POLICY ACCOUNTING POLICY

Area covered This Policy is University-wide

Approval date 5 May 2016  Effective date 5 May 2016  Next review date 5 May 2019

Policy Statement

Intent To establish decisions, directions and precedents which act as a reference for financial reporting and are the basis from which the University’s accounting procedures are determined.

Scope This Policy should be consistently applied by the University, as well as all of its controlled entities, for both their financial reporting responsibilities and group consolidation purposes.

ACCOUNTING POLICIES.............................................................................................................................. 1
1.1 FINANCIAL REPORTING................................................................................................................... 1
1.2 FOREIGN CURRENCY TRANSLATION ............................................................................................. 3
1.3 TAXES................................................................................................................................................... 5
1.4 INVENTORIES ....................................................................................................................................... 8
1.5 INTANGIBLE ASSETS.......................................................................................................................... 8
1.6 PROPERTY, PLANT AND EQUIPMENT................................................................................................. 10
1.7 IMPAIRMENT OF ASSETS ................................................................................................................... 14
1.8 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS ......................... 16
1.9 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS..................................................... 18
1.10 INVESTMENTS AND OTHER FINANCIAL ASSETS ................................................................. 19
1.11 LEASES ............................................................................................................................................... 23
1.12 PAYABLES AND BORROWINGS........................................................................................................ 25
1.13 TRADE RECEIVABLES ......................................................................................................................... 27
1.14 PROVISIONS AND EMPLOYEE BENEFITS .................................................................................... 28
1.15 REVENUE RECOGNITION ................................................................................................................ 30

Definitions

The Group means the University and its controlled entities.

The University means the University of New South Wales.

1.1 FINANCIAL REPORTING

This Policy is applied in the preparation and the presentation of the consolidated financial statements of the group of entities under the control of the University. The financial statements include separate financial statements for the University as an individual entity and the consolidated entity (the “Group”) consisting of the University and its controlled entities.
Basis of Preparation
The general purpose financial statements of the University are prepared in accordance with the following requirements:

- Public Finance and Audit Act 1983;
- Public Finance and Audit Regulations 2010;
- Australian Accounting Standards;
- Other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”);
- Australian Accounting Interpretations;
- Higher Education Support Act 2003 (Financial Statement Guidelines); and
- other Australian Government and State legislative requirements.

General Features

Fair Presentation
The financial statements of the University shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria of assets, liabilities, income and expenses as set out in the AASB Framework.

Compliance with International Financial Reporting Standards (“IFRS”)
The University is a not-for-profit entity and the financial statements and notes of the University have been prepared on that basis. Some of the Australian Accounting Standard requirements for not-for-profit entities are inconsistent with the International Financial Reporting Standards (IFRS) requirements.

Historical Cost Convention
The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

Critical Accounting Estimates
The preparation of the financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University’s accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in the financial statements.

Going Concern
The financial statements are prepared on the assumption that the University is operating as a going concern (and will continue to do so in the foreseeable future, which is at least 12 months from the balance sheet date).

Accrual Basis of Accounting
The financial statements of the University are prepared using the accrual basis of accounting, except for cash flow information.

Materiality and Aggregation
Each material class of similar items shall be presented separately in the financial statements of the University. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

Offsetting
Assets and liabilities, and income and expenses, shall not be offset unless required or permitted under the Australian Accounting Standards.

Comparative Information
Except when Australian Accounting Standards permit or require otherwise, comparative information shall be disclosed in respect to the previous period for all amounts reported in the current period's financial
statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period’s financial statements.

**Consistency of Presentation**
The presentation and classification of items in the financial statements shall be consistent from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the University’s operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108; or

(b) an Australian Accounting Standard requires a change in presentation.

**Basis of Consolidation**
The University, as a parent, shall present consolidated financial statements in which it should include all controlled entities of the University.

Controlled entities are fully consolidated from the date on which control is transferred to the University. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the University.

All inter-entity transactions, balances and unrealised gains on transactions shall be eliminated in full on consolidation. Unrealised losses shall also be eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The financial statements of the University and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date and using uniform accounting policies for like transactions and other events in similar circumstances.

**Definitions**

A **controlled entity** (subsidiary) is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).

**Control** exists over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

**References**

AASB 3 – *Business Combinations*
AASB 10 – *Consolidated Financial Statements*
AASB 12 – *Disclosure of Interests in Other Entities*
AASB 101 – *Presentation of Financial Statements*
AASB 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*

### 1.2 FOREIGN CURRENCY TRANSLATION

This Policy is applied in instances of:

- accounting for transactions and balances in foreign currencies, except for derivative transactions and balances; and
- translating the results and financial position of foreign operations that are included in the University’s financial statements by consolidation or equity accounting.

All entities within the Group are required to notify Treasury & Investment Services foreign exchange exposures arising from foreign currency denominated activities over AUD $50K. Any exception to this is to be approved in writing by the Director of Finance. Hedge accounting for foreign currency items, including the hedging of net investments in a foreign operation is not within the scope of this policy.
Functional Currency Approach
The University uses the functional currency approach in dealing with foreign currency translation.
Items included in the financial statements of the University's controlled entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the University's functional and presentation currency.

Initial Measurement
All transactions that are undertaken in a foreign currency are translated into the functional currency of the University (AUD). A foreign currency transaction is recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The date of transaction is the date on which the transaction first qualifies for recognition.

Subsequent Measurement

Subsequent Treatment of Monetary Items
Monetary items held in a foreign currency shall be translated into the functional currency in the balance sheet at the closing rate. In instances where a monetary asset or liability has a rate of exchange that is fixed under the terms of the relevant contract, it cannot be used to translate the monetary assets and liabilities as this is a form of hedge accounting.

