MACQUARIE University SYDNEY · AUSTRALIA

Accounting Policies Register

1 July 2024
Version 1.0

(YOU)us

This Accounting Policies Register details the Accounting Policies adopted by the University and its controlled entities. In this document, the University and its controlled entities are collectively referred to as “the Group”. Illustrative examples and decision trees are included as Appendices to aide practical implementation of these Policies.

This register should be read in conjuction with the Accounting Policies Policy.

In the event of any conflict, contradiction or inconsistency between this register and currently issued Australian Accounting Standards (“the Standards”), the requirements of the Standards prevail.

The ordering of content broadly follows the sequence of financial information in the Group audited annual financial statements.

Table of Contents

Enquiries Contact:
Klara Lyons, Director, Financial Control

Email: klara.lyons@mq.edu.au
Phone:+61 2 9850 7369

General Principles

Material Accounting Policies	Controlled Entities	Materiality	Goods and Services Tax
Going Concern	Historical Cost Convention	Functional and Presentational Currency	Consistency
Offsetting	Reporting Period	Foreign Currency Transactions and Balances	
Fair Value	Accrual Basis of Accounting	Income Tax Exemptions	

Material Accounting Policies [AASB 101]

Accounting Policy Statement

The Group discloses material accounting policy information in its general-purpose financial statements. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. When making such assessment, both qualitative and quantitative factors are considered.

Quantitative factors involve assessing whether certain transactions or balances are material by reference to the Group Materiality threshold for the reporting entity.

Examples of qualitative factors where the accounting policy is considered material (non-exhaustive list) are as follow:

- Significant judgements and estimates are applied to the transactions and balances (e.g. revenue recognition)
- Complex accounting for the transactions and balances
- A change in accounting policy resulting in a material change in the transactions or balances
- An election of accounting policy is permitted under Australian Accounting Standards, or;
- The policy was developed in accordance with AASB 108 in the absence of other guidance.

Going Concern
[AASB Conceptual Framework]

Going Concern

The going concern principle is the assumption that an entity will remain in business for the foreseeable future. The going concern assumption is a fundamental principle that underlies the preparation of the financial statements.

When preparing financial statements, AASB 101 requires management to assess the entity's ability to continue as a going concern. An entity prepares its financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or it has no realistic alternative but to do so.

Accounting Policy Statement

Unless otherwise stated, financial statements for all entities in the Group are prepared on the assumption that the reporting entity is a going concern and will continue in operation for the foreseeable future, i.e. the entity has neither the intention nor the need to enter liquidation or to cease trading.

Going Concern Indicators

- Working capital deficiencies
- Recurring operating losses
- Inability to obtain credit or secure borrowing
- Changes in law, regulation or government policy expected to adversely affect the entity
- Disposals of substantial assets
- Significant pending legal or regulatory proceedings against the entity

The above list of indicators is not exhaustive.

Offsetting
[AASB 132 & AASB 101]

Offsetting

Offsetting is the presentation of the net amounts of transactions and balances as a result of an entity's right of set-off and/or as permitted by an Australian Accounting Standard.

Accounting Policy Statement

Generally, transactions and balances are not offset unless permitted by an Australian Accounting Standard.

The following offsets are permitted:

- gains and losses on the disposal of non-current assets
- foreign exchange gains and losses
- net actuarial gains or losses related to a defined benefit plan
- gross receivables less provision for expected credit losses, or;
- expenditure related to a provision that is reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) may be offset against the related reimbursement.

Fair Value
[AASB Conceptual Framework]

Definition of fair value

- 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. It does not include transaction costs that would normally be incurred as part of acquiring the asset or paying the liability.
- Fair value reflects the perspective of market participants - participants in a market to which the entity has access. The asset or liability is measured using the same assumptions that market participants would use when pricing the asset or liability if those market participants act in their own economic best interest.
- In some cases, fair value can be determined directly by observing prices in an active market. In other cases, it is determined indirectly using measurement techniques. Refer to the Fair Value Measurement table for details of the techniques used by asset class.

Application across the Group

- Certain assets and liabilities are held at fair value. Details of valuation methodologies for different assets and liabilities are found in the Fair Value Measurement table.

Controlled Entities and Basis of Consolidation, Elimination and Derecognition [AASB 10 & AASB 127]

Controlled Entities

Controlled entities are those entities over which the Group has control and as defined in the Controlled Entities Policy.

Concept of Control

The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Power over the entity exists when the Group has existing rights that give it the current ability to direct the relevant activities of the controlled entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Returns are not necessarily monetary and can be only positive, only negative, or both positive and negative.

Refer to the Controlled Entities Policy and Procedure for:

- practical examples of the scenarios in which the Group commonly regards itself as being able to control an entity, and;
- details of who has authority within the Group to determine if control of an entity exists.

Refer to Appendix H: Decision Tree for Investment Classification for the decision tree on investment classification.

Consolidation

The consolidated financial statements of the Group represent the aggregate financial statements of the parent entity, being Macquarie University, and the assets, liabilities and results of all entities it controls in accordance with AASB 10 Consolidated Financial Statements at the end of or during the financial year. Controlled entities are fully consolidated from the date on which control is transferred to the Group.

Derecognition

Loss of control on the controlled entity will result in derecognition of the assets and liabilities of the former controlled entity from the date that control ceases. Any investment retained in the former controlled entity after derecognition is recognised and accounted for in accordance with the relevant Standards. Any loss or gain associated with loss of control attributable to the former controlling interest is recognised in the Statement of Comprehensive Income.

Group Eliminations

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Other General Principles [AASB Conceptual Framework]

Historical cost convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

Reporting period

The reporting period for the Group is 1 January to 31 December. Comparative information for at least one preceding reporting period is also reported, to help users of financial statements to identify and assess changes and trends.

Accrual basis of accounting

The financial statements are prepared under the accrual basis of accounting. Accrual accounting depicts the effects of transactions and other events in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period.

Materiality

Each material class of similar items shall be presented separately in the financial report. Refer to the Group's General Ledger Governance Procedure for further details of the concepts and practical applications of materiality for the Group.

Functional and presentational currency

The Australian dollar is both the functional currency (currency of the primary economic environment in which the entity operates) and the presentational currency (currency in which the financial statements are presented) of the Group.

Foreign currency transactions and balances

Foreign currency transactions are translated into Australian dollars at rates of exchange prevailing at the dates of the transactions.

Foreign currency cash balances, as well as amounts receivable and amounts payable in foreign currency at the reporting date or at settlement date, are translated at the rates prevailing on that date, with exchange differences brought to account as exchange gains or losses in the Statement of Comprehensive Income.

Other General Principles [AASB Conceptual Framework]

Income Tax Exemptions

The Group has received an endorsement by the Australian Taxation Office to access the income tax exemption from 1st July 2000 under the Income Tax Assessment Act 1997, with the exception of Macquarie University Property Investment Company and Celosia Therapeutics Pty Limited.

For abovementioned entity without tax exemption, the income tax expense or benefit for the period is the tax payable/receivable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset, or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a 'gross of GST' basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Consistency

The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

- it is apparent, following a significant change in the entity's operations or a review of its financial report, 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 Accounting Policies, Changes in Accounting Estimates and Errors, or;
- an Australian Accounting Standard requires a change in presentation.

Statement of Comprehensive Income

Revenue and Other Income

Revenue & Income from Continuing Operations	Medical Services Revenue	Capital Grants	Other Revenue and Income
Principal vs. Agent	Contract Research and Consultancy Revenue	Rental income - Lessor Accounting	
Contributions and Grants Received from Government	Donations and Bequests	Dividend Income and Franking Credits	
Fees and Charges	Royalties, Trademarks and Licences	Interest Income	

Expenses

Employee Related Expenses	Repairs and Maintenance Costs
Borrowing Costs	Medical Consumables, Scholarship & Grants
Operating Leases and Rental Expenses	Impairment of Assets vs. Disposal

General Concepts of Revenue and Income from Continuing Operations [AASB 15 & AASB 1058]

Income and Revenue

Income is increase in assets, or decrease in liabilities, that result in increase in equity, other than those relating to contributions from holders of equity claims.

Revenue is a type of income which is being generated as part of the normal operations of the Group.

Accounting Policy Statement

The Group applies AASB 15 Revenue from Contracts with Customers and/or AASB 1058 Income of Not-for-Profit Entities for revenue recognition. In assessing the revenue recognition requirements, the Group will firstly determine whether:

- an ‘enforceable agreement’ exists, and;
- whether the promises to transfer goods and services to the customer are ‘sufficiently specific’.

If these conditions are met, the Group will apply the principles of AASB 15 to determine the appropriate revenue recognition. If these conditions are not met, the transaction is not in scope of AASB 15 and the Group will apply AASB 1058 and/or other accounting standards for other related elements of the transaction.

Refer to Appendix B: Revenue Recognition for Material Revenue Streams for detailed listing of material revenue streams and applicable accounting standards and treatment.

See next page of General Concepts of Revenue and Income from Continuing Operations

General Concepts of Revenue and Income from Continuing Operations (cont'd)

AASB 15 Revenue from Contracts with Customers

The Group applies the five-step model to determine the timing and amount of revenue to be recognised. Under the model, revenue is recognised when (or as) the Group transfers control of goods or services to a customer. Specifically, revenue is recognised:

- over time, typically when the customer receives and consumes the benefits of the services, or;
- at a point in time, when control of the goods or services are transferred to the customer.

If a performance obligation is not satisfied 'over time', it is deemed to be satisfied 'at a point in time'. The Group determines the point in time by reference to when control of the good/service has been transferred to the customer. Examples of indicators of transfer of control include:

- a present right to payment
- delivery of goods/services, or;
- when the customer has accepted the goods/service.

