Item</i>	<i>Account</i>	<i>Line</i>	<i>Item</i>
21	Gross fixed capital expenditure	IIID	5	Gross fixed capital expenditure
22	Increase in stocks	IIID	6g	Increase in stocks
23	Expenditure on land and intangible assets (net)	IIID	28c	Purchases of land and intangible assets, net
2411	Capital grants to public financial enterprises	IIID	26b	Less capital grants to: Public financial enterprises
2412	Capital grants to private enterprises		26c	Private corporate trading enterprises
2413	Capital grants to persons		26d	Persons and non-profit institutions
2414	Capital grants to non-profit institutions		26d	Persons and non-profit institutions
2420	Intra-sector capital grants paid		26a	Public trading enterprises
243	Other capital transfer payments	IIID	25c	Capital revenue, net
25	Advances paid (net)	IIID	7d 20d	Net lending, including statistical discrepancy (in principle, net lending measures net acquisition of financial assets over net increase in liabilities; in practice, it is a balancing item)
342	Capital revenue	IIID	25c	Capital revenue, net
3502	Intra-sector capital grants received	IIID	27	Capital grants from public trading enterprises
4	Financing transactions	IIID	7d 20d	Net lending, including statistical discrepancy
..	Current revenue minus current outlays	IIID	18	Surplus on current transactions (this item is transferred from the General government Income and Outlay Account)
3	Revenue and grants received			
- 342	Capital revenue			
- 3502	Intra-sector capital grants received			
- 1	Current outlays			
n.a.	n.a. (the concept of general government consumption of fixed capital is not relevant to GFS)	IIID	11e	Consumption of fixed capital

**TABLE 3. CONCORDANCE TO THE CORPORATE TRADING ENTERPRISES (INCLUDING PUBLIC TRADING ENTERPRISES) INCOME AND OUTLAY ACCOUNT**

<i>Australian Government Finance Statistics</i>		<i>Australian National Accounts(a)</i>		
<i>ETF</i>	<i>Item</i>	<i>Account</i>	<i>Line</i>	<i>Item</i>
121	Interest payments	IIA	13k	Interest, etc. paid
122	Income transferred by PTEs (net)	IIA	13i	Dividends paid
1231	Land rent and royalties paid	IIA	13k	Interest, etc. paid
1232	Dividends paid	IIA	13i	Dividends paid
1331	Current grants to non-profit institutions	IIA	22a	Current grants to non-profit institutions
1332	Grants to foreign governments and organisations	IIA	13k	Interest, etc. paid
1333	Intra-sector current grants paid	IIA	13k	Interest, etc. paid
1341	Direct taxes paid (cash basis)	IIA	15a	Income tax payable
1342	Current levies paid by local government to other government authorities	IIA	13k	Interest, etc. paid
1348	Direct taxes paid (cash/accrual adj)	IIA	15a	Income tax payable
1349	Other current transfer payments nec	IIA	13k	Interest, etc. paid
32	Net operating surpluses of PTEs	IIA	11j	Net operating surplus
331	Income transferred from PTEs (net)	IIA	13h	Interest, etc. received
333	Interest received	IIA	13h	Interest, etc. received
3341	Land rent received	IIA	13h	Interest, etc. received
3342	Royalties received	IIA	13h	Interest, etc. received
3343	Dividends received	IIA	13i	Dividends received
3412	Current levies received from local government	IIA	13h	Interest, etc. received
3413	Transfers from abroad	IIA	13h	Interest, etc. received
3419	Other current revenue nec	IIA	13h	Interest, etc. received
..	Current revenue minus current outlays	IIA	16a	Undistributed income
32	Net operating surpluses of PTEs			
+ 331	Income transferred from PTEs (net)			
+ 333	Interest received			
+ 3341	Land rent received			
+ 3342	Royalties received			
+ 3343	Dividends received			
+ 3412	Current levies received from local government			
+ 3413	Transfers from abroad			
+ 3419	Other current revenue nec			
- 12	Requited current transfer payments			
- 133	Current grants			
- 1341	Direct taxes paid (cash basis)			
- 1342	Current levies paid by local government to other government authorities			
- 1348	Direct taxes paid (cash/accrual adj.)			
- 1349	Other current transfer payments nec			
n.a.	n.a.	IIA	21a	Third party transfers to persons (as present data sources are inadequate, no estimates are included in the ANA for these items in respect of PTEs)
n.a.	n.a.	IIA	13j	Extraordinary insurance claims from overseas (as present data sources are inadequate, no estimates are included in the ANA for these items in respect of PTEs)

