|  |  |  |  |
| --- | --- | --- | --- |
| **FRD 119** |  |  | **Transfers through contributed capital (April 2022)** |
|  |  |  |  |
| Purpose |  | 1.1 | To prescribe the requirements for transfers as contributions by or distributions to owners. |
| Application |  | **2.1** | Applies to all entities defined as either a public body or a department under section 3 of the *Financial Management Act 1994*. A public-sector entity classified as a public financial corporation or a public non-financial corporation within the latest *Financial Report for the State of Victoria* that does not meet the definition of a ‘public body’ is encouraged to refer to this FRD for guidance. |
| Operative date |  | **3.1** | Annual reporting periods commencing on or after 1 January 2013.  |
|  |  | **3.2** | FRD 119A *Transfers through contributed capital* is renamed to FRD 119 *Transfers through contributed capital* effective 1 April 2022. |
| Requirements |  | **4.1** | **General information** **To recognise a transfer as contribution by owners, the transfer must meet the definition of contribution by owners in accordance with AASB 1004 *Contributions*.** |
|  |  |  | **Consistent with AASB Interpretation 1038 *Contributions by Owners made to Wholly–owned Public Sector Entities*, if a transfer of assets or net assets is to be accounted for as a contribution by owners by the transferee, then the transferor must classify the transfer as a distribution to owners.** |
|  |  |  | **Transactions classified as contributions by or distributions to owners are recognised as a direct adjustment to equity through contributed capital if there is a sufficient balance or subject to paragraph 4.7.** |
|  |  | **4.2** | Transfers accounted for as contributions by or distributions to owners The following transfers are required to be accounted for as contributions by or distributions to owners:1. **restructure of administrative arrangements (as defined by AASB 1004 *Contributions*);**
2. **parliamentary appropriations that are:**
	1. **additions to net asset base (ATNAB) appropriations; and**
	2. **payments on behalf of the State (POBOS) and special appropriations for capital expenditure purposes, including those that are directly on passed to another transferee wholly owned and controlled by the State.**
 |
|  |  |  | 1. **return of an asset or net assets to owners prior to sale, or transfer under FRD 117 *Contributions of Existing Non-Financial Assets to Third Parties*;**
2. **all ‘other transfers’ designated by the transferor’s portfolio Minister as contributions by or distributions to owners at or before the date of the transfer.**
 |
|  |  | **4.3** | Evidence and timing of government decisions Appendix A lists the types of transfers outlined in paragraph 4.2 together with the corresponding evidence of the related government decision and timing requirements. |
|  |  |  | For ‘other transfers’ described in paragraph 4.2(d), as a minimum the following details are required in the evidence signed by the transferor portfolio Minister to meet the designation requirements:1. **the names of the transferor and transferee;**
2. **nature of the transfer items (e.g. land, property, plant or equipment);**
3. **an estimate of the transfer amount if the precise amount is not known at the time of designation;**
4. **the date of transfer;**
5. **a statement that clearly shows that the Ministerial approval is for the transfer to be designated as contributions by or distributions to owners;**
6. **the date approved by the Minister.**
 |
|  |  | **4.4** | Evidence of transfer amounts by CFAOs (including zero net asset transfers)For transfers that arise from restructure of administrative arrangements or ‘other transfers’ that are designated as contributions by or distributions to owners, the Chief Finance and Accounting Officers (CFAOs) of the transferor and transferee entities are required to evidence the mutually agreed transfer amounts, including those transfers that result in zero net assets. |
|  |  |  | Where the transferor or the transferee (or both) is not a department, the CFAOs of the relevant portfolio departments are to be notified of the agreed transfer amounts as soon as practical but before the end of the respective reporting period. |
|  |  |  | As a minimum, the documentation evidencing the transfer amounts shall include:1. **the names of the transferor and transferee;**
2. **a reference to the evidence of government decisions required in paragraph 4.3;**
3. **a list detailing the assets and/or liabilities transferred and the respective amounts;**
4. **reclassification in equity and/or any resultant income/expense impact due to insufficient contributed capital (as required by paragraph 4.7);**
5. **date of the transfer;**
6. **signatures of both CFAOs of the transferor and transferee.**
 |
|  |  | **4.5** | Measurement basisTransfers must be measured at: 1. **the carrying amount for transfers outlined in paragraph 4.2(a), (c) and (d); and**
2. **fair value for transfers outlined in paragraph 4.2(b).**
 |