Subsequent Treatment of Non-Monetary Items
Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measured.

Recognition of Foreign Exchange Differences
Foreign exchange gains and losses arising from the settlements of such transactions or from the translation at each subsequent reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange rate component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, any exchange rate component of that gain or loss shall also be recognised in the income statement.
On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are taken to equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

Translation to Presentation Currency
The results and financial position of all the University's controlled entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.
Definitions

**Closing Rate** is the spot exchange rate at the end of the reporting period.

**Fair Value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Functional Currency** is the currency of the primary economic environment in which the entity operates. The functional currency in respect of the University is the Australian Dollar. However, overseas controlled entities of the University will have their own functional currency. Each entity has its own functional currency and in general the group will be made up of multiple functional currencies.

**Monetary Asset/Liability** are assets and/or liabilities to be received or paid in a fixed or determinable number of units of currency. Examples include:

- financial assets such as cash, bank balances and receivables;
- financial liabilities such as debts and provisions that are settled in cash;
- pensions and other employee benefits to be paid in cash, deferred taxes and cash dividends that are recognised as a liability; and
- derivative financial instruments such as forward exchange contracts, foreign currency swaps and options are also monetary items as they are settled at a future date.

**Non-Monetary Asset/Liability** are all items other than monetary items. In other words, the right to receive or deliver a fixed or determinable number of units of currency is absent in a non-monetary items. Examples include:

- intangible assets;
- goodwill;
- PPE;
- inventories;
- amounts prepaid for goods and services;
- equity investments; and
- provisions that are to be settled by the delivery of a non-monetary asset.

**Presentation Currency** is the currency in which the financial statements are presented.

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

References

AASB 121 – *The Effects of Changes in Foreign Exchange Rates*

AASB 13 – *Fair Value Measurement*

### 1.3 TAXES

The University is exempt from income tax under Commonwealth income taxation legislation, but is subject to Goods and Services Tax ("GST"). However, within the Group, there are overseas controlled entities that are subject to income tax in their operating jurisdictions. This Policy applies to all entities subject to income tax or GST.

**Income Tax**

**Recognition of Current and Deferred Tax**

Current and deferred tax shall be recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from

- a transaction or event which is recognised, in the same period or a different period, outside profit or loss, either in other comprehensive income or directly in equity; or
- a business combination
Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

a) in other comprehensive income, shall be recognised in other comprehensive income; and
b) directly in equity, shall be recognised directly in equity.

**Recognition of Current Tax Liabilities and Current Tax Assets**

Current tax for current and prior periods, to the extent unpaid, is recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

**Recognition of Deferred Tax Liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:
    (i) is not a business combination; and
    (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A controlled entity of the University shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

(a) the parent entity is able to control the timing of the reversal of the temporary difference; and

(b) it is probable that the temporary difference will not reverse in the foreseeable future.

**Recognition of Deferred Tax Assets**

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(a) is not a business combination; and

(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A controlled entity of the University shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

(a) the temporary difference will reverse in the foreseeable future; and

(b) taxable profit will be available against which the temporary difference can be utilised.

**Reassessment of Unrecognised Deferred Tax Assets**

At each reporting date, a controlled entity of the University reassesses unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Measurement of Current Tax Liabilities**

Current tax liabilities for current and prior periods are measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

**Measurement of Current Tax Assets**

Current tax assets for current and prior periods are measured at the amount expected to be recovered from the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.
Measurement of Deferred Tax Assets and Liabilities

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In some jurisdictions, the manner in which an entity recovers (settles) the carrying amount of an asset (liability) may affect either or both of:

(a) the tax rate applicable when the entity recovers (settles) the carrying amount of the asset (liability); and
(b) the tax base of the asset (liability).

In such cases, an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement.

The carrying amount of a deferred tax asset is reviewed at each reporting date. A controlled entity of the University shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Unused Tax Losses and Unused Tax Credits

A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of the associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset, or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Definitions

Taxable profit (tax loss) is the profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Temporary differences may be either:

- deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
- taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

References

AASB 101 – Presentation of Financial Statements
AASB 112 – Income Taxes
Interpretation 1031 – Accounting for the Goods and Services Tax (GST)
1.4 INVENTORIES

This Policy is applied in accounting for all inventories, except for:

- work in progress arising under construction contracts, including directly related service contracts; and
- financial instruments

Recognition

The University initially recognises inventory when it has control of the inventory, expects it to provide future economic benefits and the cost of the inventory can be measured reliably.

Measurement

Inventories shall be measured on weighted average cost basis at the lower of cost and net realisable value.

Where net realisable value of inventory is lower than the original acquisition cost or other subsequent carrying amount, the amount of the inventory that has been written down to net realisable value is recognised as an expense in the period in which the write-down occurs.

When as a result of an increase in net realisable value a write down is reversed, the reversal is recognised against the amount of inventories as an expense in the period in which the reversal occurs.

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

Derecognition

When the inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the income statement, in the period in which the related revenue is recognised.

The University also derecognises inventory when it has no future economic value.

At the point of derecognition, the cost of inventories is assigned to individual items of inventory by using weighted average costs.

Definitions

**Inventories** are assets:

- held for sale in the ordinary course of business;
- used in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

**Net realisable value** is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

References

AASB 102 – Inventories

1.5 INTANGIBLE ASSETS

This Policy is applied in accounting for intangible assets, except for:

- intangible assets held by an entity for sale in the ordinary course of business;
- deferred tax assets;
- leases;
- assets arising from employee benefits;
• financial assets; and
• non-current intangible assets classified as held for sale.

