



**GOVERNMENT OF MALAYSIA**

# **Federal Government Accrual Accounting Manual**

## **TRUST ACCOUNT**

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**ISSUED BY**

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**DOCUMENT VERSION CONTROL**

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Version No.	Effective Date	Approval	Details of Changes	
			Section Reference	Description of Changes

## **27.0 TRUST ACCOUNT**

### **Introduction**

27.1 This Chapter covers the following matters:

- Consolidated Statements
- Government Trust Account
- Public Trust Accounts
- Deposits

### **Consolidated Statements**

27.2 Going forward, the consolidated statements of FGOM will include government trust accounts, public trust account and deposits.

27.3 Further details on the closure and maintenance of trust accounts as a result of adopting accrual accounting are included in Appendix E.

27.4 Government trust accounts are governed under Section 10 of the Financial Procedure Act 1957. FGOM trust accounts consist, amongst others, of the following:

- Development Fund
- Housing Loan Fund
- Loan Fund / Conveyance Loan Fund (except BSN)
- Conveyance Loan (vehicle) (BSN)
- Contingencies Fund
- Inter-Administration Account, Payroll Deduction Account
- Gains and Loss on Currency Conversion Account
- Trade Account – Unallocated Store

27.5 Public trust funds consist of special trusts incorporated under the relevant acts and general trusts established under Section 9 of the Financial Procedure Act 1957 [Act 61]. Financial sources of these funds are receipts from organizations or individuals for specific purposes.

27.6 All receipts and payments of trust monies are accounted in the consolidated trust accounts in accordance with the requirements of laws, trust acts, trust deeds and trust agreements.

### **Government Trust Accounts**

27.7 All transactions from FGOM trust accounts will be treated as part of the FGOM transactions and will be accounted for in accordance with the relevant MPSAS.

27.8 FGOM trust account surplus or deficit will be included as part of the FGOM financial position.

27.9 Disclosures on the statement of financial position of each trust accounts will also be made in the FGOM financial statements.

**27.0 TRUST ACCOUNT (CONTINUED)**

**Public Trust Accounts**

- 27.10 All transactions from the public trust accounts will not be treated as part of the FGOM transactions.
- 27.11 However, balances of public trust accounts in respect of unused funds/investments shall be shown in the statement of financial position of the FGOM, with a corresponding liability.

**Deposits**

- 27.12 Deposits are treated as financial liability and are covered under Chapter 19 – Financial Instruments.

**References**

- MPSAS 1 – Presentation of Financial Statement
- Accounting Policy and Interpretation

**27.0 TRUST ACCOUNT (CONTINUED)****Scenario A –Generic trust account transactions****Scenario A.1– Establishment of new government trust account**

FGOM decides to establish a new government trust account. The FGOM managed to obtain appropriation amounting to RM250,000 for the new government trust account. The trust account is named as ABC account.

**Journal entries**

- 1) To record appropriation of fund for the establishment of a government trust account

The appropriation of fund is treated as an expense to general funds at the point the transfer of fund occurs.

General Funds

	Amount (RM)	Accounting Code
DR Expense	250,000	B0442602
CR Cash	250,000	A0112000

- 2) To record establishment of a new government trust account

The new government trust account is established and credited as a revenue at the point appropriation of fund is obtained. The below journal entry is applicable to both types of government trust account, both general government trust account and revolving government trust account.

New government trust account (ABC Fund)

	Amount (RM)	Accounting Code
DR Cash	250,000	A0113000
CR Revenue	250,000	H0185300

## 27.0 TRUST ACCOUNT (CONTINUED)

### Scenario A.2 - Close down of government trust accounts with surplus or deficit

An entity decides to close down two government trust account on date of adoption. One government trust account has a surplus balance of RM150,000, the other has a deficit balance of RM10,000.