**TABLE 4. CONCORDANCE TO THE CORPORATE TRADING ENTERPRISES (INCLUDING PUBLIC TRADING ENTERPRISES) CAPITAL ACCOUNT**

<i>Australian Government Finance Statistics</i>		<i>Australian National Accounts(a)</i>		
<i>ETF</i>	<i>Item</i>	<i>Account</i>	<i>Line Item</i>	
21	Gross fixed capital expenditure	IIIA	4a	Gross fixed capital expenditure: public trading enterprises
22	Increase in stocks	IIIA	6e	Increase in stocks (ANA item may include stock valuation adjustment)
23	Expenditure on land and intangible assets (net)	IIIA	26a	Purchases of land and intangible assets, net
241	Inter-sector capital grants paid	IIIA	25a	Capital revenue, net
242	Intra-sector capital grants paid	IIIA	27	Less capital grants to general government
243	Other capital transfer payments	IIIA	25a	Capital revenue, net
25	Advances paid (net)	IIIA	7a 20a	Net lending, including statistical discrepancy (in principle, net lending measures net acquisition of financial assets over increase in liabilities; in practice, it is a balancing item)
3221	Depreciation charges(b)	IIIA	11n	Consumption of fixed capital(b)
342	Capital revenue	IIIA	25a	Capital revenue, net
3502	Intra-sector capital grants received	IIIA	26e	Capital grants from general government
4	Financing transactions	IIIA	7a 20a	Net lending, including statistical discrepancy
4730	Increase in other provisions	IIIA	15h	Increase in income tax provisions
..	Current revenue minus current outlays	IIIA	16a	Undistributed income
32	Net operating surpluses of PTEs			
+ 331	Income transferred from PTEs (net)			
+ 333	Interest received			
+ 3341	Land rent received			
+ 3342	Royalties received			
+ 3343	Dividends received			
+ 3412	Current levies received from local government			
+ 3413	Transfers from abroad			
+ 3419	Other current revenue nec			
- 12	Required current transfer payments			
- 133	Current grants			
- 1341	Direct taxes paid (cash basis)			
- 1342	Current levies paid by local government to other government authorities			
- 1348	Direct taxes paid (cash/accrual adj.)			
- 1349	Other current transfer payments nec			
n.a.	n.a.	IIIA	19a	Extraordinary insurance claims (as present data sources are inadequate, no estimates are included in the ANA for this item in respect of PTEs)

(a) Refer to *Australian National Accounts: Concepts, Sources and Methods* (Cat. No. 5216.0). (b) Depreciation charges in Government Finance Statistics are not the same as consumption of fixed capital in the Australian National Accounts. The former reflects accounting and taxation practices, whereas the latter reflects an economic concept.

# Financial assets and liabilities statistics

## Introduction

1 The system of Australian government finance statistics (GFS) provides information on the flows of government finance. There is also a strong interest in the stocks or levels of government financial assets and liabilities, including public sector debt. The international standards recommend provision of statistics on these subjects and the ABS has adapted the standards in consultation with Australian governments to provide this type of information. This appendix gives a brief description of the international standards and the ABS adaptation of them. It describes the range of statistics compiled and the methodology used to compile them. It discusses the relationship between the statistics, GFS and other ABS statistics and outlines possible future developments.

## International Standards

### International Monetary Fund (IMF)

2 The IMF's *A Manual on Government Finance Statistics* recommends that statistics of government debt ('stock' statistics) should be maintained for the same general government units for which 'flow' statistics of revenues, outlays and financing are compiled. The manual says the statistics should be consolidated for the various levels of government, netting out intra-government debt. The gross amounts of government liabilities should be recorded without reduction by amounts of government's claims against others.

3 The manual recommends that government debt be valued at 'the amount the government is obligated to pay when the debt matures, that is, at its nominal, par, or face value'. However, debt denominated in foreign currencies is to be revalued at the exchange rate applicable at the date at which the statistics are recorded (i.e. the reference date).

4 In order to provide a link between the stock of government debt and the corresponding flows of net borrowing recorded in government finance statistics, the manual recommends that memorandum items be listed showing amounts attributable to factors affecting debt that are not recorded in net borrowing. These can include discounts and premiums on new issues or on redemptions, accrued interest included in par values, and non-cash generation or extinction of debt.

5 The IMF manual states that government debt can be classified by the time structure of liabilities, the type of debt instruments, or the sector of the holders of the debt.

### United Nations *A System of National Accounts 1968* (SNA)

6 The 1968 SNA recommends that balance sheets be maintained for each sector of the economy, including the general government sector. The SNA's sectoral balance sheets incorporate liabilities that encompass government debt. It recommends that financial assets and liabilities be classified by financial instrument and that they be valued, wherever possible at market value.

## The Australian conceptual framework

### Background

7 Comprehensive statistics of public sector debt were not introduced in Australia until 1987. In introducing the statistics the Australian Bureau of Statistics (ABS) used both the IMF government statistics manual and the SNA as a guide for the conceptual framework. However, it incorporated modifications reflecting Australian users' requirements and the availability of information from government accounting systems.

8 The conceptual framework for the statistics has been developed in response to an agreement of all Australian governments to present financial information on a standard basis. This agreement, which was endorsed by the May 1991 Premiers' conference, obliges each government to present information on financial assets and liabilities on an agreed standard basis developed in consultation with the ABS through the Standing Treasuries Liaison Committee on Accounting Issues (STLC).

### Scope

9 The statistics have the same scope as GFS, covering the non-financial public sector for each level of government in each jurisdiction. Information is compiled for general government, public trading enterprises and the consolidated total of these two sectors for the Commonwealth, each State and Territory, and for State and local government combined in each State and Territory. In this regard the Australian system goes beyond the IMF's recommendations, which relate only to the general government sector.

### Debt concepts

10 Both financial assets and liabilities are included in the statistics, which present information on 'gross debt' and 'net debt', gross debt being defined as selected liabilities and net debt as the difference between gross debt and selected financial assets. The presentation of information on 'net debt' is a departure from the IMF standard, which recommends against netting financial assets against liabilities. The concept of net debt was one very much favoured by Australian users of the statistics.