Recognition
An item is recognised as an intangible if it meets the definition of an intangible asset, it is probable that future economic benefits will flow to the University and the cost of the asset can be reliably measured.

Measurement

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the University's share of the net identifiable assets of the acquired controlled entity/associate at the date of acquisition. Goodwill on acquisitions of controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Licences
Licences that have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives. Licences that have an indefinite useful life are not amortised and are assessed for impairment annually.

Computer Software
Computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the assets’ estimated useful life of 5 years.

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials, services, direct payroll and payroll related costs of employees’ time spent on the project. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Research and Development - Patents
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate allocation of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its estimate useful life, usually 20 years.

Impairment
The Impairment of Assets accounting policy explains when and how the University reviews the carrying amount of its assets, how it determines the recoverable amount of an asset and when it recognises or reverses an impairment loss.

Definitions
An intangible asset is an identifiable non-monetary asset without physical substance.

References
AASB 3 – Business Combination
AASB 136 – Impairment of Assets
AASB 138 – Intangible Assets
1.6 PROPERTY, PLANT AND EQUIPMENT

This Policy is applied in accounting for property, plant and equipment including the following categories:

- land;
- works of art;
- rare books;
- buildings;
- student accommodation;
- leasehold improvements;
- computer equipment;
- library holdings;
- motor vehicles; and
- other equipment;

This Policy does not apply to property, plant and equipment classified as held for sale in accordance with the Non-current Assets Held for Sale and Discontinued Operations Policy.

Recognition Criteria

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

Sufficient certainty that future economic benefits will flow to the University is normally achieved only when the risks and rewards of the asset have passed on to the University. In practice, this often occurs when the asset is delivered.

The University does not recognise in the carrying amount of property, plant and equipment the costs of the day-to-day servicing of the item. These costs are recognised in the income statement as incurred.

Land, Works of Art and Rare Books

Initial Recognition

Land, works of art and rare books that qualify for recognition as an asset are measured at cost on acquisition. The cost of acquisition includes both the purchase price and other directly attributable costs.

Land and buildings are accounted for separately, even when they are acquired together.

Where an asset is acquired for no cost, or for a nominal cost, the cost recorded reflects the fair value as at the date of acquisition.

Subsequent Measurement

After initial recognition, these assets are measured at their revalued amounts. The revalued amounts are their fair values based on valuations performed by a qualified valuer.

Revaluations are carried out annually to ensure that the carrying amount does not differ materially from the revalued amount.

Depreciation

Land, works of art and rare books are not depreciated due to their estimated unlimited useful life.

Buildings and Student Accommodation

Initial Recognition

Buildings and student accommodation that qualify for recognition as an asset are initially measured at cost.

The cost of buildings and student accommodation comprises:

(a) the purchase price; including import duties and non-refundable purchase taxes less any trade discounts and rebates;
(b) directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of building and student accommodation is acquired for no cost, or for a nominal cost, the cost recorded reflects the fair value as at the date of acquisition.

**Subsequent Measurement**

After initial recognition as assets, buildings and student accommodation are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are carried out annually to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When an item of building or student accommodation is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

**Depreciation**

Depreciation on buildings is calculated using the straight line method to allocate each building component's cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

<table>
<thead>
<tr>
<th>Building Components</th>
<th>Useful Lives</th>
<th>Building Components</th>
<th>Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Structure</td>
<td>40</td>
<td>- Electrical (including security)</td>
<td>30</td>
</tr>
<tr>
<td>- Roof Membrane</td>
<td>20</td>
<td>- Mechanical (including air conditioning &amp; lifts)</td>
<td>25</td>
</tr>
<tr>
<td>- Fit-out (incl finishes &amp; fitments)</td>
<td>15</td>
<td>- Fire Infrastructure</td>
<td>35</td>
</tr>
</tbody>
</table>

Depreciation on student accommodation is calculated using the straight line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives of 40 years.

**Public Private Partnerships (PPP)**

The University enters into PPP with the private sector in relation to the construction and operation of new student accommodation. Each individual PPP is accounted for in accordance with its substance and economic reality, and not merely its legal form. The University recognises the new building that is the subject of the PPP as an asset only when it determines it has the majority of the risks and benefits in relation to those buildings. Land leased to the private sector and any other service elements that are part of the PPP, but are not the buildings, are accounted for separately in accordance with the accounting policy for land.

**Leasehold Improvement**

**Initial Recognition**

Leasehold Improvements that qualify for recognition as an asset are initially measured at cost.

The cost of leasehold improvement comprises:

(a) directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

(b) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

**Subsequent Measurement**

After initial recognition as assets, leasehold improvements are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are carried out annually to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When a leasehold improvement is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

**Depreciation**

Depreciation on leasehold improvements is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.
The useful life of leasehold improvement is usually, depending on the leasing agreements, between 5 and 40 years.

Equipment and other tangible assets

**Initial Measurement**

Equipment and other tangible assets that qualify for recognition as an asset are initially measured at cost.

The cost of equipment and other tangible assets comprises:

(a) the purchase price, including import duties and non-refundable purchase taxes less any trade discounts and rebates; and

(b) directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**Measurement Subsequent to Initial Recognition**

After the initial recognition of an asset, equipment and other tangible assets are stated at cost less any accumulated depreciation and impairment losses.