#### Journal entries

- 1) To record close down of government trust account with surplus balance

##### General Funds

	Amount (RM)	Accounting Code
DR Cash	150,000	A0113000
CR Surplus or deficit on general funds*	150,000	H0181299

##### Government Trust Account

	Amount (RM)	Accounting Code
DR Surplus or deficit on government trust account *	150,000	B0552299
CR Cash	150,000	A0112000

\* Surplus or deficit between funds will be eliminated at FGOM financial statement of position

- 2) To record close down of government trust account with deficit balance

The deficit balance of FGOM trust account is closed via a transfer of cash from general fund to government trust account. FGOM trust account is then credited with RM10,000 (deficit amount).

##### General Funds

	Amount (RM)	Accounting Code
DR Surplus or deficit on general funds*	10,000	B0442602
CR Cash	10,000	A0112000

##### Government Trust Account

	Amount (RM)	Accounting Code
DR Cash	10,000	A0113000
CR Surplus or deficit of government trust account*	10,000	H0185301

\* Surplus or deficit between funds will be eliminated at FGOM financial statement of position

**APPENDICES****Appendix A.1 List of MPSAS to Be Adopted (with effective date on or after 01 January 2017)**

<b>MPSAS</b>	
<b>MPSAS 1</b>	Presentation of Financial Statement
<b>MPSAS 2</b>	Cash Flow Statements
<b>MPSAS 3</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>MPSAS 4</b>	The Effect of Changes in Foreign Exchange Rate
<b>MPSAS 5</b>	Borrowing Costs
<b>MPSAS 9</b>	Revenue From Exchange Transactions
<b>MPSAS 11</b>	Construction Contracts
<b>MPSAS 12</b>	Inventories
<b>MPSAS 13</b>	Leases
<b>MPSAS 14</b>	Events After the Reporting Date
<b>MPSAS 16</b>	Investment Property
<b>MPSAS 17</b>	Property, Plant and Equipment
<b>MPSAS 19</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>MPSAS 20</b>	Related Party Disclosures
<b>MPSAS 21</b>	Impairment of Non-Cash-Generating Assets
<b>MPSAS 22</b>	Disclosure of Financial Information about the General Government Sector
<b>MPSAS 23</b>	Revenue From Non- Exchange Transactions (Taxes & Transfers)
<b>MPSAS 24</b>	Presentation of Budget Information in Financial Statement
<b>MPSAS 25</b>	Employee Benefits
<b>MPSAS 26</b>	Impairment of Cash-Generating Assets
<b>MPSAS 27</b>	Agriculture
<b>MPSAS 28</b>	Financial Instruments: Presentation
<b>MPSAS 29</b>	Financial Instruments: Recognition and Measurement
<b>MPSAS 30</b>	Financial Instruments: Disclosures
<b>MPSAS 31</b>	Intangible Assets
<b>MPSAS 32</b>	Service Concession Arrangements: Grantor
<b>MPSAS 33</b>	First-time Adoption of Accrual Basis MPSASs
<b>MPSAS 34</b>	Separate Financial Statements
<b>MPSAS 35</b>	Consolidated Financial Statements
<b>MPSAS 36</b>	Investments in Associates & Joint Ventures
<b>MPSAS 37</b>	Joint Arrangements
<b>MPSAS 38</b>	Disclosure of Interest in Other Entities

## List Of Acronyms

<b>Acronym</b>	<b>Description</b>
<b>AGD</b>	Accountant General's Department
<b>AUC</b>	Asset under construction
<b>BSN</b>	Bank Simpanan Nasional
<b>CR</b>	Credit
<b>CDS</b>	Central Depository Securities
<b>CGU</b>	Cash Generating Unit
<b>DR</b>	Debit
<b>EIR</b>	Effective Interest Rate
<b>FELDA</b>	The Federal Land Development Authority
<b>FIFO</b>	First In First Out
<b>EFT</b>	Electronic Fund Transfer
<b>FGOM</b>	Federal Government of Malaysia
<b>FPA</b>	Financial Procedure Act
<b>F.V.</b>	Fair Value
<b>GGS</b>	General Government Sector
<b>IFRS</b>	International Financial Reporting Standard
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>JANM</b>	Jabatan Akauntan Negara Malaysia
<b>MGS</b>	Malaysian Government Securities
<b>MoF</b>	Ministry of Finance Malaysia
<b>MPSAS</b>	Malaysian Public Sector Accounting Standards
<b>PFC</b>	Public Financial Corporations sector
<b>PFI</b>	Private Finance Initiative
<b>PNFC</b>	Public Non-Financial Corporations sector
<b>PPE</b>	Property, plant and equipment
<b>PPP</b>	Public Private Partnership
<b>RM</b>	Ringgit Malaysia
<b>U.S.</b>	The United States of America
<b>USD</b>	American Dollar