### Classification

11 The statistics are presented using a limited classification of financial assets and liabilities by broad financial instrument, viz:

#### *Gross Debt*

- Deposits Held
- Advances Received
- Borrowing

#### *Financial Assets*

- Currency and Deposits
- Advances Paid
- Investments

12 A more detailed classification covering a wider range of financial assets, liabilities and equity (see end of appendix) has been developed but has not yet been used by the ABS. At the time it was developed the name of the statistics was changed from *Public Sector Debt* to *Public Sector Financial Assets and Liabilities* (FALS). The concepts of gross and net debt are included in the wider classification and also it provides for the presentation of statistics for liabilities, equity and financial assets falling outside the definitions of these two concepts. To date the ABS has not published the full range of liabilities and financial assets. It has published only the components of gross and net debt and some indicative estimates of unfunded employee entitlements. Some jurisdictions have published the full range of liabilities, equity and financial assets included in the wider classification in their budget documents.

### Valuation

13 Initially the IMF standard of valuation was used and liabilities were valued at face (par) value. Financial assets were valued at acquisition cost. However, it was recognised that for certain types of securities (e.g. zero coupon bonds and deeply discounted bonds) face value gives a result which is very different from issue value and could be misleading. For example, for zero coupon bonds, face value includes all interest payable on maturity of the bonds, which might be many years into the future. Present value, or 'historic capital value', has since been preferred as the standard because it records only the interest accrued (or 'amortised') to the reference date. Historic capital value is defined as 'the present value of the cash flows associated with their service and eventual payment, such present value being determined by discounting the cash flows at the rate of interest implicit in the original contract or other arrangement'.

14 In accepting that historic capital value provided a better basis for recording financial assets and liabilities the ABS recognised that market value was a preferable alternative as it coincided with the standard recommended in the SNA. However, not all jurisdictions could report market value and historic capital value has been adopted as the standard on the understanding that it will be replaced by market value once all jurisdictions are able to report on that basis. Some jurisdictions have indicated that some of their authorities can only report market value; in those cases reporting on a market value basis is accepted.

### Treatment of central borrowing authorities

15 Special arrangements apply to the recording of financial assets and liabilities of central borrowing authorities in keeping with the arrangements applying to these authorities in GFS. The arrangements give a result which treats borrowing undertaken by central borrowing authorities on behalf of client authorities of the same jurisdiction as if the authorities had undertaken the borrowing themselves. This treatment is put into effect by deducting from the value of liabilities recorded by central borrowing authorities the value of their assets representing loans to client authorities of the same jurisdiction. This procedure applies equally to loans to general government, public trading enterprises and

public financial enterprises. The procedure represents a further departure from the international standards, which do not allow any netting of financial assets against liabilities.

16 In summary, the Australian system for providing FALS statistics is based partly on the IMF standards, partly on the SNA and partly on modifications to meet local requirements. Of the two international standards it is probably closer to the SNA, given that it presents information for more sectors than the IMF recommends and uses a valuation basis closer to the SNA market value standard, which it will move to in the longer run.

## Linkage to GFS

17 Because the conceptual basis for FALS statistics is different from that employed in GFS it is very difficult to make a full reconciliation between the flow statistics produced from GFS and the stock statistics produced in FALS. Not all of the information required to make a full reconciliation is available. For example, GFS data for the general government sector are recorded on a cash basis, whereas FALS are recorded on a mixture of historic capital value and market value. A full reconciliation would require information about interest accruals and valuation changes that are not recorded in GFS. As well, debt can be transferred between sectors, forgiven or written off and none of these transactions is recorded in GFS. Nevertheless, broad comparisons can be and are made by the ABS as part of output editing the data. These comparisons are not published.

## Methodology

18 FALS statistics for the Commonwealth government and each State and Territory government are compiled annually using information collected by these jurisdictions for publication in budget or other documents to meet the requirements of the May 1991 Premiers' Conference agreement on uniform presentation of government financial information. The statistics for local government are estimated from information collected as part of the GFS system.

19 Each jurisdiction collects the information using forms designed in consultation with the ABS, or by using information available electronically from government accounting systems. The information collected provides a breakdown of financial assets according to the institutional sector which incurred the corresponding liabilities. Assets representing liabilities incurred by government institutions are further broken down by the names of the institutions concerned. This information is used to eliminate intra-sector holdings of assets and liabilities in the consolidation of information for the various publication sectors. Implicit in this procedure is an assumption that the same value is recorded by liability holders as is recorded by the holders of the corresponding financial assets.

20 The ABS checks the information provided to it by jurisdictions for accuracy and consistency. In practice very few substantial changes are made to the information pub-

lished by jurisdictions. Where it is feasible in the context of publication timetables the ABS checks the information against published accounts. However, this is mostly done after the publication of the data and any amendments arising from this process are taken into account in the following year's publication.

## Timing

21 Under the terms of the May 1991 Premiers' Conference agreement on uniform presentation of government financial information the ABS is obliged to publish FALS within four months of the reference date (i.e. by 31 October each year). In the first year in which the terms of the agreement applied (1992/93) the ABS published FALS on 1 November 1993. Hitherto the publication of public sector debt statistics had been subject to long delays (for example, the statistics for 1991 and 1992 were first published on 30 July 1993). While the current agreement on uniform reporting remains, release of the statistics to the timetable achieved in 1993 is assured.