**Depreciation**

Depreciation on equipment and other tangible assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>University</th>
<th>Controlled Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Computer equipment</td>
<td>33.3%</td>
<td>20% to 33%</td>
</tr>
<tr>
<td>- Motor vehicles</td>
<td>12%</td>
<td>12% to 30%</td>
</tr>
<tr>
<td>- Other equipment</td>
<td>10%</td>
<td>10% to 20%</td>
</tr>
<tr>
<td>- Library holdings</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Fair Value Valuation**

**Basis of Valuation**

The fair value of items of property, plant and equipment is usually determined from market-based evidence by an appraisal that is normally undertaken by a qualified valuer. Where there is no market-based evidence of fair value, because of the specialised nature of items of property, plant and equipment and because the items are rarely sold except as part of a continuing business, they are valued using the replacement cost approach.

Please refer to *Appendix I (page 13)* for the Fair Value decision tree.

**Revaluation Gains and Losses**

If the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is credited directly to equity under the heading of revaluation reserve. However, the net revaluation increase is recognised in the income statement to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the income statement.

If the carrying amount of a class of assets decreased as a result of the revaluation, the net revaluation decrease is recognised in the income statement. However, the net revaluation decrease is debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in any revaluation reserve in respect of that same class of asset.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment shall be offset against one another within that class but shall not be offset in respect of assets in different classes.

The revaluation reserve included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.
Impairment

An impairment assessment is made each year when there is any indication that an asset is impaired. If the recoverable amount is below an asset’s carrying amount, the asset is written down to its recoverable amount.

Please refer to the Section 7: Impairment of Assets accounting policy for more details.

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in the income statement when the item is derecognised. It is determined by comparing net disposal proceeds with the carrying amount. When revalued assets are sold, the amounts included in property, plant and equipment revaluation reserves in respect of those assets shall be transferred to retained surplus.

Definitions

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.
Examples of *directly attributable costs* are:

- (a) the cost of employee benefits that arise directly from the construction or acquisition of the item;
- (b) the costs of site preparation;
- (c) initial delivery and handling costs;
- (d) professional fees;
- (e) commissioning costs; and
- (f) finance costs.

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

*Property, plant and equipment* are tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one year.

*Replacement cost* is the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. Replacement cost is not necessarily the cost of replicating the asset.

**References**

AASB 116 – *Property, Plant and Equipment*
AASB 136 – *Impairment of Assets*

### 1.7 IMPAIRMENT OF ASSETS

This Policy is applied in accounting for the impairment of all assets (including current assets) other than:

- inventories;
- assets arising from construction contracts;
- deferred tax assets;
- assets arising from employee benefits;
- financial assets that are within the scope of the investment and financial assets accounting policy; and
- non-current assets (or disposal groups) classified as held for sale.

**Basic Principles of Impairment**

An asset should not be carried in the balance sheet at a value greater than its recoverable amount.

All assets (other than goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use) are required to be tested for impairment where there is an impairment indicator. Testing threshold, if any, is detailed in the University’s procedures for each class of asset.

Goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use must be tested for impairment annually.

**Measuring Recoverable Amount**

Recoverable amount is measured as the higher of an asset’s fair value less costs of disposal and its value in use.

*Fair Value Less Costs Of Disposal*

The best indicator of fair value less costs of disposal is the price in a binding arm’s length sale agreement adjusted for the costs of disposal. If there is no binding sale agreement but the asset is traded in an active market, the current market price or the latest transaction price, less costs to sell, should be used. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the
best information available to reflect the amount that the University could obtain, at the reporting date, from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

**Value In Use**

Value in use shall be determined as the depreciated replacement cost of the asset.

**Recognition of Impairment Loss**

If the recoverable amount of an asset is less than its carrying amount, the University should reduce the carrying amount to the recoverable amount. The reduction is recognised as an impairment loss.

For assets carried at a depreciated historical cost basis the impairment loss is recognised in the income statement immediately.

For assets that are carried at revalued amounts, an impairment loss is treated as a revaluation decrease. The loss is first set off against any revaluation surplus relating to the same class of assets in reserves and the balance of the loss is then treated as an expense in the income statement.

**Reversals of Impairment Losses**

An assessment is required to be done at each reporting date to identify whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the University shall estimate the recoverable amount of that asset.

For assets other than goodwill, the reversal of an impairment loss should be recognised if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. The reversal of an impairment loss recognises an increase in the estimated service potential of an asset, either from use or sale since the last impairment test. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

Impairment losses relating to goodwill are not allowed to be reversed.

**Accountabilities**

<table>
<thead>
<tr>
<th>Department</th>
<th>Accountabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Finance &amp; Advisory Services</td>
<td>• Assessment of impairment and determination of accounting treatment</td>
</tr>
<tr>
<td></td>
<td>• Balance sheet account reconciliation and statutory reporting</td>
</tr>
</tbody>
</table>

**Definitions**

**Carrying amount** is the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

**Costs of disposal** are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.

**Depreciated replacement cost** is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

**Fair value less costs of disposal** is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date, less the costs of disposal.

**Recoverable amount** is defined as the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use.
Value in use is depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset’s ability to generate net cash inflows and where the University would, if deprived of the asset, replace its remaining future economic benefits.

References
AASB 136 – Impairment of Assets
AASB 13 – Fair Value Measurement

1.8 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-Current Assets Held for Sale
This Policy refers to all recognised non-current assets and all disposal groups of the University, except for those asset types listed below:

- deferred tax assets;
- assets arising from employee benefits;
- financial assets;
- non-current assets that are accounted for in accordance with the fair value model;
- non-current assets that are measured at fair value less estimated point-of-sale costs;
- contractual rights under insurance contracts.

Discontinued Operations
A discontinued operation is a component of the Group that either has been disposed of or is classified as being held for sale. It must also:

(a) represent a separate major arm of business of the University or represent a geographical area of operations;
(b) be part of a single co-ordinated plan to dispose of a separate major line of the University or geographical area of operations; or
(c) be a controlled entity acquired exclusively with a view of resale by the University.