## ***Glossary***

**Accounting basis** is the accrual, modified accrual, modified cash or cash basis of accounting.

**Accounting policies** are the specific principles, bases, conventions, rules and practices applied by the entity in preparing and presenting financial statements.

**Accrual basis** is the accounting basis under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

**Active market** is a market in which: a) the items traded are homogeneous; b) willing buyers and sellers can normally be found at any time; and c) prices are available to the public.

**Actual amounts (for budgetary purposes)** are presented as part of the comparison schedule as well as a basis of a reconciliation schedule, resulting from the execution of the budget. For the purposes of MPSAS 24 – Presentation of budget information in financial statements, they include actual expenses and obligations that are comparable to the final budget presented.

**Actuarial gains and losses** comprise: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and b) the effects of changes in actuarial assumptions.

**Amortization** is the systematic allocation of the amortizable amount of an intangible asset over its estimated useful life.

**Appropriation** is an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority.

**Assets** are resources controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. Assets used to deliver goods and services in accordance with the Entity's objectives, but which do not directly generate net cash inflows, are often described as having a service potential.

**Associate** is an entity in which an investor has significant influence and that is neither a controlled entity nor a joint venture of the investor.

**Betterment:** The cost incurred to enhance the service potential of asset is a betterment. Service potential may be enhanced when there is an increase in the previously assessed service capacity, associated operating costs are lowered, the useful life is extended or the quality of output is improved. The cost incurred in the maintenance of the service potential of an asset is a repair, not a betterment.

**Borrowing costs** are interest and other expenses incurred by an entity in connection with borrowings.

**Carrying amount of a liability** is the amount at which a liability is recognised in the statement of financial position.

**Carrying amount of an asset** is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

**Cash** consists of cash on hand and demand deposits.

## ***Glossary (continued)***

**Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

**Cash flows** are inflows and outflows of cash and cash equivalents.

**Cash-generating assets** are assets held to generate a commercial return.

**Cash-generating unit** is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

**Change in accounting estimate** is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not a correction of errors.

**Change in accounting policy** is a change from one basis of accounting to another basis of accounting. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is also regarded as a change in accounting policy.

**Closing rate** is the spot exchange rate at the reporting date – i.e. the exchange rate used to translate foreign currency monetary balances at the end of a reporting period.

**Commitments** are obligations to outside organisation or individuals that will become liabilities if and when the terms of contracts, agreements or legislation are met.

**Consolidated financial statements** are the financial statements of an economic entity presented as those of a single entity.

**Construction contract** is a contract or a similar binding arrangement specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function, or their ultimate purpose or use.

**Constructive obligation** is an obligation that derives from the Entity's actions where: a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**Contingent asset** is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

**Contingent liability** is: a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or b) a present obligation that arises from past events but which is not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

**Contract:** An agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable .

**Contractual commitment:** Represents a legal obligation to outside organization or individual as a result of contract.

***Glossary (continued)***

**Control** is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

**Controlled entity** is an entity under the control of another entity (known as the controlling entity).

**Controlling entity** is an entity that has one or more controlled entities.

**Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

**Cost method** is a method of accounting for an investment whereby it is recognized at cost. Revenue from the investment is recognized only to the extent that the investor is entitled to receive distributions from accumulated surpluses arising after the date of acquisition.

**Credit risk** is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Current replacement cost** is the cost the entity would incur to acquire the asset on the reporting date.

**Deferred revenue:** Amounts received before the transactions or events that give rise to revenue occurs.

**Defined benefit plans** are post-employment benefit plans other than defined contribution plans.

**Defined contribution plans** are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial periods.

**Depreciated replacement cost** is an approach where an asset's present value is determined based on cost to replace the asset's gross service potential after taking into account its accumulated depreciation over consumed service potential asset life.