## Publication

22 FALS statistics are released in the ABS publication *Public Sector Financial Assets and Liabilities, Australia* (Cat. No. 5513.0) (formerly *Public Sector Debt, Australia* with the same catalogue number). Each publication currently includes statistics for the year just completed and the previous year. Time series back to the year the statistics were first compiled (1987) are available on request. Users should use this inquiry service for data prior to 1992 rather than earlier publications (i.e. those entitled *Public Sector Debt, Australia*) as there have been amendments to the pre-1992 data to account for minor conceptual changes introduced with reporting under the May 1991 Premiers' Conference agreement.

## Relationship to other ABS statistics

23 Statistics of financial assets and liabilities for the non-financial public sector published in the FALS system should in theory be comparable with statistics for the non-financial public sector in the Australian quarterly financial accounts. The financial accounts present statistics of the levels and flows of financial assets and liabilities recorded by each sector of the economy in the publication *Australian National Accounts: Financial Accounts* (Cat. No. 5232.0).

24 In practice, the statistics are not strictly comparable because of conceptual differences. For example, the financial accounts apply SNA concepts and therefore attempt to measure all financial assets and liabilities at market values, whereas FALS are based predominantly on historic capital values. A more important difference arises from the non-standard treatment of the balances of central borrowing authorities in FALS. The netting procedure applied in FALS is not applied in the financial accounts, which accordingly include borrowing undertaken by the central borrowing authorities as liabilities of general government, and loans by central borrowing authorities to client authorities

as assets of general government and liabilities of the sector of the client authorities. In FALS these amounts appear only as liabilities in the sector of the client authorities.

25 The effect of the different treatment of central borrowing authorities is less pronounced in comparisons relating to the non-financial public sector since most of the balances held between central borrowing authorities are eliminated in the consolidation (only loans to public financial enterprises are not eliminated). It is therefore possible to make broad but imperfect comparisons of data produced from the financial accounts and FALS for the non-financial public sector as a whole. The financial accounts are not disaggregated to show information for individual States and Territories, or for local government. For this reason the comparisons can only be made for the Commonwealth government (general government and public trading enterprises separately) and for State and local government in total (non-financial public sector only). The ABS makes regular comparisons of the data at this broad level as a test of consistency of the statistics but does not publish the results of these comparisons.

26 The FALS information also relates in theory to statistics of foreign investment insofar as the financial assets and liabilities of governments include respectively claims on non-residents and non-resident claims on Australian governments. Foreign investment statistics are published quarterly in *International Investment Position, Australia* (ABS Cat.No. 5306.0). They include statistics of the levels of borrowings made by Australian governments in various sectoral and level of government disaggregations, some of which are the same as used in FALS. However, these statistics are not directly comparable with FALS because of the same conceptual differences relating to valuation and the treatment of central borrowing authorities described above.

27 It is useful nevertheless to compare FALS and foreign investment information, making allowance for the conceptual differences. This is best achieved through *Australian National Accounts: Financial Accounts* (Cat. No. 5232.0) rather than through foreign investment statistics because the financial accounts provide disaggregations that can be more readily aligned with FALS. Use of the financial accounts for this purpose is possible because the financial accounts are conceptually consistent with foreign investment statistics and, in fact, the foreign component of the financial accounts is actually compiled from information

used in the compilation of foreign investment statistics. The levels and flows of finance between Australian governments and non-residents are available from the financial accounts at the levels of disaggregation described in paragraph 25 above. The ABS compares these data with FALS data as a consistency check but does not publish the results.

## Future developments

28 As indicated in paragraph 10 above, the statistics currently produced relate only to the financial instruments defined as components of gross and net debt. Indicative estimates of unfunded employee entitlements have been compiled and published but ABS compilation of statistics relating to the full range of items in the classification attached awaits collection and publication of this information by all jurisdictions. As soon as this is achieved the ABS will be in a position to compile and publish statistics covering the full range of financial assets, liabilities and equity.

29 With the planned introduction of accrual accounting by all Australian governments, the ABS is planning to change GFS to provide an accrual presentation as well as a cash presentation. This change will provide the opportunity to more closely link FALS with GFS. In the longer run it is planned to make FALS an integral part of GFS with a reconciliation between an opening balance sheet covering non-financial assets as well as financial assets and liabilities, transactions (i.e. the current information presented in GFS but on an accrual basis), revaluations and other changes affecting the balance sheet, and the closing balance sheet.

30 The ABS is also working towards closer harmonisation of FALS and the related ABS statistics published in the financial accounts and foreign investment statistics. Some of the conceptual differences that exist reflect real differences in the requirements of the users of the different statistics and these conceptual differences will probably remain. Nevertheless, changes can be made which will allow rearrangement of the statistics to enable valid comparisons to be made. These comparisons will enhance the usefulness of FALS by providing more timely quarterly information and information on non-residents' claims on Australian governments and any claims the governments have on non-residents.



## FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION

<i>Code</i>	<i>Description</i>
<b>1</b>	<b>Financial assets</b>
110	Cash and deposits
120	Advances paid
130	Investments, loans and placements
131	Loans and placements
132	Securities—maturity < one year
133	Securities—maturity ≥ one year
140	Other non-equity assets
141	Accounts receivable and other non-equity assets
142	Less provisions for doubtful debts
150	Equity
	<i>Listed equity</i>
151	Public trading enterprises
152	Other enterprises
	<i>Unlisted equity</i>
153	Public trading enterprises
154	Other enterprises
<i>Total cash, deposits, advances and other lending (110+120+130)</i>	
<i>Total financial assets (110+120+130+140+150)</i>	
<b>2</b>	<b>Liabilities and equity</b>
210	Deposits held
220	Advances received
230	Borrowing
234	Finance leases
235	Foreign and domestic loans
236	Loans from the CBA
237	Securities—maturity < one year
238	Securities—maturity ≥ one year
250	Accounts payable and other non-equity liabilities
260	Equity of public trading enterprises
270	Unfunded accrued liability for employee entitlements
<i>Gross debt (210+220+230)</i>	
<i>Net debt — Gross debt less total cash, deposits and other lending (210+220+230-110-120-130)</i>	
<i>Total liabilities (210+220+230+250+270)</i>	
<i>Excess of total liabilities over total financial assets — Total liabilities less total financial assets (210+220+230+250+270-110-120-130-140-150)</i>	

## CLASSIFICATION DESCRIPTION

### FINANCIAL ASSETS AND LIABILITIES

#### I FINANCIAL ASSETS

##### 110 *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; and,
- Units issued by cash management trusts and withdrawable share capital of building societies.

Excludes:

- Bank certificates of deposit;
- Bank overdrafts counted as a negative assets; and,
- Fixed deposits held with banks.

##### 120 *Advances paid*

Covers loans motivated by policy considerations rather than for liquidity management purposes. As a general rule, all loans made by general government to other bodies, except most loans made by Central Borrowing Authorities (CBAs), are deemed to be for public policy purposes. Lending by CBAs to all other public sector authorities of the same jurisdiction, other than lending deemed to be for public policy purposes, is offset against borrowing made by the CBA (the borrowing is reflected only in FAL 236 of the recipient enterprise).

Includes:

- Long and short term loans;
- Non-marketable debentures; and,
- Long and short term promissory agreements (bonds and bills) issued to the non-financial public sector (NFPS) for the purpose of achieving government policy objectives;
- Loans made by CBAs for public policy purposes.

Excludes:

- Loans made by CBAs as part of their function of providing financial services to other government authorities;
- Government equity in government-owned enterprises;
- Grants and non-repayable funds; and,
- Investment for liquidity management and income generation.

**130 Investments, loans and placements**

Covers loans, placements and investments motivated by liquidity management purposes rather than for policy considerations. Securities are financial instruments or contracts other than equity which can be transferred by assignment or delivery.

**131 LOANS AND PLACEMENTS**

Covers non-negotiable, non-transferable loans, other than advances; credit foncier loans and deferred payment schemes (re-purchase agreements).

**132 SECURITIES—MATURITY < ONE YEAR****133 SECURITIES—MATURITY ≥ ONE YEAR**

Maturity is calculated on the basis of remaining not original term. Securities include:

- Promissory notes;
- Bills of exchange;
- Certificates of deposit;
- Fixed term deposits;
- Treasury notes and bonds;
- Redeemable preference shares;
- Debentures;
- Long term notes;
- Holdings of own securities;
- Net value of swaps and other similar derivatives that are in a net asset position.

**140 Other non-equity assets(a)****141 ACCOUNTS RECEIVABLE AND OTHER NON-EQUITY ASSETS**

Includes:

- Short and long term trade credit and accounts receivable;
- Interest receivable;
- Prepayments.

**142 LESS PROVISIONS FOR DOUBTFUL DEBTS**

Covers the balance at reference date of an account to which amounts have been credited from an expense account to allow for debts that are considered likely to be written off.

(a) Note that FAL 140 and FAL 150 are excluded from Net debt

**150 Equity(a)**

Covers 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.

**LISTED EQUITY****151 Public trading enterprises**

Includes:

- Equity of listed public trading enterprises — market value of shares on issue.

**152 Other enterprises**

Includes:

- Corporate equity — market value of shares in listed companies, preference shares and convertible notes after conversion.

Excludes:

- Convertible notes before conversion.

**UNLISTED EQUITY**

This covers the net worth of unlisted entities and entities not issuing shares, calculated as book value of real and financial assets less liabilities.

**153 Public trading enterprises**

Includes:

- Equity of unlisted public trading enterprises — book value of assets less liabilities.

**154 Other enterprises****2 LIABILITIES****210 Deposits held**

Includes:

- Holdings of cash balances or deposits from other public sector or private sector bodies including trust accounts held on behalf of private bodies, public financial enterprises, or the NFPS.

Excludes:

- Employee superannuation trust fund balances or any trust balances held to reduce employee entitlement liability.

**220 Advances received**

Includes:

- Loans received from government authorities for public policy purposes.

(a) Note that FAL 140 and FAL 150 are excluded from the Net debt

## 230 ***Borrowing***

### 234 FINANCE LEASES

Includes:

- Lease arrangements in which most of the risks and benefits of ownership rest with the lessee. This 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.

### 235 FOREIGN AND DOMESTIC BORROWING

Includes:

- Bank overdrafts;
- Long and short term loans in both Australian currency and foreign currency;
- Credit foncier loans;
- Deferred payment schemes (repurchase agreements).

Excludes:

- Loans from government authorities (except government institutions outside own jurisdiction).

### 236 BORROWING FROM THE CBA(b)

Includes:

- All borrowing by an authority from the CBA in the same jurisdiction.

