



# Local Government Model Accounts

WHK MELBOURNE

17 August, 2010

better advice for a better life

## Where do you get them

- Distributed by Finpro
- Local Government Victoria – [www.localgovernment.vic.gov.au](http://www.localgovernment.vic.gov.au)

## Major changes

- Only two major that you need to address
  - Comprehensive income statement
  - Note 40 (g) Fair Value Hierarchy

# Comprehensive income statement

***Other comprehensive income* comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.**

The components of other comprehensive income include:

- (a) changes in revaluation surplus (see AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*);
- (b) actuarial gains and losses on defined benefit plans recognised in accordance with paragraph 93A of AASB 119 *Employee Benefits*;
- (c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121 *The Effects of Changes in Foreign Exchange Rates*);
- (d) gains and losses on remeasuring available-for-sale financial assets (see AASB 139 *Financial Instruments: Recognition and Measurement*); and
- (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge (see AASB 139).

# Comprehensive income statement

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- (a) changes in revaluation surplus.
- (b) actuarial gains and losses on defined benefit plans
- (c) gains and losses arising from translating the financial statements of a foreign operation
- (d) gains and losses on remeasuring available-for-sale financial assets (and
- (e) the effective portion of gains and losses on hedging instruments.

**OCI = Items in statement of changes in equity not relating to transactions with owners as owners**

# Comprehensive Income Statement

## WHAT MOST COUNCILS WILL SEE

### **Other comprehensive income**

Net asset revaluation increment (decrement) / reversals

Share of other comprehensive income of associates and joint ventures accounted for by the equity method

### **Comprehensive result**

## Note 40 (g) Fair Value Hierarchy

Requires the disclosure of the valuation basis for Financial instruments (assets and liabilities)

MEASURED AT FAIR VALUE as:

1. quoted prices in active markets for identical assets or liabilities
2. inputs other than quoted prices included that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
3. inputs for the asset or liability that are not based on observable market data

## Note 40 (g) Fair Value Hierarchy

### WHAT MOST COUNCILS WILL SEE

In practice most councils will have mainly level 1 items, the breakdown of the levels can be seen as:

1. quoted prices – listed investments, fixed interest securities
2. Observable – unlisted investments, derivatives (hedges)
3. Complex valuation methodologies, DCF, etc



### **AASB 101:**

**(85) An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.**

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**(87) An entity shall not present any items of income or expense as extraordinary items, in the statement of comprehensive income.**

The Model accounts do not include any 'additional' subtotals.

The view of the committee developing the accounts was to provide a generic set of accounts that form a starting point and not to try to cater for all possibilities

**If a subtotal is proposed raise this matter with your Audit Service Provider or the AG now!**

• QUESTIONS?

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