|  |  | **4.6** | Insufficient contributed capital for distributions to owners Where there is insufficient contributed capital for distributions to owners, the entity must reclassify its accumulated surplus to contributed capital to the extent required to effect the distribution.If there is still insufficient contributed capital after such reclassifications, the balance must be recognised as an expense. Consistent with the Guidance on the application of FRD 103 *Non‑current physical assets*, if the distribution involves a distribution of asset(s), the entity shall first reclassify any related revaluation surplus to accumulated surplus prior to the distribution.Appendix D of this FRD 119 provides a decision tree to assist the assessment on whether the transfer can be classified and recognised as a contributions by or distributions to owners through contributed capital |
|  |  |  | **Entities are required to document any reclassifications of equity resulting from insufficient contributed capital.** |
|  |  |  | **Evidence of all reclassifications of equity (see Appendix B for guidance) should be sent to the Consolidated and Reporting Analysis team of the Department of Treasury and Finance (DTF) once approved by the relevant CFAOs.** |
|  |  | **4.7** | **Consistency of accounting for transfers through contributed capital** **AASB Interpretation 1038 Contributions by Owners made to Wholly–owned Public Sector Entities requires consistent accounting treatments by the transferor and transferee if a transfer is to be accounted for as a contribution by or distribution to owners.** |
|  |  |  | **Where applying paragraph 4.7 to distribution to owners has resulted in the classification of all or part of the transfer as an expense, the counterparty to the transfer (and any interposed parent department) must classify an equivalent amount of the transfer through income/expense. The CFAOs will need to document and mutually agree on the accounting treatment in accordance with paragraph 4.4.** |
|  |  | **4.8** | **Redesignation** **A transfer accounted for as contribution by or distribution to owners shall not be redesignated as income or expense. Similarly, a transfer accounted for as income or expense shall not be redesignated as contribution by or distribution to owners.** |
| Definitions |  | 5.1 | **Appropriations for capital expenditure purposes** – the authority given by Parliament for payments from the Consolidated Fund for capital expenditure purposes. Appropriations may be in the nature of:* + 1. additions to net asset base (ATNAB);
		2. payments on behalf of the State (POBOS);
		3. special appropriations.
 |
|  |  | 5.2 | **Business** (in accordance with AASB 3 from 1 January 2020) – an integrated set of activities and assets conducted and managed for the purpose of providing:goods or services to customers;generating investment income (such as dividends or interest); orgenerating other income from ordinary activities. |
|  |  | 5.3 | **Chief finance and accounting officer** – the officer responsible for the accounting and financial management of that department/entity in accordance with s43 of Part 7 Accounting and Reporting of the *Financial Management Act 1994* and s3.1.2 of *Standing Directions 2018 under the Financial Management Act 1994*. |
|  |  | 5.4 | **Contributed capital** (or contributed equity) – the accumulation of net contributions by owners/distributions to owners. It is the balance of equity (net worth) excluding accumulated surplus/deficit and accumulated reserves. |
|  |  | 5.5 | **Contributions by owners** – the future economic benefits that have been contributed to the entity by another public-sector entity wholly owned and controlled by the State, other than those which result in liabilities, that give rise to a financial interest in the net assets of the entity which:* + 1. conveys entitlement both to distributions of future economic benefits by the entity during its life, such distributions being at the discretion of the ownership group or its representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
		2. can be sold, transferred or redeemed.
 |
|  |  | 5.6 | **Distributions to owners** – a reduction of the contributed capital in the form of:* + 1. distribution of assets or net assets to the owner by the original transferor; or
		2. receipt of liabilities or net liabilities by the ultimate transferee.
 |
|  |  | 5.7 | **Government** – the Victorian State Government. |
|  |  | 5..8 | **State** – the Victorian State Government. |
|  |  | 5.9 | **Owner** – the Victorian State Government. |
|  |  | 5.10 | **Interposed parent department** – the portfolio department of an entity. |
|  |  | 5.12 | **Transferor Portfolio Minister** – means the relevant portfolio Minister for the transferor department or entity. |
|  |  | 5.13 | **Restructure of administrative arrangements** – the reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst the entities that the government controls that occurs as a consequence of a rearrangement in the way in which activities and responsibilities as prescribed under legislation or other authority are allocated between the government’s-controlled entities (as defined in AASB 1004).  |