Recognition Criteria
The University, in general terms, classifies non-current assets (or disposal groups) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the University deems that the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Events or circumstances beyond the University’s control may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale.

Measurement
The University measures any non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the University should measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arise due to changes in time will be presented in the income statement as a financing cost.
Impairment Losses and Reversals

The University recognises all impairment loss for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell.

The University recognises a gain for any subsequent increase in fair value less costs to sell of a disposal group, up to the cumulative impairment loss that has been recognised.

An impairment loss recognised for a disposal group will reduce the carrying amount of the non-current assets in the University.

A gain or loss not previously recognised by the date of the sale of a non-current asset shall be recognised at the date of derecognition.

There is no amortisation or depreciation of a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. The interest and other expenses attributable to the liabilities of a disposal group classed as held for sale will continue to be recognised.

Derecognition of an Asset Held for Sale

If the University has classified an asset (or disposal group) as held for sale, but the recognition criteria is no longer met, then the University must cease to classify the assets as held for sale.

The University shall measure a non-current asset that ceases to be classified as held for sale at the lower of:

a) the carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, or

b) its recoverable amount at the date of the subsequent decision not to sell.

Any required adjustments to the carrying amount of a non-current asset that ceases to be classified as held for sale will be transferred to the income statement from continuing operations in the period in which the recognition criteria are no longer met.

Presentation

Non-Current Assets Held for Sale

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale shall be presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet.

Discontinued Operations

The results of discontinued operation shall be presented separately on the face of the income statements as a single amount. An analysis of the single amount and net cash flows attributable to the operating, investing and financing activities of discontinued operations shall be presented either in the notes or in the financial statements.

Definitions

Component of the University refers to operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the University.

Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

Disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The University includes goodwill acquired in a business combination if the University is a cash-generating unit to which goodwill has been allocated in accordance with accounting standards if it is an operation within such a cash-generating unit.

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.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
1.9 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

This Policy is applied in accounting for investments in associates and joint ventures. This Policy is not applied to investments in associates and joint ventures classified as held for sale, which is covered by the policy Non-Current Assets Held for Sale and Discontinued Operations.

Investments in Associates

Measurement

Investments in an associate are accounted for in the University’s financial statements using the cost method and in the consolidated financial statements using the equity method from the date it becomes an associate.

Under the equity method, on initial recognition the investment in an associate or a joint venture is initially recognised at cost. Cost is the fair value of the consideration paid by the Group. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The carrying amount of the investment is increased or decreased to recognise the Group’s share of the profit or loss of the investee after the date of acquisition. The Group’s share of the investee’s profit or loss is recognised in the Group’s income statement, while in the consolidated financial statements they reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group’s proportionate interest in the investee arising from changes in the investee’s other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group’s share of those changes is recognised directly in other comprehensive income of the Group.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Equity Accounting Adjustments

Adjustments similar to those required for the purposes of including controlled entities in the consolidated financial statements should be made when the associates are incorporated into the Group’s consolidated financial statements. The following adjustments should be made:

- to achieve consistency of accounting policies where the accounting policies of the University and its associates are inconsistent;
- to notionally set up goodwill arising on the acquisition of the associate and to deal with fair value adjustments;
- to eliminate upstream or downstream profits (to the extent of the Group’s interest in the associates) or losses on transactions between the Group and its associates; and
- to translate the results of overseas associates if it is applicable.

Discontinuing Equity Accounting

The Group shall discontinue using the equity method from the date when the Group’s investment ceases to be an associate or joint venture or on the date the investment is classified as held for sale.

When the Group’s investment ceases to be an associate or joint venture, the group shall measure at fair value any investment the Group retains in the investment, provided the investment does not become a subsidiary or a joint venture.

When the Group discontinues the use of the equity method, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the basis as would have been required if the investee had directly disposed of the related assets or liabilities.
**Impairment**

After application of the equity method, including recognising the losses of the associate, the University should assess whether it is necessary to recognise any additional impairment loss with respect to the Group’s net investment in the associate.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

**Joint Arrangements**

**Joint Ventures**

Investments in a joint venture are accounted for in the University’s financial statements using the cost method and in the consolidated financial statements using the equity method from the date it becomes a joint venture.

**Joint Operations**

Investments in a joint operation are accounted for in the University’s financial statements by including its interest in the joint operations assets, liabilities, revenues and expenses in accordance with the accounting standards applicable.

**Definitions**

An **associate** is an entity, including an unincorporated entity such as a partnership, over which the University has significant influence and that is neither a controlled entity nor an interest in a joint arrangement, generally accompanying a shareholding of between 20% and 50% of the voting rights.

**Control** exists over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The **equity method** is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the investee. The profit or loss of the Group includes the Group’s share of the profit or loss of the investee.

**Joint control** is the contractually agreed sharing of control over an economic activity, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

**References**

- AASB 10 – Consolidated Financial Statements
- AASB 11 – Joint Arrangements
- AASB 12 – Disclosure of Interests in Other Entities
- AASB 128 – Investments in Associates and Joint Ventures
- AASB 136 – Impairment of Assets

### 1.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

The University classes its investments and other financial assets in the following areas:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Each of these classifications depends on the purpose for which the investments and other financial assets were acquired. University management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.
**Financial Assets at Fair Value through Profit or Loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by university management. The policy of the University is to designate a financial asset in this category if there exists the possibility it will be sold in the short term and if the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Derivatives are classified as held for trading unless they are designated as hedges.

**Initial Measurement**

Assets in this category shall be measured at fair value, and transaction costs are expensed through the income statement.

**Subsequent Measurement**

After initial recognition, assets in this category shall be measured at fair values, without any deductions for transaction costs that may be incurred on sale or other disposal.

