

Session 3 Notes
Group 2 – Assets and Liabilities

Interactive Workshop topics

Policies: Assets and Liabilities – Issues and Challenges related to

- Identification
- Recognition
- Measurement
- Disclosure

Implementation Strategies:

- Opening Balance (Data Collection)
- Migration

Categories

Current Assets

- Cash - petty cash, cash at bank,
- Near cash – term deposits, cash advances
- Short term investments – bonds, fixed term deposits
- Short term loans (e.g. staff loans)
- Receivables – (check for age of debtors, collectability)
- Inventory – (check for stock turnover, obsolescence, valuation method (fifo, lifo, weighted average, market value)
- Prepayments (e.g. insurance premiums)

Non-current Assets

- Land
- Buildings
- Plant and Equipment
- Vehicles
- Specialist Military Equipment
- Intangible Assets (Software, patents, databases)
- Assets under construction
- Other

Current Liabilities

- Accounts Payable
- Bank overdraft
- Short term loans
- Long term debt with maturity of less than 12 months
- Wages and salaries payable
- Annual leave entitlements

Non-current Liabilities

- Long term debt (including Treasury Bills, mortgages, term loans)
- Superannuation entitlements
- Long service leave entitlements
- Borrowings

Other Related Topics - Assets and Liabilities

- Controlled and Administered
- Balance sheet management
- Centralised v Decentralised Balance Sheet
- Capital appropriation
- Depreciation funding

Discussion to include:

Improved Asset Management – Asset recognition, asset valuation, attribution of asset depreciation to cost of production, maintenance of taxpayer equity, efficient allocation of assets, asset maintenance, profits on sale of assets, lease v buy decisions, asset appropriation, asset disposal, asset revaluation, cash management, receivables management

Improved liability management – Liability recognition, liability valuation, actuarial valuation, working capital management, payables / creditor management, pension / superannuation funding & management, leave liability management, bad debt management, sovereign debt management, contingent liability management

Improved capital management - Capital rationing, ownership perspective, purchaser/owner separation, cash management, investment, capital injection, capital withdrawal, long-term sustainability, gearing.

Controlled and Administered items

- Controlled = under direct control of individual department; used in production of outputs
- Administered = managed by department on behalf of crown; not direct part of the output production process

Centralised vs Decentralised Balance Sheet

- Centralised = all assets considered ‘crown’ assets. Used by, but not owned by, departments. Single, central balance sheet. Depreciation may be charged as a cost to departmental operating statements. Asset management may be centralised or decentralised.
- Decentralised = all controlled assets held on departmental balance sheet. Requires consolidation to report at Whole of Government level. Depreciation charged to department. Asset management usually conducted at departmental level.

Capital Appropriation

- Capital raising = expansion of capital base of government or department
- Capital expenditure = acquisition of new non-current asset
- Appropriation may be for either expansion of capital base (financing) or for asset acquisition (investing).

Depreciation Funding

- Used as an alternative to capital appropriation, to fund replacement assets and to maintain operating capacity

- Devolves asset acquisition responsibility to departmental management
- Reduces central control over capital allocation
- Can lead to inefficient accumulation of cash balances unless integrated with a centralised cash management system
- Can be held 'in trust' for department in a central fund and disbursed when asset acquisition is approved.

Migration – Refer to St Helena Case Study