|  |  | 5.14 | **Transfers** – the transfers of assets and/or liabilities between Victorian public-sector entities and excludes transfers that are made as consideration for the provision of goods and/or services by the transferee at fair value to the transferor. |
|  |  | 5.15 | **Public sector entity** – departments and entities wholly-owned and controlled by the State. It excludes local government entities, universities, denominational hospitals and any other non-controlled entities such as certain companies and trusts.For the purposes of this FRD, the latest annual *Financial Report for the State of Victoria* lists the entities that are considered controlled by the State. This list is subject to regular updates. An entity that is not listed as a controlled entity in the latest *Financial Report for the State of Victoria* and wishes to apply this FRD must demonstrate to the Consolidation and Reporting Analysis Team of DTF that the entity is a public-sector entity. |
| Guidance |  | 6.1 | Consistent with the requirements in AASB 1004 *Contributions* and AASB Interpretation 1038, transfers between entities wholly owned and controlled by the State can only be accounted for as contributions by or distributions to owners based on a government decision in the form of: * + 1. restructures of administrative arrangements;
		2. parliamentary appropriations;
		3. return of an asset or net assets to owners prior to sale, or transfer under FRD 117; and
		4. ‘other transfers’ designated by the transferor’s portfolio Minister.
 |
|  |  | 6.2 | Appendix A outlines the evidence requirements of government decisions, and the related timing requirements to account for transfers as contributions by or distributions to owners. Failure to present the evidence of government decisions or adherence to the timing requirements of transfers will result in the transfer being accounted for as income or expense through the operating statement. |
|  |  | 6.3 | **Restructure of administrative arrangements**Consistent with the requirements and definitions in AASB 1004 and AASB 3 *Business Combinations*, restructure of administrative arrangements involves the transfers of activities that are considered businesses. Such reorganisation of activities between departments/entities wholly owned and controlled by the State does not include the transfer of an individual asset/liability or a group of assets/liabilities that are not a business.The main forms of restructures of administrative arrangements are those arising from:* + 1. changes in machinery of government – these are transfers of a business (including functions or programs) between entities usually effected by an Administrative Order; or
		2. one-off or partial restructures by way of legislative change which may result in the establishment of new statutory bodies or entities; and
		3. any other activities transferred based on evidence of a government decision.
 |
|  |  | 6.4 | **Appropriations designated by this FRD as contributions by owners** In addition to ATNAB appropriations, appropriations designated by this FRD to meet the definition of contributions by owners are:* + 1. payments on behalf of the State (POBOS) for capital expenditure purposes; and
		2. special appropriations for capital expenditure purposes.
 |
|  |  | 6.5 | Consistent with the principles in AASB Interpretation 1038, funding that is on-passed directly to another entity wholly owned and controlled by the State shall be recognised as contributions by owners by the ultimate transferee as long as there is evidence of a direct line of sight between the original funding decision made by the government and the funds on passed. |
|  |  | 6.6 | In circumstances where the appropriation funding is used to acquire or construct a non-financial asset that is subsequently transferred, such transfers no longer reflect ‘funding’ transfers, and therefore cannot be deemed as contribution by owners without further evidence of a government decision. Such transfers, if not part of a restructure of administrative arrangements, would require designation in accordance with the requirements for ‘other transfers’. |
|  |  | 6.7 | **Designation by the transferor’s portfolio Minister** Transfers of individual assets/liabilities or groups of assets/liabilities that do not meet the definition of a business for restructure of administrative arrangements are classified as ‘other transfers’, requiring designation as contributions by or distributions to owners by the transferor’s portfolio Minister *at or before* the date for the transfer. |
|  |  | 6.8 | This FRD does not prescribe the instrument used for obtaining the Ministerial designation. However, compliance with the timing and the minimum documentation requirements (refer to paragraph 4.3) must be evidenced for the transfer to be designated as contribution by or distributions to owners. Acceptable documentation could be in the form of briefs, memorandums etc. |