**Gains and Losses**

A gain or loss on a financial asset classified as at fair value through profit or loss shall be recognised in the income statement.

**Loans and Receivables**

Loans and receivables arise when the University provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date; these are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

**Initial Measurement**

Loans and receivables shall be measured at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the financial asset.

**Subsequent Measurement**

After initial recognition, loans and receivables shall be measured at amortised cost using the effective interest method.

**Gains and Losses**

A gain or loss shall be recorded in the income statement, when loans and receivables are derecognised or impaired, and through the amortisation process.

**Impairment of Loans and Receivables**

The University shall assess at each reporting date whether there is any objective evidence that a loan and receivable is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the loans and receivables shall be reduced either directly or through the use of a provision account. The amount of the loss shall be recognised in the income statement.

**Held-to-Maturity Investments**

Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets. Equity instruments cannot be classified as held-to-maturity investments because they either have indefinite lives or because the amounts the University may receive can vary in a manner that is not predetermined.

**Initial Measurement**

Held-to-maturity investment shall be measured at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the investment.
**Subsequent Measurement**

After initial recognition, held-to-maturity investments shall be measured at amortised cost using the effective interest rate method.

**Gains and Losses**

A gain or loss shall be recorded in the income statement, when held-to-maturity investments are derecognised or impaired, and through the amortisation process.

**Impairment of Held-to-Maturity Investments**

The University shall assess at each reporting date whether there is any objective evidence that a held-to-maturity investment is impaired. If there is objective evidence that an impairment loss on held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the investment’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the investments shall be reduced either directly or through the use of a provision account. The amount of the loss shall be recognised in the income statement.

**Available-for-Sale Financial Assets**

Available-for-sale financial assets are included in non-current assets unless the University intends to dispose of the investment within 12 months of the balance sheet date.

**Initial Measurement**

Available-for-sale financial assets shall be measured at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the financial assets.

**Subsequent Measurement**

After initial recognition, available-for-sale financial assets shall be measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost less impairment losses.

**Gains and Losses**

A gain or loss on an available-for-sale financial asset shall be recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in the income statement.

Interest calculated using the effective interest method is recognised in the income statement. Dividends received on an available-for-sale equity instrument are recognised in the income statement when the University’s right to receive payment is established.

**Impairment of Available-for-sale Financial Assets**

The University shall assess at each reporting date whether there is any objective evidence that an available-for-sale financial asset is impaired. A significant or prolonged decline in the fair value of a security below its cost shall be considered in determining whether the security is impaired.

When an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in equity shall be removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss shall be the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments shall not be reversed through the income statement, but are recognised in equity in the available-for-sale financial assets revaluation reserve.

**Recognition and Derecognition**

The University shall recognise a financial asset on its balance sheet when, and only when, the University becomes a party to the contractual provisions of the instrument. Purchases and sales of investments are recognised on the trade date - the date on which the University commits to purchase or sell the asset.
financial asset is derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the University has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

**Fair Value**

The fair value of certain financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the University is the current bid price.

The fair value of financial instruments that are not traded in an active market, and the fair value of unlisted securities, is determined using valuation techniques that maximise the use of relevant data. The University uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

**Fair Value Measurement**

The fair value of financial assets and financial liabilities must be measured for recognition and for disclosure purposes. The University classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the balance sheet date (Level 1). The quoted market price used for financial assets held by the University is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The level in the fair value hierarchy shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

**Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

**Definitions**

**Available-for-sale financial assets**, comprising principally of marketable equity securities (held through managed funds), are non-derivative finance assets that are either designated as available for sale or that are not classified in any of the other investment categories.

**Effective interest method** is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

**Effective interest rate** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the University shall estimate cash flows considering all contractual terms of the financial instrument (e.g., prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
**Held-to-maturity investments** are non-derivative financial assets with fixed or determinable payments and fixed maturities that the University has the positive intention and ability to hold to maturity. Debt instruments with a variable interest rate can also satisfy the criteria for a held-to-maturity investment.

**Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that the University intends to sell immediately or in the near term;
- those that the University designates as available for sale upon initial recognition; or
- those for which the University may not recover substantially all of its initial investment.

**References**
AASB 7 – *Financial Instruments: Disclosures*
AASB 139 – *Financial Instruments: Recognition and Measurement*
AASB 13 – *Fair Value Measurement*

### 1.11 LEASES

This Policy deals with leases and its classification as a finance lease or an operating lease and the accounting treatment of leases based on its classification in the hands of a lessor and a lessee.

**Classification of Leases**

This Policy prescribes the lease accounting treatment according to lease type. A lease can be either a finance lease or an operating lease.

Classification is made at the inception of the lease. The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realisation of a residual value.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

(a) the lease transfers ownership of the asset to the lessee by the end of the lease term;

(b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

(c) the lease term is for the major part of the economic life of the asset even if title is not transferred;

(d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

(e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:

(a) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

(b) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and

(c) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.
Finance Leases

The University as a Lessee

Measurement

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the University's incremental borrowing rate shall be used. Any initial direct costs of the University are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each reporting period. If there is no reasonable certainty that the University will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The University as a Lessor

Measurement

The University shall recognise assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease, and subsequently recognise finance income based on a pattern reflecting a constant periodic rate of return on that net investment.

Operating Leases

The University as a Lessee - Measurement

The University shall recognise lease payments as an expense on a straight-line basis over the lease term.

The University as a Lessor - Measurement

The University shall present assets subject to operating leases in its balance sheet according to the nature of the asset. Lease income from operating leases shall be recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the University in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The depreciation policy for depreciable leased assets shall be consistent with the University's normal depreciation policy for similar assets.