**Depreciation** is the systematic allocation of the depreciable amount of a tangible asset over its estimated useful life.

**Effective interest rate** is the interest rate on a loan/financial product restated from the nominal interest rate as an interest rate with annual compound interest payable in arrears.

**Employee benefits** are all forms of consideration given by the entity in exchange for service rendered by employees. Employee benefits mean all entitlements, salaries, allowances, benefits and incentives.

**Entities** include federal ministries, federal departments and federal commission from FGOM.

**Equity instrument** is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**Events after the reporting date** are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of event can be identified -adjusting and non-adjusting events.

**Exchange difference** is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.

## ***Glossary (continued)***

**Exchange rate** is the ratio for exchange of two currencies.

**Exchange transactions** are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

**Expenses** are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

**Fair value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Finance lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

**Financial asset** is any asset that is: a) cash; b) a contractual right to receive cash or another equivalent asset from another entity; c) a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable; or d) an equity instrument of another entity.

**Financial instrument** is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial liability** is any liability that is a contractual obligation: a) to deliver cash or another financial asset to another entity; or b) to exchange financial instruments with another entity under conditions that are potentially unfavorable.

**Financing activities** are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.

**Foreign currency** is a currency other than the functional currency of the entity.

**Foreign operation** is an entity that is a controlled entity, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

**Functional currency** is the currency of the primary economic environment in which the entity operates. For the entity this is considered to be the RM.

**Impairment** is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

**Inception of the lease** is the earlier of the date on which a lessor and lessee enter into a lease agreement and the date on which the parties commit to the principal provisions of the lease. As at this date a) a lease is classified as either an operating or a finance lease; and b) in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined.

**Intangible assets** are identifiable non-monetary assets without physical substance.

**Interest cost** is the increase during a financial period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

## ***Glossary (continued)***

**Inventories** are assets: a) in the form of materials or supplies to be consumed in the production process; b) in the form of materials or supplies to be consumed or distributed in the rendering of services; c) held for sale or distribution in the ordinary course of operations; or d) in the process of production for sale or distribution.

**Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

**Investment property** is property (land or a building – or part thereof) held to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for administrative purposes; or b) sale in the ordinary course of operations.

**Joint control** is the agreed sharing of control over an activity by a binding arrangement.

**Joint venture** is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

**Key management personnel** are defined under MPSAS as those officials who are responsible for the planning, directing and controlling activities of the reporting entity.

**Lease** is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

**Lease term** is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

**Legal obligation** is an obligation that derives from: a) a contract (through its explicit or implicit terms); or b) legislation; or c) other operation of law.

**Liabilities** are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

**Liquidity risk** is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

**Loans guarantees** are a type of contingent liability.

**Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

**Market value** is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market.

**Material omissions or misstatements** are omissions or misstatements of items which could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

## ***Glossary (continued)***

**Modified cash basis** is the accounting basis under which revenue and expenses are usually reported when cash is received or a payment is made, but with some exceptions. Notably, expenditures can be reported prior to the payment of cash on the basis that the cash will need to be paid out soon after the end of the financial year. Under this basis, investments in physical assets and intangibles are expensed immediately, and employee benefit liabilities are not required to be reported in the financial statements.

**Monetary items** are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

**Net assets/equity** is the residual interest in the assets of the entity after deducting all its liabilities. This is the residual measure in the statement of financial position.

**Net realizable value** is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

**Non-cash-generating assets** are assets other than cash-generating assets.

**Non-exchange transactions** are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

**Non-monetary items** are items that are not monetary items.

**Notes** are disclosures which contain information in addition to that presented in the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

**Obligating event** is an event that creates a legal or constructive obligation that results in the entity having no realistic alternative to settling that obligation.

**Operating activities** are the activities of the entity that are not investing or financing activities.

**Operating lease** is a lease other than a finance lease.

**Other long-term employee benefits** are employee benefits (other than post-employment benefits and termination benefits) that do not fall due wholly within 12 months after the end of the financial period in which the employees render the related service.