Five-Step Model

Step 1 - Identify an enforceable contract

Example of Enforceability:

- refund clause, or;
- ability to enforce specific performances or claim damages.

Step 2 - Identify the performance obligations in the contract

The Group identifies the distinct goods or services promised within the contract, which are referred to as 'performance obligations'.

Step 3 - Determine transaction price

The transaction price can be affected by a number of factors including:

- variable consideration
- significant financing components within a contract, or;
- any non-cash consideration received.

Step 4 - Allocate the transaction price to performance obligations

The Group allocates the transaction price determined in Step 3 to the performance obligations identified in Step 2.

Step 5 - Recognise revenue when (or as) performance obligations

Depending on when the performance obligations are satisfied, revenue can be recognised either over time or at point in time.

See next page of General Concepts of Revenue and Income from Continuing Operations

General Concepts of Revenue and Income from Continuing Operations (cont'd)

AASB 1058 Income for Not-for-Profit Entities

AASB 1058 provides the income recognition requirements of an NFP entity not covered by other Australian Accounting Standards, where an asset was obtained for significantly below fair value to enable the entity to further its objectives.

Examples include:

- cash and other assets received from grants, bequests, donations, or;
- assets purchased for nominal or low values.

Where an asset is acquired for consideration that is significantly less than fair value, but that difference is not principally related to furthering the Group's objectives, the transaction is not within the scope of AASB1058 (e.g. assets acquired in distress sales and trade discounts).

Revenue recognition under AASB 1058

Step 1:

Recognise the asset in accordance with applicable Australian Accounting Standard. For example:

- if cash is received, recognise as a financial asset, or;
- if art collections are donated, recognise under AASB 116, Property Plant and Equipment (refer to PPE section).

Step 2:

Consider if the nature of the transaction gives rise to a 'related amount' in accordance with another Accounting Standard, such as:

- contributions by owners - AASB 1004
- revenue or a contract liability from a contract with a customer - AASB 15
- a lease liability - AASB 16
- a financial instrument - AASB 9, or;
- a provision - AASB 137.

If so, recognise the 'related amount' in accordance with the appropriate standard.

Step 3:

Recognise the remaining amount (Step 1 minus Step 2) as income immediately.

Principal vs. Agent

[AASB 15]

Principal

The Group acts as ‘principal’ to a contract if it controls a promised good or service before transferring it to the customer. The gross amount received as consideration is recognised as revenue.

Agent

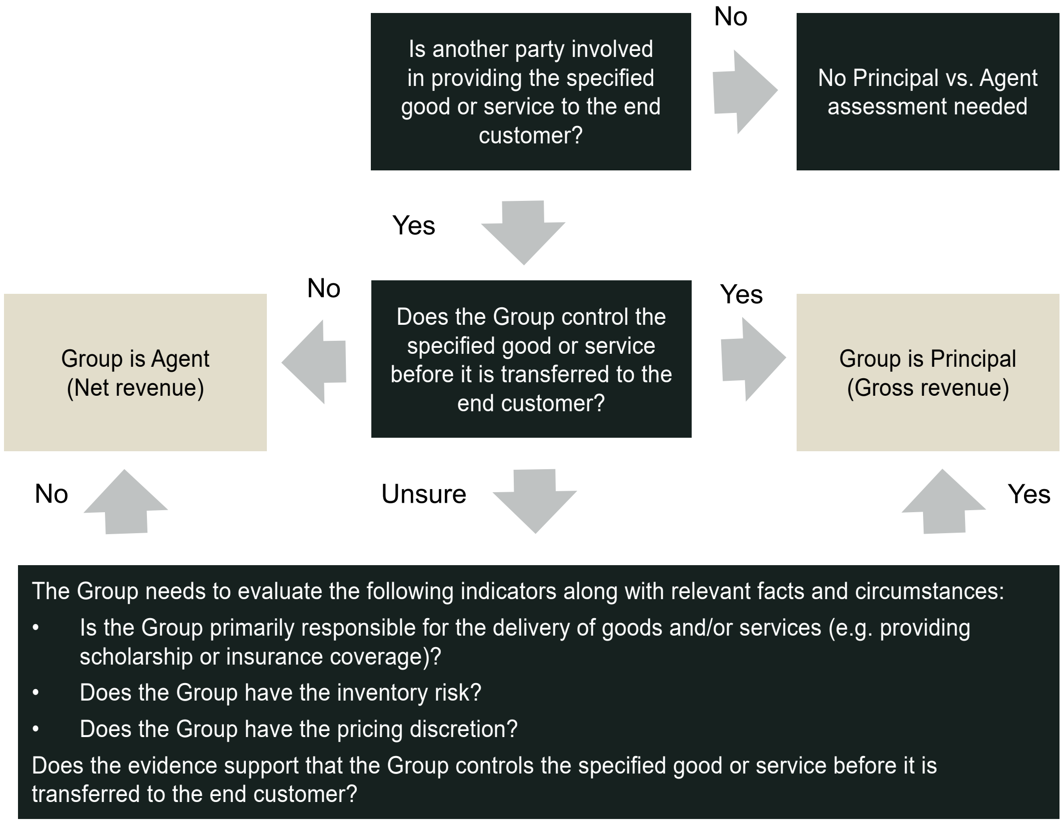
The Group acts as ‘agent’ to a contract if its role is to arrange for the promised good or services (which are controlled by a separate Principal) on behalf of the customer.

Any fee or commission the Group is entitled to receive from the Principal is recognised as revenue when all obligations detailed in the contract with the Principal are completed.

Examples where the Group acts as an agent:

- The Group receives funding to transfer cash scholarships to students. The University is acting as an agent and recognises a liability for funds received.
- Overseas Student Health Cover (OSHC) insurance premiums charged to students and the University receives commissions for managing the collection of the premiums.

Refer Illustrative example of ‘Arranging for the provision of goods or services (entity is an agent)’.



Contributions and Grants Received from Government [AASB 15, AASB 1058 & AASB 9]

Contributions and Grants from Government

The Group receives contributions and grants from the Commonwealth and State governments:

- Commonwealth Grants Scheme
- Higher Education Loan Programs
- Other Education Grants, and;
- Research Grants

Refer to Appendix B: Revenue Recognition for Material Revenue Streams for a detailed listing of revenue recognition determinations for teaching and research income contributions and grants described in the four headings above.

Commonwealth Grant Scheme including Higher Education Loan Programs (HELP)

The Group has determined that these grants and programs are in scope of AASB 15 as an enforceable agreement exists with sufficiently specific performance obligations regarding the provision of tuition services.

Revenue is recognised over time in line with the calendar days over a teaching period. For funds received during the year pertaining to tuition services not yet delivered at the end of the reporting period, the Group recognises a contract liability (unearned revenue) at the end of the reporting period.

Other Education Grants

Revenue recognition for Other Education Grants is dependent upon the attached performance obligations:

1. Where there is a contractual obligation to deliver cash to the student, a financial liability is recognised, in accordance with AASB 9 and is subsequently extinguished when the Group delivers on its obligation to deliver cash to the student.
2. Where there are no identified sufficiently specific performance obligations attached to the grant, the Group recognises the income immediately when it has the contractual right to receive the grant, under AASB 1058.
3. Where there are sufficiently specific performance obligations attached to the grant, the Group recognises the income when service is delivered in accordance with AASB 15.

See next page for other categories

Contributions and Grants Received from Government (cont'd) [AASB 15, AASB 1058 & AASB 9]

Research Grants

Revenue recognition for research funding is dependent upon the source of the funding and the nature of the transaction.

Research grants that are considered to be within the scope of AASB 15 meet the enforceability criteria due to the existence of refund clauses in the agreements with the grantor and the promises to transfer goods or services to the customer (or on behalf of the customer). These are sufficiently specific as the Group has the obligation to provide:

- comprehensive research findings during or after completion
- publication of research data and results on an ongoing basis in an open access repository, if requested by the grantor, or;
- licence or transfer of intellectual property if requested by the grantor.

Refer to Research Revenue Recognition Assessment Guide for common scenarios involving provision of license to a donor, transfer of intellectual property and transfer of research findings.

Depending on the nature of the promise, the Group either recognises revenue at a point in time when the promise is delivered or recognises revenue over time as the service is performed. Generally, research revenue is recognised over time using an input methodology, being expenditure incurred to date for the project.

There is no significant financing component as research contracts typically have a contract period of less than three years on average and funds are provided over the funding period. The consideration is mostly fixed without highly probable variable components.

The University receives Commonwealth funding under the Research Support Program and the Research Training Program. These flexible funding programs do not contain sufficiently specific performance obligations. Therefore, these grants are recognised under AASB 1058 and income is recognised at the time the University receives the funds.

Fees and Charges [AASB 15]

Course Fees and Charges

Course Fees and Charges relates to undergraduate, graduate programs, continuing education and executive programs. Revenue is recognised over time based on the number of calendar days of a teaching period for each specific course.

When Course Fees and Charges have been paid in advance (e.g. before starting the academic period) the Group recognises a contract liability (unearned revenue) until the services are delivered.

The Group does not have obligations to return or refund revenue or other similar obligations, after the census date. The census date for a unit (advertised on the University website) is the last date that a student can withdraw from a unit without incurring a financial liability for that unit.

There is no significant financing component, as the period from when the student pays and the service is provided is less than 12 months and the consideration is not variable.

Convenience Fees

University provides a variety of payment options to facilitate the payment of tuition fees. When a student chooses to pay tuition fees by credit cards, the University incur bank merchant fees. In return, the University charges a credit card convenience fees to recover the cost. Where the student is charged a convenience fee for paying fees by credit card, this is included in course fees revenue.