Sale and Leaseback Transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by the University as a seller-lessee. Instead, it shall be deferred and amortised over the lease term.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately.
Definitions

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

A **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.

The **lessee’s incremental borrowing rate** is the rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

**Minimum lease payments** are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

(a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or

(b) for a lessor, any residual value guaranteed to the lessor by:

  (i) the lessee;

  (ii) a party related to the lessee; or

  (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

**Net investment in the lease** is the gross investment in the lease discounted at the interest rate implicit in the lease. A **non-cancellable lease** is a lease that is cancellable only:

(a) upon the occurrence of some remote contingency;

(b) with the permission of the lessor;

(c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or

(d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

An **operating lease** is a lease other than a finance lease.

Reference

AASB 117 – Leases

1.12 PAYABLES AND BORROWINGS

This Policy is applied in accounting for all financial liabilities except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- financial liabilities that are designated as hedged items.

**Recognition**

Payables and borrowings are recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation, and the amount at which the settlement will take place can be measured reliably.
Trade and other payables represent liabilities for goods and services provided to the University prior to the end of the reporting period which are unpaid. These amounts are unsecured and are provided with credit terms of payment.

All borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date and does not expect to settle the liability for at least 12 months after the balance sheet date.

Measurement

**Payables**

Payables are recognised at the fair value of the item purchased and are subsequently measured at an amortised cost. Any differences between the cost of the transaction and the redemption amount shall be recognised in the income statement as finance costs. The cash flows relating to the payable are not discounted or increased if the effect of doing so is immaterial.

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Fees paid on the establishment of a loan facility (which are not an incremental cost relating to the actual draw-down of the facility) are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Derecognition

Payables and borrowings are to be removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Definitions

**Amortised cost** is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of a provision account) for impairment or un-collectability.

**Effective interest method** is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

**Effective interest rate** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the University shall estimate cash flows considering all contractual terms of the financial instrument (e.g., prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

**Fair value** is the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

References

AASB 7 – Financial Instruments Disclosures
AASB 13 – Fair Value Measurement
AASB 101 – Presentation of Financial Statements
AASB 123 – Borrowing Costs
1.13 TRADE RECEIVABLES

This Policy should be applied to financial assets that are non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the University intends to sell immediately or in the near term, which should be classified as held-for-trading, and those that the University upon initial recognition designates as at fair value through the income statement. Refer to the Investments and Other Financial Assets Policy;
- those that the University upon initial recognition designates as available-for-sale. Refer to the Investments and Other Financial Assets Policy; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which should be classified as available-for-sale. Refer to the Investments and Other Financial Assets Policy.

Recognition

Receivables shall be recognised on the balance sheet when the University becomes a party to the contractual provision of the instrument, which is the amount owed to the University.

Measurement

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest methods. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Provision for Impaired Receivables

The collectability of trade receivables is reviewed on an ongoing basis. A provision for impairments of receivables is to be established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or other financial reorganisation and default or delinquent in making payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

Debts which are known to be uncollectible are to be written off by reducing the carrying amount directly.

Recovery of Previously Written off Receivables

If the University recovered any amounts that have been previously written off as uncollectable, the amounts recovered should be recognised in the income statement.

Definitions

**Amortised cost** is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

**Effective interest method** is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

**Effective interest rate** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the University shall estimate cash flows considering all contractual terms of the financial instrument (e.g., prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective
interest rate, transaction costs, and all other premiums or discounts.

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

References
AASB 7 – *Financial Instruments: Disclosures*
AASB 13 – *Fair Value Measurement*
AASB 139 – *Financial Instruments: Recognition and Measurement*

1.14 PROVISIONS AND EMPLOYEE BENEFITS
This Policy is applied in accounting for provisions and employee benefits.

**Provisions**

*Recognition*
A provision is only recognised when the University has a present legal or constructive obligation as a result of past events, or it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

*Measurement*
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a borrowing cost.

**Employee Benefits**

*Short-term obligations*
Liabilities for short-term benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before twelve months after the end of the reporting period, and is recognised in other payables. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates payable.

*Other long-term obligations*
The liability for other long-term employee benefits such as annual leave is recognised in current provisions for employee benefits if it is not expected to be settled wholly before twelve months after the end of the reporting period. It is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. The expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

*Bonus plans*
The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation and when a reliable estimate of the obligation can be made.

*Retirement Benefit Obligations*
All employees of the University are entitled to benefits on retirement, disability or death. The University has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the University and its legal or constructive obligation is limited to these contributions.
Defined Benefit Plans
A liability or asset in respect of the defined benefit superannuation plan is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation at the reporting date, plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund’s assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the plan to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside of the income statement, in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement, unless the changes to the superannuation plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (for example, taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Defined Contribution Plan
Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Unfunded superannuation
UNSW contributes to three State superannuation schemes, namely the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS) and the State Authorities Non-contributory Superannuation Scheme (SANCS).

On 5 December 2014, a Memorandum of Understanding (MOU) was signed between the Commonwealth and NSW Governments providing confirmation of the governments’ intention to fund the superannuation liabilities associated with these schemes (including contributions tax and other taxes) subject to the terms set out in the MOU. Scheme liabilities associated with UNSW Canberra at the Australian Defence Force Academy ("UNSW Canberra at ADFA") were specifically excluded from the MOU.

An amendment to the Other Grants Guidelines (Education) 2012, made under the Higher Education Support Act 2003 (HESA), as well as a grant made under those Guidelines (Grant), was required to enable the Commonwealth to provide funds to UNSW. This amendment has now been passed and the Guidelines have been updated accordingly.

