Forecast Financial Statements of Departments

Statement of Common Accounting Policies

These accounting policies have been applied in the forecast financial statements of all departments and Offices of Parliament except as outlined in the statement of entity-specific accounting policies for individual departments or Offices of Parliament.

These forecast financial statements are prepared in accordance with section 41(1)(a)-(f) of the Public Finance Act 1989. The purpose of the forecast financial statements is to facilitate Parliament’s consideration of appropriations for, and planned performance of departments and offices of Parliament. Use of this information for other purposes may not be appropriate. It is not intended that these forecast financial statements be updated subsequent to publication.

Statement of Compliance

These forecast financial statements for the year ended 30 June 2009 comply with FRS-42 *Prospective Financial Statements.*

Specific Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these statements. These statements have been prepared on a going-concern basis. The measurement base applied is historical cost modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars, which is the entity's functional currency. All financial information presented has been rounded to the nearest thousand.

Judgements and Estimations

The preparation of forecast financial statements in conformity with FRS-42 requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these variations may be material.

Revenue

Revenue is derived through the provision of outputs to the Crown and from services to third parties. Revenue is recognised in the forecast statement of financial performance when earned.

Leases

Operating Leases

Where substantially all of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Finance Leases

Leases which effectively transfer to the department substantially all the risks and rewards incidental to ownership of the leased items are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and the corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the department is expected to benefit from their use. The interest expense component of finance lease payments is recognised in the statement of financial performance.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

Property, Plant and Equipment

Property, plant and equipment, other than land and buildings, is stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence. Land and buildings are revalued with sufficient regularity to ensure that carrying value is not materially different from fair value at the end of the reporting period. Additions between revaluations are recorded at cost. Any capitalisation thresholds applied are set out in the statement of entity-specific accounting policies.

Depreciation

Depreciation is provided on a straight-line basis so as to allocate the cost [or valuation] of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life.

The estimated useful lives are set out in the statement of entity-specific accounting policies.

Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Items under construction are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

Intangible Assets

Intangible assets with finite useful lives (such as computer software) are recorded at cost less accumulated amortisation and impairment losses.

Any capitalisation thresholds applied are set out in the statement of entity-specific accounting policies.

Amortisation is charged to the statement of financial performance on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives are set out in the statement of entity-specific accounting policies.

Intangible assets with indefinite useful lives are not amortised, but are tested at least annually for impairment.

Where there is an active market for an intangible asset, the asset is recorded at a revalued amount, being fair value less any subsequent accumulated amortisation and accumulated impairment losses.

Cash and Cash Equivalents

Cash includes cash on hand and funds on deposit with banks with a maturity of 3 months or less from date of acquisition.

Debtors and Other Receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment charges. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Inventories

Inventories held for sale or use in the production of goods and services on a commercial basis are recorded at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

Inventories held for distribution for public benefit purposes are recorded at cost (calculated using the weighted average cost method) adjusted when applicable for any loss of service potential. Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Employee Entitlements

Pension Liabilities

Obligations for contributions to defined contribution retirement plans are recognised in the statement of financial performance as they fall due.

Other Employee Entitlements

Employee entitlements to salaries and wages, annual leave, sick leave, long service leave, retiring leave and other similar benefits are recognised in the statement of financial performance when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. Long-term employee entitlements are reported at the present value of the estimated future cash outflows.

Termination Benefits

Termination benefits are recognised in the statement of financial performance only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Other termination benefits are reported at the present value of the estimated future cash outflows.

Onerous Contracts

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

Foreign Currency

Foreign currency transactions are reported at the New Zealand dollar exchange rate at the date of the transaction.

Statement of Cash Flows

The following are definitions of the terms used in the statement of cash flows:

- cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition
- investing activities are those activities relating to the acquisition and disposal of non-current assets
- financing activities comprise capital injections by, or repayment of capital to, the Crown, and
- operating activities include all transactions and other events that are not investing or financing activities.

Taxation

Departments and Offices of Parliament are exempt from income tax as public authorities. Accordingly no charge for income tax has been provided for.

Goods and Services Tax

These forecast financial statements are GST exclusive, except for receivables and payables in the statement of financial position, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST owing to or from the Inland Revenue Department at balance date is included as part of receivables or payables (as appropriate) in the statement of financial position.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent Liabilities and Contingent Assets

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Changes in Accounting Policies

Any changes in accounting policies since the date of the last audited financial statements prepared under New Zealand generally accepted accounting practice are described in the statement of entity-specific accounting policies. The last audited financial statements (30 June 2008) were prepared in accordance with NZ IFRS (New Zealand Equivalents to International Financial Reporting Standards) as appropriate for public benefit entities.