|  |  | 6.9 | As precise transfer amounts are not required at the time of the designation by the relevant transferor Minister (this is a requirement of CFAOs, refer to paragraphs 4.4 and 6.10), the designation of ‘other transfers’ as contributions by or distributions to owners can be sought from the transferor’s portfolio Minister before the transferor/transferee reach agreement on the transfer amounts. |
|  |  | 6.10 | **Evidence of transfer amounts by CFAOs (including zero net assets transfers and return of existing non-financial assets to owners)**Approval of the transfer amounts is not required as part of a government decision to account for a transfer as contribution by or distribution to owners. However, the transferor and transferee CFAOs are expected to establish documentary evidence and sign-off on the agreed transfer amounts in accordance with the requirements in paragraph 4.4. An example of such documentation is provided in Appendix B.CFAOs are required to evidence all transfers, including:* + 1. those that result in zero net asset transfers; and
		2. where an entity must return non-financial assets to owners prior to the sale, or transfer under FRD 117.
 |
|  |  | 6.11 | **Insufficient contributed capital for distributions to owners (reclassification of equity)**Under FRD 119, CFAOs can reclassify equity without further ministerial approval to the extent required to effect the following distributions to owners:* + 1. where the transferor has insufficient contributed capital to transfer an asset or net assets; or
		2. where a transferee has insufficient contributed capital to cover the receipt of a liability or net liabilities.
 |
|  |  | 6.12 | In accordance with the Guidance on the application of FRD 103, for distributions of non-financial physical assets, entities must first reclassify any related revaluation surplus to the accumulated surplus, irrespective of the sufficiency of contributed capital balance. If the asset revaluation surplus included in equity is not known, management will need to apply judgement and document the methodology used to determine an appropriate estimation of the related amount. |
|  |  | 6.13 | Subsequent to the reclassification in paragraph 6.12 above, where there is insufficient contributed capital for distributions to owners, the entity must reclassify its accumulated surplus to contributed capital to the extent required to effect the distribution.If there is still insufficient contributed capital after such reclassifications, the balance must be recognised as an expense. |
|  |  | 6.14 | **Accounting pathways including return of non-financial assets to government as owners** Appendix C illustrates the accounting pathways between portfolio departments and entities for transfers designated as contributions by or distributions to owners. |
|  |  | 6.15 | In particular, transfers across portfolio entities and those involving a sale, or contributions of non-financial assets under FRD 117, will involve transactions via the interposed parent departments. The evidence of government decision used by the ultimate transferor/transferee (refer to paragraph 4.3, and Appendix A) can be also used as evidence for the accounting transactions of the interposed parent departments. |
|  |  | 6.16 | Detailed guidance on the accounting transactions via interposed parent departments can be sourced from AASB Interpretation 1038.  |
|  |  | 6.17 | **Exclusions from accounting as contributions by owners or distributions to owners** The following transfers are not accounted for through contributed capital, and must be recognised through income/expense:* + 1. transfers made as consideration by the transferee for the provision of assets or services at fair value to the transferor; and
		2. Parliamentary appropriations that are:
			1. provisions for outputs; and
			2. POBOS and special appropriations that are not for capital expenditure purposes
 |
|  |  | 6.18 | Re-assignments of responsibility for a portfolio entity from one department to another: * + 1. Regardless of whether or not a change in ministerial responsibility is involved, the re assignment of responsibility for a portfolio entity from one department to another department does not constitute a transfer of administrative arrangements under this FRD. For the entity itself there is no change to its underlying structure and therefore, the re-assignment to another departmental portfolio does not require a roll-up of the other equity accounts to contributed capital as the State’s control over the entity has not changed.
		2. The only instance in which the entity will need to roll up its other equity accounts into contributed capital would be when the entity had been consolidated into the transferring department’s financial report. In this case, the entity would be required to roll up the other equity accounts into contributed capital because in effect, there is a transfer of net assets from one department to another department.