Scholarships

The University provides scholarships to students and scholarships may include fee reduction or waivers, stipend or one-off payment.

Scholarships that are fee waivers or fee reduction are presented net of tuition fee income while stipends or one-off payment are recognised as expenses as incurred.

Non-Course Fees and Charges

Non-Course Fees and Charges relates to parking fees, student accommodation, student services and amenities fees and other services. Revenue is recognised either:

- ‘Over time’ as the services are progressively provided to, and consumed by, the customer, or;
- ‘At a point in time’ when control of the goods or services have been transferred to the customer.

The Group also charges upfront fees to students as part of the tuition services or other services offered (e.g. Clubs and membership fees, enrolment fees and other set-up fees).

If upfront fees relates to transfer of distinct goods or services that meets the definition of performance obligation under AASB 15, then these fees are recorded as revenue based on the guidance above (i.e. over time or at a point in time). Otherwise, the upfront fee is treated as an advance payment and is recognised when the future service is delivered or consumed. Refer to Illustrative example of “Revenue Recognition of Upfront Fees”.

Medical Services Revenue [AASB 15]

Accounting Policy Statement

Medical services revenue is recognised at a point in time when the Group has satisfied the relevant performance obligations i.e. patient services have been provided. Other service charges ancillary to the provision of medical services are recognised at a point in time and are based on the price specified either in contracts or at point of sale, net of discounts and returns at the time of sale.

Donations and Bequests [AASB 1058]

Accounting Policy Statement

The Group recognises donation income and bequests in accordance with AASB 1058, upon receipt of the asset donated, to the extent that there are no sufficiently specific performance obligations identified in the contract. Refer to Illustrative Example 5 – Income (provision of services, no sufficiently specific performance obligation) Scenario.

Contract Research and Consultancy Revenue [AASB 15 & AASB 1058]

Contract Research and Consultancy Revenue

This relates to revenue derived from research and consultancy activities provided to third party customers.

Accounting Policy Statement

Contract and consultancy revenue that satisfy the 'enforceable agreement' and 'sufficiently specific performance obligations' criteria are accounted for under AASB 15.

- Generally, revenue is recognised 'over time' using the input method of costs, so as to most appropriately reflect the satisfaction of the underlying performance obligation (i.e. transfer of services to the customer).
- For contracts where revenue is assessed as 'point in time' revenue recognition, revenue is recognised when the Group transfers control of the goods or services to the customer.
- If the agreement does not fulfill both the sufficiently specific and enforceable agreement criteria, the revenue is recognised on receipt under AASB 1058.

Royalties, Trademarks and Licences [AASB 15]

Royalties and Licences

This revenue stream is derived through either selling or ongoing use of intellectual properties controlled by the Group to third party customers.

Accounting Policy Statement

The Group recognises royalties received in exchange for licences of intellectual property at the later of when:

- the subsequent sale or usage occurs, or;
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied (or partially satisfied).

Capital Grants [AASB 1058]

Capital Grants

Capital grants are provided to enable an entity to acquire or construct a specific non-financial asset that is to be controlled by the Group. Key characteristics of capital grants:

- requires the entity to use that financial asset to acquire or construct a recognisable non-financial asset to identified specifications
- does not require the entity to transfer the non-financial asset to the transferor or other parties, and;
- occurs under an enforceable agreement.

Recognition Requirements

As the grant is received, the Group initially recognises the financial asset received and a liability is recognised for the related obligation to acquire or construct the non-financial asset.

Income is recognised only when (or as) the obligation is satisfied, which would generally be when the Group construct the assets the grants were provided for.

The non-financial asset constructed under the terms of the grant is recognised on the Statement of Financial Position in accordance with AASB 16.

Refer to Illustrative Examples for a scenario of capital grant accounting.

Rental Income - Lessor Accounting [AASB 16]

Lease Classification: Finance or Operating

When the Group acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease otherwise, it is an operating lease.

Examples that individually, or in combination, would normally lead to a lease being classified as a finance lease include:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lease term is for the major part of the economic life of the asset even if title is not transferred.
- At the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the asset.

For leases of assets that provide public services refer to the Policy position on Service Concession Assets.

Re-assessment of Lease Classification - when lease is modified

The Group reassesses the lease classification only if there is a lease modification (refer to Lease Modification). Changes in estimates do not give rise to a new lease classification. Example of changes in estimates are:

- changes in estimates of the economic life or of the residual value of the underlying asset, or;
- changes in circumstances (e.g. default by the lessee).

Lessor Operating Lease - Income Recognition

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

Lessor Finance Lease - Income Recognition

The Group recognises assets held under a finance lease in its Statement of Financial Position and presents them as a receivable at an amount equal to the net investment in the lease, which is the lower of fair value of the leased asset and the present value of future minimum lease payments. The Group also derecognise the carrying value of the underlying asset. Any difference between the net investment in the lease and the carrying value of the underlying asset is recognised as a gain or loss in the income statement.

Subsequently, the Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment in the lease.

Dividend Income and Franking Credits [AASB 9]

Recognition Requirements for Dividend Income

Dividend income is recognised when:

- the Group's right to receive the payment is established, which is generally when shareholders approve the dividend
- it is probable that the economic benefits associated with the dividend will flow to the entity, and;
- the amount of the dividend can be measured reliably.

Dividend vs. Return on Investment

Distributions from third party investments are recognised as dividends in the Statement of Comprehensive Income unless the distribution clearly presents a recovery of part of the cost of investments.

Determining whether a dividend represents a recovery of part of the cost of investments is a matter of judgement and the Group takes into consideration of relevant factors in the transaction, such as the relative size of the dividend compared to the cost.

Where the distribution represents a recovery of the cost of the investment, the distribution would be recognised as a reduction to the carrying amount of the investment rather than income.

Franking Credits

Subject to meeting certain tax requirements, as a tax-exempt entity, the Group may be entitled to a refundable tax offset equal to the amount of franking credits.

The Group's entitlement to franking credits is recognised in the Statement of Comprehensive Income at the date the Group becomes entitled to the franked dividends and is classified as part of dividend income and accrued income.

Interest Income [AASB 9]

Interest Income

Interest income is generated from the financial assets of the Group. This typically includes cash, term deposits held at amortised cost and debt instruments measured at fair value through Other Comprehensive Income.

Accounting Policy Statement

For all financial instruments measured at amortised cost and debt instruments measured at fair value through Other Comprehensive Income, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Interest income is included in net investment income in the Statement of Comprehensive Income.

Other Revenue and Income [AASB 15]

Other Revenue and Income

Other revenue comprises income generated from on-campus non-academic services including food, childcare, retail, hotel and sports facilities.

Accounting Policy Statement

The Group considers the revenue recognition criteria under AASB 15 and AASB 1058. Generally, the revenue recognition for these revenue streams will be recognised at a point in time when the Group transfers control of the good or service to the customer.

For these revenue streams, there is usually a non-material period between cash received from the customer and satisfaction of performance obligations.

Employee Related Expenses [AASB 119]

Employee Related Expenses

Employee related expenses comprises of salaries and wages, payroll tax, superannuation, leave and other entitlements expenses.

Accounting Policy Statement

AASB 119 requires the Group to recognise:

- an expense when the entity consumes the economic benefit arising from service provided, including professional and academic salaries and wages, leave expenses, superannuation and other payroll on-costs, and;
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future. Refer to Employee Benefit Liabilities for the accounting policy on short-term and long-term employee benefits provisions.

Borrowing Costs [AASB 123]

Borrowing Costs

Borrowing costs comprise of:

- interest and other costs on bonds
- bank facility and other costs, and;
- interest expense on lease liabilities.

Accounting Policy Statement

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are incurred for the acquisition, construction or production of a 'qualifying asset' (one that necessarily takes a substantial period to get ready for its intended use or sale). Refer to Leases section for the accounting policy statement on interest expense on lease liabilities.

Capitalisation of Net Borrowing Costs for Qualifying Asset

Net borrowing costs (i.e. borrowing costs less interest income earned on the unutilised borrowings) that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Capitalisation commences when all three of the following exist:

- asset preparation activities occur (including demolition and design work as well as physical build work),
- expenditure is incurred, and;
- borrowing costs are incurred.

Capitalisation ceases when substantially all the activities necessary to prepare the assets are complete.

Other Expenses

Operating Leases and Rental Expenses (AASB 16)

Payments made under leases not in scope for AASB 16 Leases (such as short term or low value assets) are charged to the Statement of Comprehensive Income on a straight-line basis, over the period of the lease, taking into account any lease incentives received from the lessor and known minimum rental increases over the term of the lease. The Group considers leases as low value if the value of the asset leased is less than $50k. The Group considers leases short term if the term of the lease is less than 12-months.

Repairs and Maintenance Costs (AASB 116)

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the carrying amount of those parts that are replaced is derecognised and the cost of the replacing part capitalised if the recognition criteria are met (refer PPE section for recognition criteria).

Other routine maintenance, repair and minor renewal costs are recognised as expenses.

Medical Consumable Costs

Medical consumables are recognised as expenses as incurred.

Scholarship and grants costs

Scholarships and grants awarded by the Group to students are recognised as expenses as incurred.

Impairment vs. Disposal of Assets

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of asset fair value less costs of disposal and value in use.

An asset disposal/write-offs is de-recognition of an asset when the asset is disposed or there are no future economic benefits expected from its use or disposal. Write-offs occur when an asset could not be physically verified, becomes obsolete or no longer in use and there is no resale market for it.