### 237 SECURITIES---MATURITY < ONE YEAR

### 238 SECURITIES—MATURITY ≥ ONE YEAR

Includes:

- Promissory notes;
- Bills of exchange;
- Certificates of deposits;
- Fixed term deposits;
- Treasury notes and bonds;
- Debentures;
- Long term notes;
- Net value of swaps and other derivatives in a net liability position.

(b) Note that CBA lending to government financial institutions and other government institutions is separately identified so that it can be netted off its borrowing. In the ABS system, this offsetting is achieved by classifying the lending to FAL 236 as a negative value.

## 250 ACCOUNTS PAYABLE AND OTHER NON-EQUITY LIABILITIES

Includes:

- Short and long term trade debt and accounts payable;
- Interest payable; and,
- Prepayments received.

## 260 EQUITY OF PUBLIC TRADING ENTERPRISES

Covers market value of shares on issue of trading enterprises that are listed on a stock exchange. Also includes book value of real and financial assets less liabilities of unlisted trading enterprises and trading enterprises that do not issue shares or units.

## 270 UNFUNDED ACCRUED LIABILITY FOR EMPLOYEE ENTITLEMENTS

Covers employers' liability to pay future benefits to employees less funds set aside specifically to pay these benefits as they arise.

Includes liability for:

- Superannuation (measured as present value of future benefit payments discounted by an appropriate rate);
- Sick leave payable on resignation or retirement;
- Recreation leave;
- Long service leave;
- Workers' compensation (where benefits are payable by an employer and not a separate insurer)
- Accrued wages and salaries.

## Glossary

### *Above-the-line*

In the Australian GFS, above-the-line transactions refer to those coded to ETF 1 (current outlays), ETF 2 (capital outlays), and ETF 3 (revenue and grants received), i.e. those transactions that determine the deficit or surplus.

### *Accrual accounting*

An accounting method in which revenues, expenses, lending, and borrowing are recorded when they are earned, accrued, or incurred regardless of when payment is made or received.

### *Below-the-line*

In the Australian GFS, below-the-line transactions refer to those coded to ETF 4 (financing transactions), i.e. those transactions that measure how the deficit is financed or the surplus is invested.

### *Book value*

Refers to the value of an asset as recorded in an enterprise's financial statements. It reflects the historical cost of the item less accumulated depreciation.

### *Budget sector*

Consists of State and Commonwealth general government and public trading enterprises the bulk of whose day to day transactions are recorded in the Public Accounts.

### *Capital grants*

Unrequited payments to other governments, enterprises and persons for the purpose of acquiring capital assets.

### *Capital outlays*

Refers to net capital expenditure on goods, capital transfer payments and net advances.

### *Capital transactions*

Refers to all transactions involving acquisition of fixed capital assets, stocks, land, intangible assets or all unrequited transactions which enable recipients to acquire these.

### *Cash basis reporting*

The recording of transactions when payment is made or received.

### *Central Borrowing Authorities (CBAs)*

Resident public enterprises established by State governments to co-ordinate and administer the borrowings of their own State authorities.

### *Commodity Marketing Authorities (CMAs)*

Resident public trading enterprises mainly engaged in wholesaling, including any related processing or handling, of certain commodities in accordance with government policies and requirements for the benefits of the producers.

### *Consolidation*

The process of eliminating transactions between all units within a chosen grouping and aggregating the remaining transactions to produce a measure of financial flows between that grouping and the rest of the economy.

### *Coupon*

Refers to the annual rate of interest payable on fixed interest securities.

### *Credit*

Refers to a receipt or an incoming.

*Current grants*

Unrequited payments intended to finance the current operations of the recipient. Such transfers to trading enterprises are classified as subsidies.

*Current outlays*

Refers to gross current expenditure on goods and services less receipts from sales and reimbursements plus current transfer payments which do not involve goods and services (e.g. interest payments, personal benefit payments and grants).

*Current transactions*

Refers to payments and receipts which relate to current period activity as distinct from capital transactions which relate to more than one period.

*Debit*

Refers to a payment or an outgoing.

*Defeasance*

Refers to the release of a debtor from the primary obligation for a debt. This can be achieved by 'Legal Defeasance' or by 'In-substance Defeasance' (Refer AAS 23 — Set-off and Extinguishment of Debt).

*Deficit/surplus*

The deficit/surplus measures the extent to which each government has increased or decreased its financial position (i.e. net financial assets and liabilities) with units outside government in the reference period. It is the sum of all financing transactions except for increases (decreases) in provisions. Increases in provisions are excluded because they are generated within government.

*Deposits received*

Refers to the moneys held by an enterprise on behalf of other public or private bodies.

*Depreciation*

Refers to the cost of reproducible fixed assets used up during a period of account.

*Enterprise*

The statistical unit used in GFS. The enterprise is defined as all legal entities within an enterprise group classified to the same institutional sub-sector.

*Equity*

Equity (financial asset) refers to a claim on another entity 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. For general government this in-

cludes the market value of shares on issue of listed PTEs and the net worth of unlisted PTEs and PTEs not issuing shares.

Equity of PTEs (liability) refers to market value of shares on issue of PTEs for shares that are traded. It also includes book value of assets less liabilities of unlisted PTEs and PTEs that do not issue shares or units.

*Fees*

Fees from regulatory services are levies which are associated with the granting of a permit or privilege or regulation of activity.

*Financial asset*

Refers to a financial claim by the enterprise on another transactor.

*Financing*

The net result of transactions by which governments finance their deficits or invest their surpluses. Financing represents the difference between 'revenue and grants' and 'total outlays'.