Regardless of whether or not a change in ministerial responsibility is involved, the re-assignment of responsibility does not constitute a transfer of administrative arrangements under this FRD. The only accounting impact of this machinery of government change is that the investment in the agency being re-assigned is transferred between the departments’ respective administered entities. The amount of the adjustment is to be noted in the evidence of transfer amounts by CFAOs. (See paragraphs 4.4 to 4.5 above). For reporting purposes, the investment is reported in aggregate and reported in the receipting department’s administered balance sheet. For the agency itself, there is no impact in relation to accounting for contributions by owners and therefore no adjustment to equity required because there is no transfer of the agency’s net assets. All that has changed is that the administration of the State’s control over the agency has been re-assigned between departments.When a reassignment occurs, DTF will notify the affected departments of the required changes to the SRIMs reporting hierarchy for that agency. Generally, this will involve the ‘transfer’ of the agency’s trial balance to a new entity code assigned to the new department’s hierarchy (for efficient administrative purposes only), as at the reassignment date specified in an administrative order. |
|  |  | 6.19 | **Impairment**The decision by owners to transfer assets is not an indication to the transferor that the asset is impaired. However, the transferor should consider whether there are any indications that the asset should be tested for impairment. |
| Relevant pronouncements |  | 7.1 | AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*;AASB 1004 *Contributions*;AASB 3 *Business Combinations*;AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;Interpretation 17 *Distributions of Non-Cash Assets to Owners*;FRD 103 *Non-Current Physical Assets*; andFRD 117 *Contributions of Existing Non-Financial Assets to Third Parties*. |
| Background |  | 8.1 | AASB Interpretation 1038 clarifies the circumstances for inter-governmental transfers that could be treated as contributions by owners (i.e. contributed capital).AASB 1004 and AASB Interpretation 1038 were revised as a result of the AASB’s short-term review of Australian Accounting Standards (incorporating AAS 27, 29 and 31) affecting the public sector. AASB 1004 now requires that all restructures of administrative arrangements are contributions by or distributions to owners.  |
|  |  | 8.2 | FRD 119 was first issued in December 2008 to update, clarify and simplify FRD 2. It was revised in: July 2012 to align with AASB 1004 in accounting for transfers of liabilities under restructures of administrative/arrangements through contributed capital.July 2013 to:No longer prescribe the instrument used for obtaining the Ministerial designation for ‘other transfers’, provided that the details required by this FRD are satisfied;allow the designation by a Minister based on an estimate of the transfer amounts if the precise amount of the transfer is not known at the time of the designation;allow transfers of net liabilities to be accounted for through owner’s equity, as long as there is evidence of a government decision that designates the transfer as contributions by or distributions to owners; andallow CFAOs to approve the details of the transfer amounts for restructures of administrative arrangements and ‘other transfers.’ |
| Appendices |  | 9.1 | Appendix A – *Evidence of government decisions and timing requirements for transfers through contributed capital* Appendix B – *Documentation example for CFAOs to evidence transfer amounts*Appendix C – *Pathways of transfers accounted for through contributed capital* Appendix D – *Decision tree on the classification and recognition of transfers through contributed capital*  |