Agents Commissions (AASB 15 - Costs to Obtain a Contract)

The University recognises an asset for those incremental costs of international student recruitment if it is expected that the costs can be recovered. The recovery of costs can be both direct or indirect. In the case of international student recruitment this is indirectly recovered by the inherent margin in tuition fees charged to the student. A practical expedient is available of expensing the costs if the amortisation period is expected to be less than one year.

Statement of Financial Position

Assets

General Concepts of Assets	Prepayments	Property, Plant and Equipment
Cash and Cash Equivalents	Inventories	Intangible Asset
Trade and Student Fee Receivables	Equity Investment in Controlled Entities	Leases
Accrued Income	Financial Assets	Service Concession Arrangements
Contract Assets	Fair Value Measurements	Contingent Asset

Liabilities

General Concepts of Liability	Other Provisions	Unearned Revenue
Trade Payables	Employee Benefit Liabilities	Other Financial Liability
Accruals	Onerous Contract and Leases	Contingent Liabilities
Borrowings		

Equity

Equity	Reserves

General Concepts of an Asset [AASB Conceptual Framework]

Definition

An asset is a present economic resource that has the potential to produce economic benefits. It is controlled by the Group as a result of past events.

Key Words in Above Definition:

- Rights: include an obligation on another party e.g. rights to receive cash, goods or services; rights to use a physical asset; rights of benefit from residual value of a leased asset; rights to use intellectual property. Many rights are established by contract, legislation or similar means.
- Potential to produce economic benefits: for that potential to exist, it does not need to be certain, or even likely, that the right will produce economic benefits. It is only necessary that the right already exists and that, in at least one circumstance, it would produce for the entity economic benefits beyond those available to all other parties.
- Control: an entity controls an economic resource if it has the present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it. Control includes the present ability to prevent other parties from directing the use of the economic resource and from obtaining the economic benefits that may flow from it.

Recognition

An asset is recognised when it meets the attributes as listed in the definition above.

Derecognition

Derecognition is the removal of all or part of a recognised asset from the Group's Statement of Financial Position. Derecognition normally occurs when the Group loses control of all or part of the recognised asset.

Cash and Cash Equivalents [AASB 107]

Cash and Cash Equivalents

Cash and cash equivalents comprise:

- cash-on-hand;
- deposits held at call with financial institutions, and;
- other short-term and highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Restricted Cash

Restricted cash is cash that is held by the Group but not available for use by the Group.

The Group assess the terms and conditions relating to the account and the conditions relating to access to the funds to determine whether it is appropriate for the deposit to be classified as part of cash equivalents.

Trade and Student Fee Receivables [AASB 9]

Recognition and Measurement

At initial recognition, trade receivables are measured at their transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer.

Terms of Payment

Trade receivables are generally on terms of 30 days. Trade and student fee receivables are non-interest bearing.

Student receivables are due either in accordance with:

- a published payment date for each enrolled course unit, or;
- an individual payment plan agreed with students who are experiencing short-term financial difficulty.

Impairment

The Group applies a simplified approach in calculating expected credit losses ("ECLs"), recognising a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Other Receivables

- Finance lease receivables. Refer to Leases section.
- Deferred government benefit for superannuation - The Group contributes to defined benefit schemes for its employees. Cash contributions made by the Group for these schemes are reimbursable from the Commonwealth and State Government. Refer to Employee Benefit Liabilities section.

Accrued Income

Accounting Policy Statement

The Group recognises accrued income when a contractual performance obligation has been satisfied but:

- the customer/funding body has not yet been invoiced
- no funding has been received from the customer/funding body, and;
- there are no other conditions to be satisfied other than the passage of time.

Contract Asset [AASB 15]

Definition

A contract asset is recognised when the Group has a right to consideration conditional on something other than the passage of time.

For example, the University has provided the reports for a clinical trial to the customer but an invoice can not be raised until the reports are formally validated by the customer. The University will recognise a contract asset for the consideration to be received until formal validation is obtained from the customer.

Prepayments

Accounting Policy Statement

The Group recognises a prepayment as an asset when payments for goods or services have been made in advance of the Group obtaining a right to access those goods or services.

Inventories [AASB 102]

Definition

Inventories are assets:

- held for sale in the ordinary course of business
- 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.

Valuation

Inventories are valued at the lower of cost and net realisable value, defined as:

- Cost: all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.
- Net Realisable Value: the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Equity Investment in Controlled Entities [AASB 127 & AASB 9]

Measurement

Investment in controlled entities are measured at cost or in accordance with AASB 9.

Accounting Policy Statement

On initial recognition the University elects to reflect changes in the fair value of these investments either in the Statement of Comprehensive Income or Other Comprehensive Income.

Financial Asset [AASB 7 & AASB 9]

Definition

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

Initial Recognition and Measurement

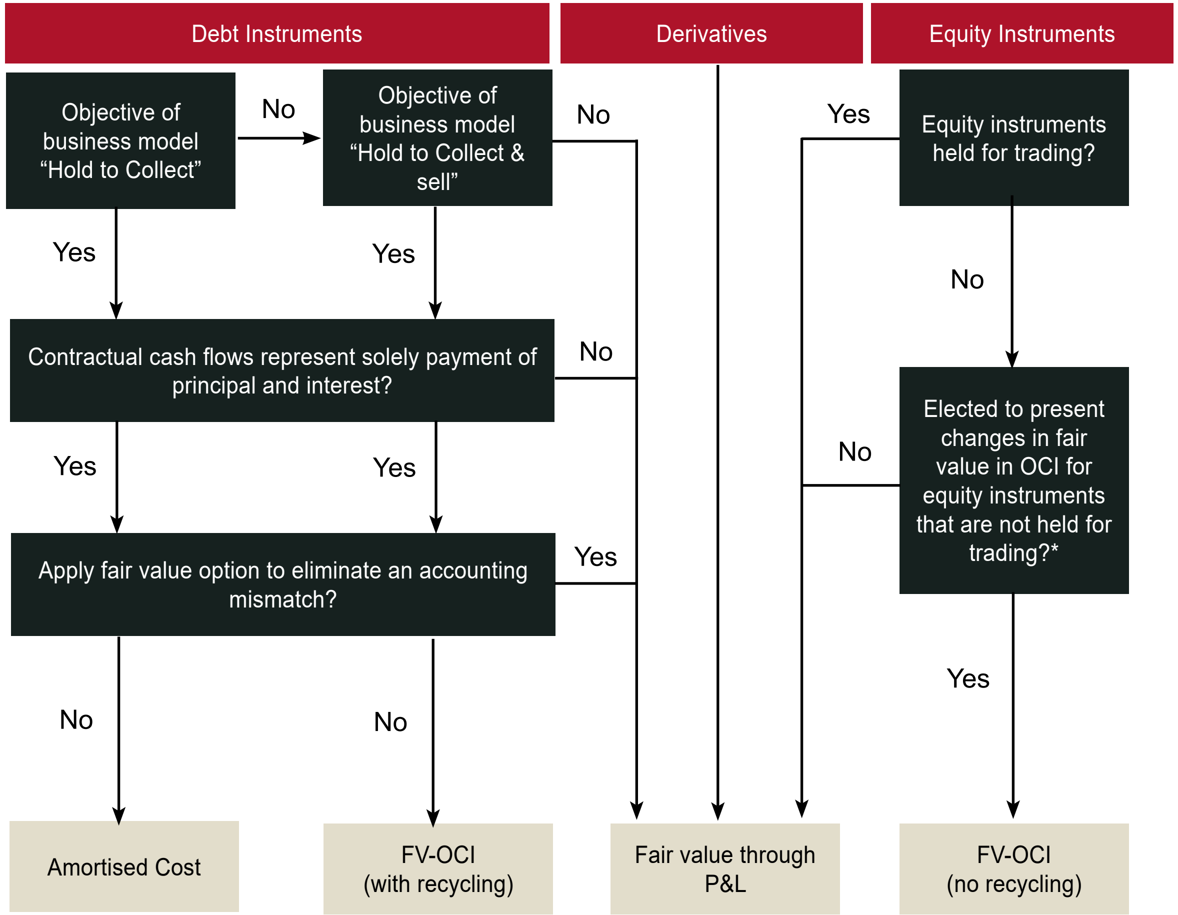
Financial assets are classified, at initial recognition, as either:

- subsequently measured at amortised cost
- fair value through Other Comprehensive Income (OCI), or;
- fair value though the Statement of Comprehensive Income.

With the exception of trade receivables and financial assets measured through the OCI, the Group initially measures a financial asset at its fair value plus transaction costs.

The classification of financial assets at initial recognition depends on whether:

- the objective of the Group's business model is to hold assets only to collect cash flows, or to collect cash flows and to sell ("the Business Model test"), and/or;
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").



**Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through OCI. The classification is determined on an instrument-by-instrument basis.*

See Next Page for Financial Asset

Financial Asset (cont'd) [AASB 7 & AASB 9]

A summary of financial assets by their classifications and subsequent measurements:

Classification	Financial Assets Held by the Group	Impacts on Financial Statements	Impairment
Amortised Cost	▪ Trade Receivables ▪ Term Deposits ▪ Debt instruments held by the controlled entities (loans under the Central Treasury agreement)	These assets are held to collect contractual cash flows on specific dates, generally in the form of principal and/or interest. These are measured at amortised cost using effective interest method and net of any impairment loss.	Under the Expected Credit Loss model.
Fair Value Through Other Comprehensive Income (FVTOCI)	▪ Investment in Controlled Entities, including MQ Health	The Group irrevocably elected to have certain strategic not-for-trading equity securities designated at FVTOCI. The classification is determined on an instrument-by-instrument basis. These assets are recognised at fair value with net changes in fair value recognised in the Comprehensive Income Statement. Gains or losses on these financial assets are never recognised in the Income Statement. Fair value measurement is further discussed in the next section.	Not applicable
Fair Value Through Profit or Loss (FVTPL)	▪ Listed equity securities ▪ Unlisted equity securities ▪ Debt instruments (intercompany loan with Celosia)	Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Debt instruments held by the parent with Celosia are classified as FVTPL as they are not a basic lending arrangement given the returns are not solely principal and interest. The asset is measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income as they arise. Fair value measurement is further discussed in the next section.	Not applicable

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised from the Group's Statement of Financial Position when the rights to receive cash flows from the asset have expired.