*Fines*

Fines are civil and criminal penalties imposed on law breakers (other than tax penalties which are included with taxes).

*Fixed assets*

Durable goods intended to be employed in the production process for longer than a year. Excluded are land, mineral deposits, timber tracts and similar non-reproducible tangible assets.

*General government enterprises*

Resident public enterprises which are mainly engaged in the production of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public revenues. Goods and services are provided free of charge or at nominal charges well below costs of production.

*General government final consumption expenditure*

General government's current expenditure on provision of goods and services less the value of its output sold to others.

*Government finance statistics*

Statistics that are compiled by summarising the individual financial transactions by which governments collect money through taxation, borrowing, and other means, buy and sell, and give money and lend it, and the organisation of



these transactions into meaningful categories appropriate for analysis, planning, and policy determination.

### *GFS*

Refers to the statistical system that collects, compiles, processes and disseminates government finance statistics.

### *Gross basis reporting*

Transactions are recorded as a total amount without deductions or offsets.

### *Gross fixed capital expenditure*

Expenditure on new fixed assets and net expenditure on second-hand fixed assets. The term 'gross' indicates that no account is taken of depreciation.

### *Income transferred by PTEs*

Refers to that part of the income of PTEs paid to their parent governments in the nature of dividends, transfers of profit, or similar transactions.

### *Increase in currency and deposits*

Refers to notes and coins on hand and funds held in the form of an account with financial institutions or other government authorities.

### *Increase in provisions*

Refers to the change in provision account balances.

### *Increase in stocks*

Increase (if negative a decrease) in stocks of materials, stores, goods for sale (e.g. wool stocks), spare parts, etc.

### *Institutional sectors*

Sectors of the economy comprising institutional units characterised by similarity in function, purpose, financial role and behaviour. The SNA defines five domestic sectors and the rest of the world. The domestic sectors are non-financial corporate and quasi-corporate enterprises, financial institutions, general government, private non-profit institutions serving households, and households.

### *Intangible assets*

Patents, copyrights, mineral concessions, and similar non-physical assets not representing claims on another entity.

### *Interest payments*

Payments for the use of borrowed capital. Interest payments include discounts and premiums incorporated into the sale price of securities.

### *Interest received*

Receipts from the loan of capital, bank balances and investments.

### *Intra-sector grants received*

Includes current and capital grants received from other units in the non-financial public sector.

### *Investments*

Refers to the creation of financial assets, through the lending of money, for the purpose of earning a return and managing liquidity.

### *Level of government*

Refers to the three tiers of government applicable in GFS. These are Commonwealth, State and Local.

### *Liabilities*

Refers to the financial indebtedness of the enterprise to another entity.

### *Net advances paid*

Lending by government with the aim of achieving government policy, less repayment of past lending.

### *Net basis reporting*

Transactions are recorded after deductions and offsets are made.

### *Net borrowing*

Borrowing, net of repayments.

### *Net expenditure on land and intangible assets*

Purchases less sales of land and intangible assets such as patents and copyrights.

### *Net financing requirement*

The net financing requirement (NFR) is a measure which encompasses governments' net borrowing, their call on cash reserves and the net change in their other financial assets and liabilities. It is the sum of all financing transactions less intra-sector advances received and increases in provisions. It excludes intra-sector advances in order to provide an unduplicated measure of demand for financing from the rest of the economy and overseas. The NFR excludes changes to provisions because these are internally generated financing items.

### *Net intra-sector advances received*

Refers to advances, net of repayments, received from other authorities of the non-financial public sector.

*Net operating surplus*

The excess of the value of output of public trading enterprises over operating costs incurred in producing that output. These costs include depreciation charges and indirect taxes but exclude interest, dividends, land rent, royalties and direct taxes.

*Non-budget sector*

Consists of State and Commonwealth government enterprises the bulk of whose day to day receipts and payments are transacted, and whose balances are held, with financial enterprises in their own name, independently from the Public Accounts.

*Non-financial public sector*

Comprises general government enterprises and public trading enterprises. It excludes public financial enterprises.

*Non-repayable transactions*

Refers to transactions that do not generate or extinguish a claim for repayment.

*Payment*

Refers to a flow of money out of an enterprise (i.e. a debit).

*Personal benefit payments*

Unrequited payments from general government for the benefit of individuals or households. These include aged and disability pensions, medical and pharmaceutical benefits, unemployment benefits, family allowances and the like.

*Property income*

Refers to income transferred to general government from public enterprises, and all receipts of interest, land rent, royalties, dividends and seigniorage.

*Provisions*

Refers to allocations set aside from current revenue or income by institutions to fund future liabilities such as superannuation, long service leave and the like. (see Increase in provisions)

*Public Accounts*

Refers to the revenue, loan, and trust funds, and special deposit and advance accounts maintained by each government.

*Public financial enterprises (PFEs)*

Resident public enterprises primarily engaged in both incurring liabilities and acquiring financial assets in the financial market, except the central borrowing authorities of

State governments which are classified as part of general government.

*Public sector*

Consists of enterprises under government ownership and/or control. It includes general government enterprises, public trading enterprises and public financial enterprises.

*Public trading enterprises (PTEs)*

Resident public enterprises mainly engaged in the production of goods and services of a non-financial nature for sale in the market place at prices which aim to recover most of the costs involved.