# Appendix A – Evidence of government decisions and timing requirements for transfers through contributed capital

|  |  |  |  |
| --- | --- | --- | --- |
| Type of transfer1 | Evidence of government decision | Date of government decision | Date of transfer |
| 1. Restructures of administrative arrangements |  |  |  |
| (a) Machinery of government changes (e.g. reallocation of a business, including functions/programs) | Administrative Order; or | On the date when the Order is signed; or | The transfer is *deemed* to occur on the date of gazettal or publication unless the order or a subsequent order specifies a separate effective date, in which case the transfer is *deemed* to occur on the later date. |
|  | Alternative evidence (e.g. Ministerial brief, Memorandum) | On the date when the government decision is signed | As specified in the alternative evidence. |
| (b) One-off or partial restructures (e.g. establishment of the statutory bodies or entities) | Legislation | On the date when Royal Assent is received. | The transfer is *deemed* to occur on the date of gazettal or publication unless the order or a subsequent order specifies a separate effective date, in which case the transfer is *deemed* to occur on the later date. |
| (c) Any other activities transferred based on evidence of government decision | Any form of evidence authorising government decision in relation to the activities transferred. | On the date when the evidence of the government decision is signed. | On or after the date when the evidence of government decision is signed. |
| 2. Appropriations |  |  |  |
| (a) ATNAB2 | Appropriation Act | On the date when Royal Assent is received. | During the financial year specified for the respective Appropriation Act, on date(s) when the cash is drawn down. |
| (b) POBOS3 for ‘capital expenditure purposes’ | Appropriation Act | On the date when Royal Assent is received. | During the financial year specified for the respective Appropriation Act, on date(s) when the cash is drawn down. |
| (c) Special appropriations for ‘capital expenditure purposes’ | Specific sections in other Acts | On the date when the Warrant is issued. | On date(s) when the cash is drawn down. |
| (d) On-passed funds drawn down from the appropriations for ‘capital expenditure purposes’ | Same evidence as for the appropriations: |  |  |
|  | * Appropriation Act (On-passed from ATNAB appropriations)
 | On the date when Royal Assent is received. | During the financial year specified for the respective Appropriation Act, on date(s) when the cash is drawn down. |
|  | * Appropriation Act (on-passed from POBOS appropriations for ‘capital expenditure purposes’)
 | On the date when Royal Assent is received. | During the financial year specified for the respective Appropriation Act, on date(s) when the cash is drawn down. |
|  | * Other Acts (on-passed from special appropriations for ‘capital expenditure purposes’).
 | On the date when Warrant is issued. | On date(s) when the cash is drawn down. |
| 3. Return of a non-financial asset to owners prior to sale | *Constitution Act 1975* and *Financial Management Act 1994* | Ongoing | On the date when the sale is settled. |
| 4. Return of a non-financial asset prior to transfer under FRD 117 | FRD 117 Contributions of Existing Non-financial Assets to Third Parties | Ongoing | On the date determined by the government. |
| 5. ‘Other transfers’ requiring formal designation by the transferor portfolio Minister. | A document signed by the relevant portfolio Minister in accordance with the requirements in paragraph 4.3 of this FRD. | The date of designation by the transferor portfolio Minister on or before the date of the transfer. | Transfer date specified which should be on or after the date of authorisation. |

Notes:

1. The above transfers are taken to meet the definition of contributions by owners.

2. Abbreviation for Additions to Net Asset Base.

3. Abbreviation for Payments on Behalf of State.

# Appendix B – Documentation example for CFAOs to evidence transfer amounts

**Transfer from: <insert name of transferor department/entity>**

**Transfer to: <insert name of transferor department/entity>**

**On: < insert date of transfer i.e. dd/mm/yyyy>**

This Statement is made pursuant to FRD 119 *Transfers through Contributed Capital* under the *Financial Management Act 1994*.

These transfers are to be accounted for as contributions by [distributions to] owners based on [‘Restructure of administrative arrangements’ *OR* ‘Other transfers’ designated by the Minister for <insert portfolio name>].

[Attach a copy of the evidence of the government decision as outlined in Appendix A]

**Transfer details**

The value of the amounts being transferred is <insert amount $NNNN>.