Fair Value Measurements [AASB 13]

Fair Value Hierarchy

The Group categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurements:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, or
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation Techniques

There are three main valuation technique as follows:

- Market approach - uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - converts maintainable or future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted or capitalised) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. This approach involves discounting future amounts (cash flows/income/cost savings) to a single present value.
- Cost approach - reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Application to the Group as below:

Asset Class	Instrument	Valuation Technique	Level	Valuation Frequency	Valuation Method
Financial Asset	Listed equity intruments	Market approach	1	Annually	Revalued based on quoted prices (unadjusted) in active markets.
Financial Liability	Borrowings - corporate bonds	Market approach	1	Annually	Revalued based on observable price quotations at the reporting date.

See next page for the continuation of the table

Fair Value Measurements (cont'd) [AASB 13]

Valuation Technique

Asset Class	Instrument	Approach	Level	Valuation Frequency	Valuation Technique
Financial Asset	Unlisted third-party equity instruments	Market approach/ Cost approach	2	Annually	▪ Using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, a portion will be revalued by an independent expert valuer and some will be revalued internally by management.
Financial Asset	Equity investment in MQ Health Pty Limited.	Income approach	2	Annually	▪ Management model the future cash flows into a single discounted amount and compare to the carrying value. A discount rate is selected based on the weighted average cost of capital of comparable entities.
PPE – Land PPE – Buildings	▪ Off-campus buildings and land; ▪ Tenanted on-campus buildings	Market approach	2	Annually	▪ Revalued by an independent expert valuer. ▪ Observable market transactions or market information is used when available (Sales Comparison Approach and Income Capitalisation Approach). These assets are located in established and relatively liquid markets. ▪ Revaluation adjustments may be made during the year, if there are significant changes in either expected use or duration of use for assets in these classes.
PPE – Land	Land	Market approach	2	Annually	▪ Revalued by an independent expert valuer. ▪ Significant inputs include existing zoning rights, specific planned uses for each precinct of Campus Land (as described in the Government approved Campus Concept Plan), specific floor space maximums for several precincts, and market sale evidence. ▪ Discounts have been applied to reflect restricted use and the large land parcel size.

See next page for the continuation of the table

Fair Value Measurements (cont'd) [AASB 13]

Valuation Technique

Asset Class	Instrument	Approach	Level	Valuation Frequency	Valuation Technique
PPE – Buildings PPE – Infrastructure	Non-Tenanted on-campus buildings and infrastructure	Cost approach	3	Annually	▪ Revalued by an independent expert valuer. ▪ Additionally, revaluation adjustments may be made during the year if there are significant changes in either expected use or duration of use for assets in these classes. ▪ As market information is not observable, other valuation techniques (including discounted replacement value) are used that maximise the use of relevant observable inputs (including utilising State Government approved Campus Concept Plans) and minimise the use of unobservable inputs.
Service Concession Assets	Buildings and infrastructure – classified as Service Concession Assets	Cost approach	3	Annually	▪ Measured using the current replacement cost, which is the depreciated replacement cost of the assets.
PPE – Library Special	Library Special Collections	Market approach	3	Triennially	▪ Revalued by an independent expert valuer, on the basis of market value for existing use. ▪ The collections are classified as Level 3 due to the limited number of external observable inputs.
PPE – Works of Art	Works of Art	Market approach	3	Triennially	▪ Revalued by an independent external valuer, on the basis of market value for existing use. ▪ The collection is classified as Level 3 due to the limited number of external observable inputs.

See next page for other topics of Fair Value Measurements

Fair Value Measurements (cont'd) [AASB 13]

Recent Funding Rounds as Basis of Valuation Methodology

Unlisted early-stage start-up companies present challenges to fair value, due to their early stage of development.

The approach most appropriate for valuing equity investments is usually the market approach, which for this type of entity will often be satisfied by reference to a recent external funding round.

This approach maximises the use of observable recent data (Level 2 inputs – prices of comparable equity instrument). This approach is common practice in the industry and is supported by the Valuation Guidelines[1] and IFRS 13 Fair Value Measurement accompanying examples[2].

A discount may then be applied to the price per share paid at a recent funding round to reflect bespoke factors including:

- Duration between funding round and valuation date – shorter time periods would provide more robust evidence of recent market activity.
- Evidence as to whether the entity is broadly on-track with its near-term objectives that it stated to investors during the most recent funding round.
- Varying rights ascribed to different classes of issued equity, including:
    - rights to convert existing shares to different share types and on what terms;
    - rights to receive dividends,
    - rights to vote on key topics, and;
    - preferential treatment on liquidation, etc.

Management assesses the relevant agreements (including the entity's constitution, relevant Shareholder Agreements etc) and considers the above factors in determining the discount factor to be applied.

Alternative valuation approaches when recent trading data is unavailable.

A '% of Net Assets' valuation approach will be used where no recent trading data is available.

Property, Plant and Equipment [AASB 116 & AASB 140]

Definition and General Recognition Requirements

Property, plant and equipment are tangible assets that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and;
- are expected to be used during more than one period (i.e. greater than 12 months).

An item of property, plant and equipment can be recognised as an asset if:

- it is probable that future economic benefits associated with the item will flow to the entity, and;
- the cost of the item can be measured reliably.

Capitalisation Threshold

Acquisitions and additions of non-current assets are capitalised if the value is more than $5,000.

Where a collection of similar/integrated assets are bought together, and individual items in this collection are less than the capitalisation threshold, but the asset collection is collectively greater than the capitalisation limit, the collective total may be capitalised.

Initial Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost, which includes:

- the purchase price (including import duties and non-refundable purchase taxes, and deducting trade discounts and rebates), and;
- costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (including incremental employee costs, site preparation, delivery, installation, assembly costs and professional fees).

Where an asset is acquired for nil cost or gifted, the deemed cost is the fair value of the asset as at the date of acquisition.

Derecognition and Disposals

The carrying amount of a capital asset shall be derecognised:

- on disposal, or;
- when no future economic benefits are expected from its use.

The gain or loss on derecognition is the difference between the net proceeds (if any) and the carrying amount of the item at the date of disposal. The gain or loss is recognised in the Statement of Comprehensive Income.

Asset disposals must be approved in accordance with the relevant entity's Delegations of Authority Register.

See next page for other topics for PPE

Property, Plant and Equipment (cont'd) [AASB 116 & AASB 140]

Subsequent Measurement of an Asset by Asset Class

The Group can elect to measure an asset class either under the cost model or the revaluation model. This measurement basis must be applied to the entire asset class. The measurement basis for each asset class is tabled below.

Asset Classes held at Fair Value (using the methodologies described in the Fair Valuation Measurements section of this Register)	Asset Classes held at Depreciated Historic Cost (there is no material difference between the fair value and the carrying value of these assets)
Land	Plant and Equipment
Buildings	Leasehold Improvements
Infrastructure	Library General
Works of Art	Construction in Progress
Library Special	

Purpose of Property Ownership

All property held by the Group is held for strategic purposes. In accordance with AASB 140 Investment Properties (para Aus. 9.1) buildings are therefore accounted for under AASB 116 rather than AASB 140, with revaluations adjusted via an Asset Revaluation Reserve.

Fair Value Revaluation Adjustments

If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the carrying amount is adjusted to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised in Other Comprehensive Income, and accumulated in equity under the heading of Asset Revaluation Reserve. A separate reserve is maintained per asset class. Decreases that reverse previous increases of the same asset class are recognised in Other Comprehensive Income, to the extent of the remaining reserve attributable to the asset class. All other decreases are charged to the Income Statement.

See next page for other topics for PPE

Property, Plant and Equipment (cont'd) [AASB 116 and AASB 140]

Depreciation

Property, plant and equipment are depreciated only when they are completed and ready for use. Depreciation is calculated on a straight-line basis, net of an asset's residual value, over its expected useful life. Standard applicable rates by asset type are:

Asset classes and sub-classes (sub-classes shown in italics)	Typical Expected Useful Life
Construction in Progress	N/A - not depreciated
Land	N/A - not depreciated
Buildings	10 - 60 years (demountable building generally 10 years)
Plant and Equipment	3 - 10 years
1. *Motor Vehicle*	7 years
2. *Medical Equipment*	Up to 10 years, except Gamma Knife: 20 years; 5 years for items below $200k
3. *Laboratory Equipment*	10 years
4. *Fixtures and Fittings, Office Fit Outs*	10 years
5. *Air Conditioning*	10 years
6. *Furniture*	10 years
7. *Audio Visual Equipment*	10 years
8. *Communication Equipment*	10 years
9. *Electrical*	10 years (except Co-Generation Plant: 33 years)
10. *IT Physical Equipment*	3 years (longer on approval of Chief Information Officer)
Leasehold Improvements	Term of lease
Library Collections General	5 years
Library Collections Special	N/A - not depreciated
Works of Art, including Museum Artefacts	N/A - not depreciated
1. *Museum Collection*	N/A - not depreciated
2. *Works of Art*	N/A - not depreciated

See next page for other topics for PPE

Property, Plant and Equipment (cont'd) [AASB 116 & AASB 140]

Useful Life vs. Economic Life

Useful life is the estimated number of years an asset is expected to generate economic benefits to the entity and is a key input into the depreciation method. An asset may have a total economic life (greater than useful life) in which it is in a usable condition but is not generating economic benefits to the entity.