A financial asset is **past due** when a counterparty has failed to make a payment when contractually due.

**Past service cost** is the increase in the present value of the defined benefit obligation for employee service in prior financial periods, resulting in the current financial period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where benefits are reduced).

## ***Glossary (continued)***

**Percentage of completion method** is an accounting method to account for asset under construction.

**Plan assets** comprise: a) assets held by a long-term employee benefit fund; and b) qualifying insurance policies.

**Post-employment benefits** are employee benefits (other than termination benefits) that are payable after the completion of employment.

**Present value** is the future amount of money that has been discounted to reflect its current value, as if it existed today.

**Post-employment benefit plans** are formal or informal arrangements under which the entity provides post-employment benefits for one or more employees.

**Present value of a defined benefit obligation** is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior financial periods.

**Presentation currency** is the currency in which the financial statements are presented. For the entity this is the RM.

**Prior period errors** are omissions from, and misstatements in, the entity's financial statements for one or more prior financial periods, arising from a failure to use or a misuse of reliable information that a) was available when financial statements for those financial periods were authorized for issue; and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

**Projected unit credit method** is used to determine the present value of a defined benefit obligation and the related current service cost and the applicable past service costs.

**Property, plant and equipment, or PPE**, are tangible items that are a) held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and b) expected to be used during more than one reporting period. Property, plant and equipment should not be confused with inventories as defined above, although they may be counted and physically verified.

**Provision** is a liability of uncertain timing or amount.

**Private finance initiatives** is a form of public private partnership where the public sector is able to secure the provision of public services from the private sector.

**Public private partnership** is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

**Qualifying asset** is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

**Recoverable amount** is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use.

**Related parties** are parties considered to be related if one party has the ability to control, or exercise significant influence over, the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

## ***Glossary (continued)***

**Related party transaction** is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

**Remuneration of key management personnel** is any consideration or benefit derived directly or indirectly by key management personnel from the reporting entity for services provided in their capacity as members of the governing body or otherwise as employees of the reporting entity.

**Reporting date** is the date of the last day of the reporting period to which the financial statements relate. In the case of the Entity, it is 31st December of each year.

**Reporting period** is the basic accounting period that applies to all financial recording and reporting of the Entity. The financial period begins 1st January, lasts for 12 months and ends on 31st December.

**Residual value** is the estimated amount that the entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Retrospective application** is the application of a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

**Retrospective restatement** is a revision, correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

**Revenue** is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

**Segment** is a distinguishable activity or group of activities of the entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions on the future allocation of resources.

**Segment assets** are those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or that can be allocated to the segment on a reasonable basis.

**Segment expense** is an expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. These include expenses relating to the provision of goods and services to external parties, and expenses relating to transactions with other segments of the same entity.

**Segment liabilities** are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

**Segment revenue** is revenue reported in the entity's statement of financial performance that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees or sales to external customers or from transactions with other segments of the same entity.



***Glossary (continued)***

**Separate financial statements** are those presented by a controlling entity, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct net assets/equity interest rather than on the basis of the reported results and net assets of the investees.

**Service potential** is the anticipated future benefits to be obtained from an asset. Assets that are used to deliver goods and services in accordance with the Entity's objectives but which do not directly generate net cash inflows are often described as embodying service potential.

**Short-term employee benefits** are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the financial period in which the employees render the related service.

**Significant influence** is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.

**Statement of financial performance** is a financial statement that measures an entity's financial performance over a specific accounting period.

**Statement of financial position** is a financial statement that summarizes an entity's asset and liabilities at a specific point in time.

**Spot exchange rate** is the exchange rate for immediate delivery.

**Termination benefits** are employee benefits payable as a result of either: a) the Entity's decision to terminate an employee's employment before the normal retirement date; or b) an employee's decision to accept voluntary redundancy in exchange for these benefits.

**Transfers** are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**Useful life** is either: a) the period over which an asset is expected to be available for use by the Entity; or b) the number of production or similar units expected to be obtained from the asset by the Entity.

**Value in use of a cash-generating asset** is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

**Venturer** is a party to a joint venture and has joint control over that joint venture.