Description <insert name of Output/Function/assets/liabilities as appropriate>

|  |  |
| --- | --- |
|  | $ ‘000 |
| **Assets** |  |
| Cash | n nnn |
| Other financial assets | n nnn |
| Intangibles | n nnn |
| Property, plant and equipment | n nnn |
| **Liabilities** |  |
| Employee benefits | (n nnn) |
| Other liabilities | (n nnn) |
| **Net assets/Net liabilities** | **n nnn** |

[Attach a list of the assets and / or liabilities transferred]

[Complete/delete the following table as appropriate]

**Reclassifications of equity and resultant income/expense impact**

|  |  |  |  |
| --- | --- | --- | --- |
| Transferor of net assets [Transferee of net liabilities] | $ ‘000 | Transferee of net assets [Transferor of net liabilities] | $ ‘000 |
| **Equity** |  | **Equity** |  |
| Increase in accumulated surplus from revaluation surplus1 | x xxx | Increase in contributed capital2 | n nnn |
| Reduction in contributed capital3 | (n nnn) |  |  |
| Reduction in accumulated surplus4 | (n nnn) |  |  |
| **Expense5** | **y yyy** | **Income** | **y yyy** |

Notes:

1. The transferor of an asset or net assets should first reclassify any related revaluation surplus to accumulated surplus prior to the distribution in accordance with the, Guidance on the application of FRD 103.

2. Equals the reduction in contributed capital and/or reduction in accumulated surplus.

3. For transferee receiving liabilities or net liabilities, adjustments should be made via contributed capital until reaching a zero balance, with any remainder of the transferred liabilities being adjusted against accumulated surplus then expense. No adjustments are allowed to be made through revaluation surplus account as no relevant revaluation surplus exists prior to the transfer.

4. Only required when there is insufficient contributed capital.

5. Only required when there is insufficient contributed capital and accumulated surplus.

|  |  |  |
| --- | --- | --- |
| Approved by |  |  |
| <insert CFAO signature of transferor department/entity>**Chief Financial and Accounting Officer** <insert name> | Date: |  |
| <insert CFAO signature of transferee department/entity>**Chief Financial and Accounting Officer** <insert name> | Date: |  |

# Appendix C – Pathways of transfers accounted for through contributed capital

|  |  |  |
| --- | --- | --- |
| Type of transfer | Pathway | Explanation |
| 1. Authorised through appropriations * ATNAB, POBOS and special appropriations for capital expenditure purposes
 | *Appropriations* Government ► Departments | Appropriations authorised through Appropriation Acts or other Acts are appropriated to departments only. No transfers of appropriations are allowed between departments. |
| * On-passed funds from appropriations for capital expenditure purposes to an entity
 | *Appropriations On-passed funds* Government ► A department ► Transferee entity | These transfers occur in circumstances where the department and the transferee entity are wholly-owned and controlled by the State and where the department does not have control over the transferee entity. In these circumstances, the department, on behalf of the State, on-passes the funds to the transferee entity. |
| 2. Authorised through restructures of administrative arrangements or ‘other transfers’ | (a) Portfolio entity 1 of Department 1 ► Department 1 (administered entity) ► Department 2 (administered entity) ► Portfolio entity 2 of Department 2;or | Transfers between portfolio entities of two departments will need to be returned to and contributed by the State (i.e. through the administered entities of the departments on behalf of the State).**The re-assignment of responsibility for a portfolio entity from one department to another department does not of itself constitute a ‘transfer’ of that entity’s net assets for the purposes this FRD, See para 19.2 above for further information and guidance.** |
|  | (b) Portfolio entity ► Department (administered entity) ►  Department (controlled entity) | Transfers from a portfolio entity to the department (i.e. the controlled entity) will first be returned to the administered entity of the department on behalf of the State. |
| 3. Transfers of non-financial assets under FRD 117 | Portfolio entity 1 of Department 1 ► Department 1 (administered entity) ► *(transfer)*External entity | The return of non-financial assets to the administered entity of department on behalf of the State before being transferred to an external party is designated as distribution to owners. |
| 4. Return of an asset or net assets to owner prior to sale | Portfolio entity 1 of Department 1 ► Department 1 (administered entity) ► *(sale)*External entity | The return of non-financial assets to the administered entity of department on behalf of the State before being sold is designated as distribution to owners. |

# Appendix D – Decision tree on the classification and recognition of transfers through contributed capital