Accordingly the liabilities have been recognised in the statement of financial position under provisions with corresponding assets recognised under receivables. The recognition of both the asset and liability does not affect the year end net asset position and net result of UNSW for those schemes, except as otherwise disclosed.

The MOU stipulates that UNSW will receive funding from governments when assets in the State Super reserve accounts are run down to a one year asset buffer level. Accordingly, a proportion of both the liability and receivable will be recognised as current, representing the amounts payable, and therefore receivable, in the next year.

Termination Benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The University recognises termination benefits at the earlier of when the University can no longer withdraw the offer of benefits or when the University recognises costs for restructuring involving the payment of termination benefits. Benefits falling due more than 12 months after reporting date are discounted to present value.
Definitions

**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.

A **constructive obligation** is an obligation that derives from the University's actions where:

(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the University has indicated to other parties that it will accept certain responsibilities; and

(b) as a result, the University has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

A **legal obligation** is an obligation that derives from:

(a) a contract (through its explicit or implicit terms);

(b) legislation; or

(c) other operation of law.

References

AASB 119 – *Employee Benefits*

AASB 137 – *Provisions, Contingent Liabilities and Contingent Assets*

1.15 REVENUE RECOGNITION

This Policy is applied in accounting for the recognition of revenue arising from the following transactions and events:

- government grants and assistance;
- student fees and charges;
- the rendering of services;
- the sale of goods;
- interest, royalties and dividends; and
- other revenue.

**Measurement of Revenue**

Revenue is measured at the fair value of the consideration received or receivable, where in most cases, the consideration is in the form of cash or cash equivalents.

**Recognition of Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the following activities as described below.

**Government Grants and Assistance**

Financial assistance provided by the Australian Government is recognised in the year it was received or when the entitlement for the revenue is established. Most of the government grants and assistance received are considered to be a contribution. A contribution occurs when the University receives an asset without having to give equal value to the other party / parties of the transfer.

If the consideration received is in the form of a contribution, the income is to be recognised as revenue when all of the following conditions have been satisfied:

(i) the University obtains control of the contribution or the right to receive the contribution;

(ii) it is probable that the contribution will flow to the University; and

(iii) the amount of the contribution can be reliably measured.
Income is therefore, only recognised when the University has control over the contribution, which is usually achieved through receipt or when entitlement for the revenue is established. If the government contributions are received with conditions attached, and contributions have to be refunded if the conditions are not met, then revenue should not be recognised until all of those conditions are met and treated as income in advance or monies held from the government.

**Student Fees and Charges**
Student fees and charges are recognised as revenue in the year which the service is provided to students. Student fees and charges received that relate to the service to be rendered in the future period are treated as income in advance.

**Rendering of Services**
Revenue recognition based on contracts to provide services require income to be recognised in stages of completion often as a percentage of services performed to the total of services to be provided as stipulated in the contract.

Revenue associated with the sale of services is recognised by reference to the stage of completion of the transaction at the reporting date when the outcome of a transaction involving the rendering of services can be estimated reliably.

The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:

(i) the amount of revenue can be measured reliably;
(ii) it is probable that the economic benefits associated with the transaction will flow to the University;
(iii) the stage of completion of the transaction at the reporting date can be measured reliably; and
(iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the University. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

**Sale of Goods**
Revenue from sales of goods comprises revenue earned (net of returns, discounts and allowances) from the supply of goods or products to entities outside the University.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

(i) the University has transferred to the buyer the significant risks and rewards of ownership of the goods;
(ii) the University retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the University; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Interest, Royalties and Dividends**
Interest income shall be recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the carrying amount shall be reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Fees and royalties paid for the use of the University’s assets are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income is recognised when the dividend is declared by the controlled entity or investee.
Other Revenue

Other revenue represents miscellaneous income and other grant income not derived from core business and is recognised when it is earned.

References
AASB 118 – Revenue
AASB 1004 – Contributions

Revision History

<table>
<thead>
<tr>
<th>Version</th>
<th>Approved by</th>
<th>Approval date</th>
<th>Effective date</th>
<th>Sections modified</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>President and Vice-Chancellor</td>
<td>5 May 2016</td>
<td>5 May 2016</td>
<td>Combined 15 policies into one document</td>
</tr>
</tbody>
</table>

Supporting Information

Supporting Documents
Nil

Related Documents
Nil

Superseded Documents
- Financial Reporting V3.0, 2013
- Foreign Currency Translation V3.0, 2013
- Impairment of Assets V3.0, 2013
- Intangible Assets V3.0, 2013
- Inventories V3.0, 2013
- Investments and Other Financial Assets V3.0, 2013
- Investments in Associates and Joint Ventures V3.0, 2013
- Leases V3.0, 2013
- Non-Current Assets Held for Sale and Discontinued Operations V3.0, 2013
- Payables and Borrowings V3.0, 2013
- Property, Plant and Equipment V3.0, 2013
- Provisions and Employee Benefits V3.0, 2013
- Revenue Recognition V3.0, 2013
- Taxes V3.0, 2013
- Trade Receivables V3.0, 2013

File Number
2016/11445

UNSW Statute and / or Regulation
Nil

Relevant State / Federal Legislation
Nil

Accountabilities

Responsible Officer
Director of Finance

Contact Officer
Director, Shared Services and Corporate Finance

Further Information

Key words for search engine
Accounting policy, accounting, accounting standards, financial reporting, foreign currency translation, tax, inventories, intangible assets, assets, property plant and equipment, impairment of assets, assets held for sale, investments, leases, payables and borrowings, trade receivables, provisions and employee benefits, revenue recognition.

Definitions and Acronyms
Terms have been defined in each section of this Policy