Changes in Estimates

Depreciation method, asset residual values and useful lives are reviewed at each reporting date, and will be adjusted if expectations differs from previous estimates.

The change in depreciation method including change in residual value and estimated useful lives is accounted for as a change in accounting estimate in accordance with AASB 108 and any impact on Statement of Comprehensive Income is accounted for prospectively (i.e. no restatement of prior periods).

Other Matters

- Legal title - all assets purchased from funds administrated by the Group are the property of the Group, except where an agreement to the contrary is part of the conditions associated with a particular grant or contract that has funded acquisition of the asset. Such instances will be identified at contract inception. The Group receives funds for purchase or construction of a property, plant and equipment and those grants should be assessed under AASB 1058. Please refer to Capital Grants for details.
- Defect liability period costs - construction contracts may include a defect liability period during which the contracted construction company is responsible for rectifying defects that existed at the time the asset was completed. This period usually commences upon practical completion of the works and runs for a contractually specified time frame (the 'defect liability period'). Where the contract requires payment by the Group to the contractor for costs incurred during the defect liability period, such costs are capitalised by way of an adjustment to the original capitalised assets cost base.

See next page for other topics for PPE

Property, Plant and Equipment (cont'd) [AASB 116 & AASB 140]

Other Matters (cont'd)

- Subsequent costs, including replacement parts, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. This may be achieved if, for example, the subsequent costs enhance the service capacity or extend the useful life of the asset. The carrying value of those parts that are replaced are derecognised in accordance with the derecognition criteria. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.
- Asset trade-ins or exchanges - the Group may enter into commercial arrangements with an asset supplier to 'trade-in' or 'upgrade' an asset by relinquishing legal title of the older asset and acquiring legal title of the newer asset, potentially also involving payment of a partial cash consideration. The difference between the asset disposed and acquired and the cash payment is recognised as a gain or loss in the Statement of Comprehensive Income.
- Examples of costs that are NOT an item of PPE:
    - costs of opening the facility (e.g. building)
    - costs of introducing a new product or service (including costs of advertising and promotional activities)
    - costs of conducting business in a new location or with a new class of customer
    - costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity
    - initial operating losses, such as those incurred while demand for the item's output builds up
    - costs of relocating or reorganising part or all of an entity's operations, or;
    - administrative and other general overhead costs.

Back to main page of PPE

Intangible Asset [AASB 138]

Definition

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

Recognition

An intangible asset shall be measured initially at cost. Where an asset is acquired at no cost, or for a nominal cost, the deemed cost is its fair value as at the date of acquisition.

An intangible is recognised if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity
- to restrict the access of others to those benefits, and;
- the cost of the asset can be measured reliably.

The Group assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Refer also to the next pages on website costs and cloud computing arrangements sections for further guidance on capitalisation eligibility of these specific costs.

.

Amortisation

Intangible assets are amortised when they are completed and ready for use. Amortisation is calculated on a straight-line basis over the assets' estimated useful lives, which are reviewed regularly. Standard applicable rates by asset type are shown on the table below.

Asset Class	Expected Useful Life
Patents	20 years
IT software – refer also to the website costs and cloud computing costs sections for further guidance on capitalisation eligibility	3 - 10 years
1. In-house custom-developed fit-for-purpose software	5 years
2. Any upgrade/enhancement to an existing system/ software OR implementation of an off-the-shelf system/software	3 years
Digital library collections	10 years

See next page for other topics for Intangbile Assets

Intangible Asset (cont'd) [AASB 138]

Impairment

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, being the higher of the asset's:

- fair value less costs of disposal, and;
- its value in use, being the present value of the cash flows, or other economic benefits, that an entity expects to derive from the use of an asset and from its ultimate disposal.

Intangible assets - Website, AASB Interpretation 132

Recognition of website costs as an intangible asset:

- An entity's own web site that arises from development and is for internal or external access is subject to the assessment under AASB 138 to determine if it meets the criteria of an internally generated intangible asset.
- Only under limited circumstances, website costs can be capitalised as an intangible asset. In addition to the general policy requirements for intangible assets, the website must be capable of generating direct revenues by enabling orders to be placed.
- Examples of types of costs and their classification as expenses or assets are detailed in the table on the right.

Related Website Expenses

Costs incurred in the purchasing, developing, and operating of hardware (e.g. web servers, staging servers, production servers and internet connections) of a website are accounted for in accordance with the policies for PPE. Expenditure on an Internet service provider hosting the entity's web site is recognised as an expense.

Web Page Functionality	Cost Classification
Internal web pages (typically accessible to staff but not students or other customers).	All costs expensed as incurred
External web pages and content that do not deliver capability to generate direct revenues by enabling orders to be placed.	All costs expensed as incurred
External web pages and content that deliver capability to generate direct revenues by enabling orders to be placed:	See below
▪ Planning phase - includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.	All costs expensed as incurred
▪ Application and Infrastructure Development - includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.	Expenditure that can be directly attributed to, and is necessary for the creation, production or preparation of the web site for it to be capable of enabling orders to be placed, is capitalised. All other costs are expensed as incurred.
▪ Graphical Design Development - includes designing the appearance of web pages.	
▪ Content Development - includes creating, purchasing, preparing and uploading information, either textual or graphical in nature, on the web site before the completion of the web site's development. This information may either be stored in separate databases that are integrated into (or accessed from) the web site or coded directly into the web pages.	
▪ Operating Stage - maintenance and enhancement of the applications, infrastructure, graphical design and content of the web site.	All costs expensed as incurred

See next page for other topics for Intangbile Assets

Intangible Asset (cont'd) [AASB 138]

Intangible assets - patents

A patent is a government authority or licence conferring a right or title for a set period, i.e. the sole right to exclude others from making, using, or selling an invention. Patents are accounted for as assets if they meet the guidance on Intangible asset. Different patent stages including accounting implication are as follows:

- Research Stage - all costs relating to research activities are recorded as expense once incurred.
- Development Stage - costs can be capitalised if technical feasibility of completing the intangible was achieved and able to demonstrate that it will generate probable future economic benefits. Otherwise costs should be recorded as expense when incurred.
- Patent Processing Stage - which can be further divided in three stages:
  - On-going - when the patents are filed but not yet granted. Until all patents in the patent family are granted, the project stays in the On-going category and will be recorded in WIP.
  - Granted - once all patents in the patent family are granted, the patent family will be moved from the WIP to the Fixed Asset Register.
  - Write-Off - once all patents lapsed/abandoned/assigned/ expired in the patent family, it can be written off.

Intangible assets – digital library assets

Digital library assets include licences and subscription costs paid to gain access to purchased information. Such costs can only be capitalised where the licence includes perpetual access rights to the purchased information, i.e. the access to historical information will be retained if the subscription ceases.

Cloud Computing Arrangements

Cloud Computing Arrangements (CCA) are those arrangements referred to as Software as a Service (SaaS), infrastructure as service or hosting arrangements. The Group will evaluate whether the contractual rights granted in a CCA are within the scope of AASB 16 Leases or AASB 138 Intangible Assets.

CCA that meet the criteria of AASB 16 Leases will be accounted for in accordance with guidance on Right-of-Use Asset - Lessee Accounting while CCA that meet the criteria of AASB 138 Intangible Assets will be accounted for in accordance with guidance on Intangible assets. Appendix C Table 1 provides a decision tree to identify the accounting standard for a CCA.

Internally developed code (e.g. a system interface to an existing system) may be generated as a result of implementation activities of the CCA. For an intangible asset to be recognised for this code, all of the following attributes of control must be demonstrated:

- Identifiable: capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, regardless of whether the entity intends to do so.
- Control: power to obtain the future economic benefits flowing from the underlying asset and to restrict the access of others to those benefits.
- Future economic benefits: expected future benefits using reasonable and supportable assumptions that represent management's best estimate of the economic conditions that will exist over the useful life of the asset.

The implementation costs incurred for CCA are evaluated to be either operating costs or capitalizable costs depending on the type of CCA and the project stage. Internally developed assets that meet the definition of AASB 138, may be generated as a result of the implementation activities such as bespoke/customised reports, integration software/code to interface to other systems, development of data conversion software. The costs relating to the internally developed assets may be capitalised in accordance with AASB 138.

Appendix C Table 2 provides guidance on the type of costs to expense or capitalise depending on the CCA and the project stage.

See next page for other topics for Intangbile Assets

Intangible Asset (cont'd) [AASB 138]

Exclusive IP Licensing Agreements

In some arrangements, the University (Licensor) grants an exclusive licence to another entity (Licensee) to use its internally developed IPs. These type of arrangements often allow the Licensee to use the IP for the majority of its useful life.

Key consideration for the University will be whether it has substantially transferred control of the IP to Licensee i.e., an in-substance sale and purchase of the IP or whether it has granted a licence in respect of its IP but has not transferred control of the underlying IP asset to Licensee.

Relevant accounting standards (AASB 15) provides guidance and indicators as to whether control of goods or services has transferred. The assessment of in-substance sales is judgemental in nature and depends on the specific facts and circumstances of the transaction at hand. The indicators of a transfer of control "at a point in time" is listed below:

Indicators of a transfer of control
The entity has a present right to payment for the asset
The customer has legal title to the asset
The entity has transferred physical possession of the asset
The customer has the significant risks and rewards of ownership of the asset
The customer has accepted the asset

If the indicators above are present and control of the IP transfers to Licensee, the University should treat this as a sale of IP to Licensee and de-recognise the IP in its financial statements. The date of the disposal of an intangible asset is the date that the recipient obtains control of that asset, in accordance with the requirements for determining when a performance obligation is satisfied under AASB 15.