*Receipt*

Refers to a flow of money into an enterprise (i.e. a credit).

*Reimbursements*

Refers to amounts received by a public body in relation to work done by it on behalf of another body which has legal or constitutional responsibility for the work in question.

*Repayable transactions*

Transactions that generate or extinguish a claim for repayment and therefore create a financial asset or liability.

*Requited payments*

Payments that result in a direct benefit being received in return.

*Revenue and grants*

Refers to the receipts of government which are used to offset expenditure. Includes taxes, fees, fines, net operating surpluses of PTEs, property income and grants.

*Sector*

Sector refers to a grouping of units within the coverage of GFS for which aggregated and consolidated statistics are compiled. Some 102 sectors, representing different combinations of units are used in the compilation of the Australian GFS.

*Stocks*

General government stocks include strategic stocks, emergency stocks, and stocks of grain and other commodities of special importance to the nation. PTE stocks include ordinary trading stores and inventories.

*Subsidies paid*

Unrequited payments made by public authorities to private and public enterprises to allow them to provide goods or services at reduced cost.

*Tangible assets*

Fixed assets, stocks of non-durable goods, land, mineral deposits, timber tracts and the like.

*Taxes*

Taxes are compulsory levies imposed by government to raise revenue. There is usually no clear and direct link between payment of taxes and the provision of goods and services.

*Total outlays*

Refers to the sum of current and capital outlays.

*Transfer payments*

Payments that are unrequited and non-repayable.

*Unrequited payments*

Payments made for which nothing is received in return.



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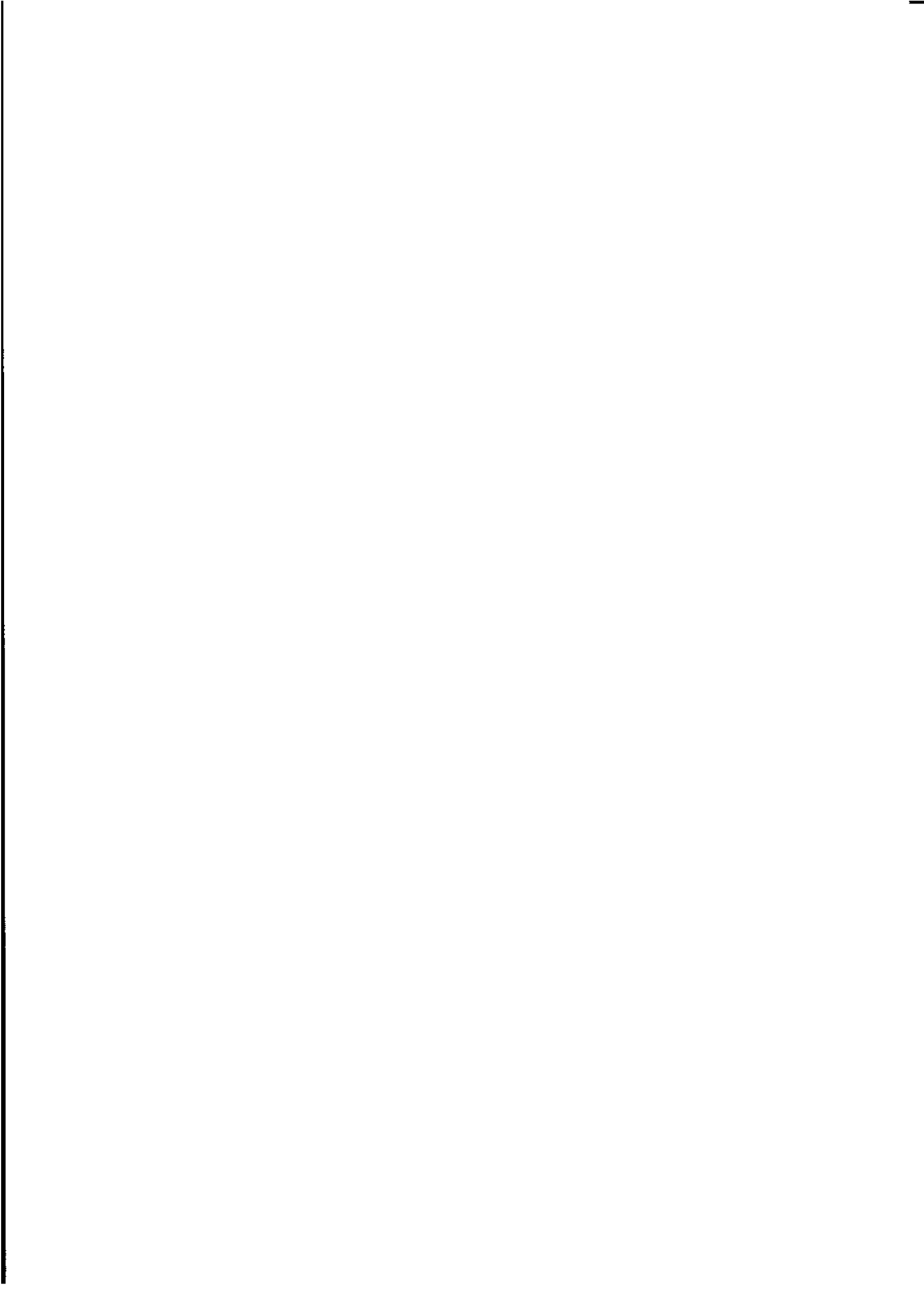
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