Leases
[AASB 16]

Lease Identification - Lessee

At inception of a contract, the Group assesses whether a contract is a lease, or contains a lease, of an asset (refer Appendix G: Decision Tree – Leases). A contract is a lease, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Contracts that may contain a leased asset include licenses, occupation licensees or affiliation agreements.

Indicators of Control:

- Right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use. An example of this is obtaining cash flows from use of leased medical equipment or facilities to provide services to patients.
- Right to direct the use of the asset throughout the period of use. Examples that can demonstrate right to direct the use of asset include:
  - determining the output for the use of equipment or facility which can include whether its for teaching, research or medical services
  - establishing regular operating hours for the use of equipment or facility
  - setting up or changing the physical location of equipment, or;
  - deciding whether to use the equipment and how many services or products are to be produced.
- The agreement does not contain a lease substantive rights to substitution.

See next page for other topics for Leases

Leases (cont'd) [AASB 16]

Group as a Lessee

At the commencement date of a lease, the Group as a lessee is required to recognise both:

- right-of-use asset, and;
- lease liability.

Right-of-use Asset

A right-of-use asset is initially measured at cost comprising:

- the initial measurement of the lease liability
- adjusted for any lease payments made before the commencement date (reduced by lease incentives received
- initial direct costs incurred in obtaining the lease, and;
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Lease liability

Lease liability is initially measured at the present value of unpaid lease payments at the commencement date of the lease. To calculate the present value, the unpaid lease payments are discounted using the interest rate implicit in the lease if the rate is readily determinable. If the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate at the commencement date of the lease is used. Please seek guidance from Tax & Treasury team in terms of rate to use.

Lease payments included in the measurement of lease liabilities comprise:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments varying on account of changes in CPI)
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

See next page for other topics for Leases

Leases (cont'd)
[AASB 16]

Subsequent Measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The useful lives of right-of-use assets for depreciation purposes is the shorter of the useful life of the asset and the lease term. The Group records and maintains the right-of-use asset in the Fixed Asset Register.

The carrying value of lease liabilities are increased to reflect interest on the lease liability and reduced by the lease payments made over the lease period. Lease liabilities are remeasured to reflect any reassessments or lease modifications.

Short-term and Low Value Leases - Exemptions from Lease Accounting

Payments made under leases not in scope for AASB 16 Leases (such as short term or low value assets) are charged to the Statement of Comprehensive Income on a straight-line basis, over the period of the lease, taking into account any lease incentives received from the lessor and known minimum rental increases over the term of the lease. The Group considers leases as low value if the value of the asset leased is less than $50k. The Group considers short-term if the term of the lease is less than 12-months.

Peppercorn or Concessionary Leases

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Group to further its objectives, are initially and subsequently measured at cost, as permitted under AASB 16.

Impairment

The Group applies AASB 136 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

See next page for other topics for Leases

Leases (cont'd)
[AASB 16]

Lease Remeasurement

After the commencement date, the Group as a lessee, remeasures the lease liability to reflect changes in the lease payments, which occurs when:

- the lessee reassesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease early, or;
- the lessee revises the lease term when there is a change in the non-cancellable period of a lease.

The lease liability is remeasured with an unchanged discount rate when:

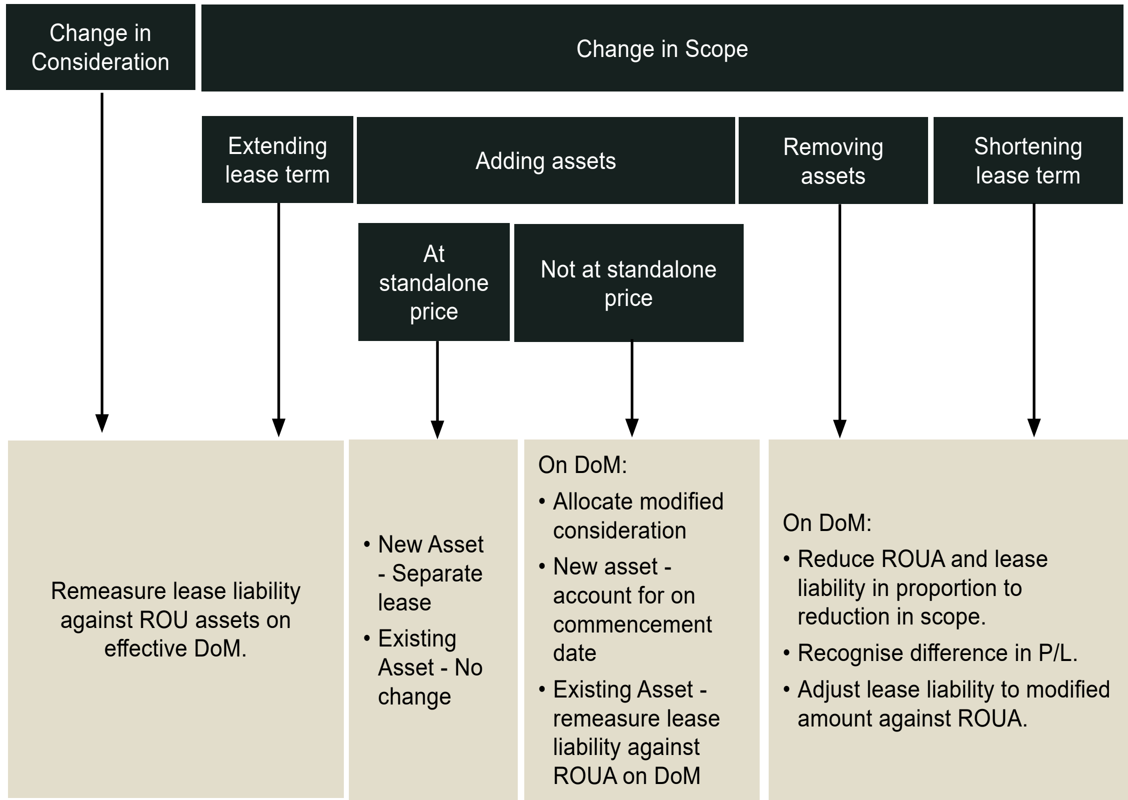
- the amount expected to be payable under the residual value guarantee changes, or;
- future lease payments change to reflect market rates (e.g. based on a market rent review) or a change in an index or rate.

A revised discount rate is used when:

- future lease payments change as a result of a change in floating interest rates
- the lease term changes, or;
- the assessment of the exercise of a purchase option changes.

The revised discount rate will be the rate implicit to the lease (or if not available the Group's incremental borrowing rate) at the date of modification.

Lease modifications, are changes that result from renegotiations and changes to the terms of the original contract. Depending on the changes, the lease modification is accounted for either a separate lease or not a separate lease. Please refer to the decision tree on the right hand side for details.



**DoM means Date of Modification*

See next page for other topics of Leases

Leases (cont'd) [AASB 16]

Group as a Lessor

For operating leases, the Group recognises lease income as discussed in (Rental Income – Lessor Accounting) and the related assets under the lease are recognised in the Statement of Financial Position as fixed asset under AASB 116.

For finance leases, assets legally owned by the Group but leased to a third party, where substantially all the risks and rewards from use of the asset have been transferred to the lessee at inception of the lease, are classified as a finance lease receivable instead of their original asset class (e.g. Land or Buildings).

Refer to Rental Income – Lessor Accounting for finance vs. operating lease classification.

Recognition

Finance leases are measured at the lease's inception at the lower of:

- fair value of the leased asset, and;
- the present value of future minimum lease payments.

Each lease receipt is allocated between the receivable and finance lease income.

Impairment

For finance lease receivables, the Group applies general approach in calculating ECLs, which are recognised in two stages:

1. No significant increase in credit risk - a loss allowance is required for credit losses that result from default events that are possible within the next 12-months (a 12- month ECL).
2. Significant increase in credit risk - a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). At each reporting date, the Group evaluates whether there has been a significant increase in credit risk using all reasonable and supportable information that is available, including forward looking information without undue cost or effort.

Lease Incentives

Lease incentives like fitout expenditure undertaken or reimbursed by the lessor will be recognised as an asset by the lessor where it reflects that the lessor has control of the economic benefits from the fitout.

Service Concession Arrangements: Grantor [AASB 1059]

Definition

Service Concession Arrangements (SCA) are arrangements that public sector entities enter into with a private sector operator for the delivery of public services.

In a SCA, a grantor (the University) grants an operator (a private-sector entity) the right to operate and maintain the grantor's assets for a period of time. The assets might already exist or the operator may also be engaged to construct, develop or upgrade the asset as part of the concession arrangement.

An example of an SCA is an arrangement wherein a public university grants a private sector operator to construct and operate a student accommodation.

A service concession asset is recognised where an asset is utilised for public sector services, and is operated by a third party, but the University (as grantor) controls or regulates the asset.

Refer to Appendix D: Decision Tree for Assessing Service Concession Arrangements.

Indicators of Control of a Service Concession Asset

Control of Service Concession Assets arises when the University controls or regulates:

- what services the operator must provide with the asset
- to whom it must provide them
- at what price the services must be provided
- the ownership of any residual interest in the asset at the end of the term of the agreement, and;
- the asset for at least the major part of its economic life.

Asset construction and legal title

Service Concession Assets may be constructed:

- by the University;
- by the University and subsequently improved by a third-party operator, or;
- by a third-party operator.

Legal title of the asset is not a prerequisite for recognition as a Service Concession Asset.

Service Concession Arrangements: Grantor (cont'd) [AASB 1059]

Initial Measurement and Recognition

Service concession assets are initially recognised at fair value, which is their current replacement cost, in accordance with the cost approach to fair value in AASB 13.

When an existing asset is used in a SCA, such an asset is reclassified from its existing non-current asset class (e.g. Land or Building) to a service concession asset class and is measured at the current replacement cost at the date of reclassification.

At the date of reclassification, where there is a difference between the carrying amount of the asset and its fair value (current replacement cost) the difference is accounted for as a revaluation of the asset and recognised in Other Comprehensive Income and accumulated in the Service Concession Asset Revaluation Reserve.

Subsequent Costs, Replacement of Parts and Repairs and Maintenance

Subsequent costs, including replacement or upgrade of components of the service concession assets are recognised as an asset if they meet the recognition criteria of an asset. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation

Service concession assets are depreciated only when they are completed and ready for use. Depreciation is calculated on a straight-line basis, net of an asset's residual value, over its expected useful life. Standard applicable rates by asset class are defined under the Property, Plant and Equipment section.

Derecognition

At the end of the term of the SCA, the relevant service concession asset is reclassified to the relevant non-current asset class, and subsequently revalued in accordance with that asset type.

Service Concession Liability

Service concession liabilities represent the following elements, as applicable to the SCA:

- a financial liability representing an obligation by the University to pay cash or another financial asset to the operator
- the unearned revenue arising from the receipt of a service concession asset under the grant of a right to the operator (GORTO) model, or;
- the unearned revenue arising from the receipt of additional consideration from the operator for access to an existing asset of the University that has been reclassified as a service concession asset. Where that additional consideration is transferred, an adjustment is required to reflect to the remaining period of the SCA relative to the total period of the arrangement.

See next page for other topics for Service Consession Arrangements

Service Concession Arrangements: Grantor (cont'd) [AASB 1059]

GORTO Liability - grant of a right to the operator (GORTO) model

Where the operator has constructed additional service concession assets or improved the University's existing assets granted under the arrangement, a non-financial liability is recognised.

This non-financial liability is measured by reference to the fair value (current replacement cost) of those operator-constructed assets at contract inception.

The unwinding of the liability is recognised as income over the SCA on a straight-line basis.

Subsequent Measurement

Service concession assets are carried at fair value less any depreciation and impairment using the methodologies described by asset class in Fair Value Measurement.

Increases in the carrying amounts arising on revaluation of service concession assets are recognised in Other Comprehensive Income and accumulated in equity under Asset Revaluation Reserve.

Decrease that reverse previous increases of the same asset class are recognised in Other Comprehensive Income, to the extent of the remaining reserve attributable to their asset class. All other decreases are charged to the Statement of Comprehensive Income.

Application to the University

AASB 1059 came into effect 1 January 2020 for the University with comparatives restated. The University determined that the operation of the Macquarie University Village is a public service for the purpose of AASB 1059.

The University entered into a Student Accommodation Agreement with a third-party operator to manage and operate the student accommodation known as the Macquarie University Village Stage 1, and to build, manage and operate the student accommodation known as Macquarie University Village Stage 2. The period of the agreement is 30 years and at the end of that time the student accommodation will revert to the University without any payment to the operator.

On initial application of AASB 1059, the University recognised the following:

- Service Concession Assets: Stage 1 & 2 assets - being the fair value (current replacement cost) of the assets as at 1 January 2019 (being earliest period presented in the financial statements), and;
- Service Concession Liability: Stage 2 assets - being the fair value (current replacement cost) of those operator-constructed assets as at 1 January 2019. In this arrangement, there were no liabilities recognised for obligations by the University nor additional consideration received from the operator in advance.

Others

The Group shall account for other liabilities, commitments, contingent liabilities and contingent assets arising from a SCA in accordance with AASB 9 Financial Instruments, AASB 137 Provisions, Contingent Liabilities and Contingent Assets, and any other relevant Standards.

Contingent Assets
[AASB 137]

Definition

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. An example is a claim that the University is pursuing through legal process, where the outcome is uncertain.

Recognition

Contingent assets are not recognised in the Statement of Financial Position. Contingent assets are disclosed in the annual financial statements of each entity as required.

General Concepts of Liability [AASB Conceptual Framework]

Definition

A liability of an entity is a present obligation with the potential to require transfer of an economic resource as a result of past events.

Key words in above definition:

- Present obligation – a duty or responsibility to another party at the reporting date that an entity has no practical ability to avoid.
- Potential to require transfer an economic resource - for that potential to exist, it does not need to be certain; it is only necessary that the obligation already exists and that, in at least one circumstance, it would require the entity to transfer an economic resource to another party.
- Result of past events - the entity has already obtained economic benefits or taken an action, and as a consequence, the entity will or may have to transfer an economic resource that it would not otherwise have had to transfer.

Recognition

A liability is recognised when it meets the criteria detailed above.

Derecognition

Derecognition is the removal of all or part of a recognised liability from an entity's Statement of Financial Position. Derecognition normally occurs when the entity no longer has a present obligation for all or part of the recognised liability.

Current vs. Non-current Classification

The Group classifies a liability as current when:

- it expects to settle the liability in its normal operating cycle
- it holds the liability primarily for the purpose of trading
- the liability is due to be settled within twelve months after the reporting period, and;
- the Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities that does not meet the requirements above are classified as non-current.

Trade Payables

Definition

Trade Payables are liabilities for goods or services that have been received or supplied, and an invoice has been received from, but not yet paid to, the supplier.

Measurement

Trade Payables are recognised at original cost, which is not materially different to amortised cost due to the short-term nature of liabilities. The amounts are unsecured and are usually paid within 30 days of recognition to the supplier.

Derecognition

Trade Payables are derecognised when the liability to the vendor is settled.

Accruals

Definition

Accruals are liabilities to pay for goods or services that have been received or supplied but an invoice has not been received.

Accruals can also include amounts due to employees (e.g. salary and wages) for the period between the last pay period and the reporting date.

Measurement

Accruals are recognised at historical cost. It is sometimes necessary to estimate the amount or timing of accruals, but the uncertainty is generally much less than for provisions.

Derecognition

Accruals are derecognised when the liability is either:

- converted to another type of liability (e.g. to a trade payable), or;
- extinguished once payment is made, or in the case of an accrual for wages between the last pay period and the reporting date.

Borrowings [AASB 132, AASB 7 & AASB 139]

Initial Recognition

Borrowings are recognised at fair value, net of transaction costs incurred.

Subsequent Measurement

Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount (the face value of the borrowings) is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate (EIR) method.

Classification

Borrowings are classified as current liabilities unless:

- the Group has a contractual right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position, and;
- the Group does not expect to settle the liability for at least 12 months after the date of the Statement of Financial Position.

Derecognition

Borrowings are removed from the Statement of Financial Position 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 Other Income or Other Expenses in the Statement of Comprehensive Income.

Other Provisions [AASB 137]

Recognition

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events
- it is probable that an outflow of resources will be required to settle the obligation, and;
- the amount can be reliably estimated.

Provisions are not recognised for future operating losses.

Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. Refer also to Appendix: Provisions vs Contingent Liabilities for guidance on the delineation between provisions versus contingent liabilities.

Measurement

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the date of Statement of Financial Position.

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 finance cost.

Employee Benefit Liabilities [AASB 119]

Short-term obligations (including Salaries and Wages)

Liabilities for short-term employee benefits, including accrued wages and salaries and unremitted superannuation payments, are measured at the amount expected to be paid when the liability is settled. If it is expected that these liabilities will be settled wholly within twelve months of the reporting period, classified as part of Trade and Other Payables.

Long-term obligations (including Long Service Leave and Annual Leave)

The liabilities for long-term benefits such as annual leave and long service leave are recognised in current provisions for employee benefits if it is expected to be settled:

- wholly within twelve months of the reporting period, or;
- within twelve months after the reporting period.

Such liabilities are recognised as non-current if either of the above criteria do not apply (AASB 101.7).

Long term liabilities are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to 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 of maturity and currency that match, as closely as possible, the estimated future cash outflows.

Long Service Leave liabilities across the Group are determined according to an actuarial assessment performed in accordance with AASB 119 Employee Benefits.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The expense and liability are recognised when the Group:

- is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or;
- is providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits are measured on initial recognition and subsequent changes are measured and recognised in accordance with the nature of the employee benefit. Benefits expected to be settled wholly within 12 months are measured at the undiscounted amount expected to be paid. Benefits not expected to be settled before 12 months after the end of the reporting period are discounted to present value.

Refer also to Appendix Employment Termination Provisions for practical application guidance regarding when termination provisions are triggered and the types of costs that should be included in the provision.

See next page for other topics of Employee Benefit Liabilities

Employee Benefit Liabilities (cont'd) [AASB 119]

Employee Benefits - Unfunded Defined Benefit Superannuation Liabilities

The Group contributes to three closed state pension schemes within the State Authorities Superannuation Trustee Corporation, namely:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS), and;
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The above schemes are defined benefit schemes, providing defined lump sum benefits based on years of service and final average salary. The schemes are subject to reimbursement arrangements under the Higher Education Support Act 2003 in the proportion of 78:22 from the Commonwealth and the State Governments, respectively.

A liability in respect of these plans is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation at the reporting date 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 fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to 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.

Remeasurement gains and losses and past service costs are not recognised in the Income Statement or Statement of Comprehensive Income, due to the government reimbursement arrangements noted above. Instead, a debtor is shown on the Statement of Financial Position, to the same value of the corresponding liability noted above, reflecting the funds owing from the Federal and State Governments to cover the unfunded element of the three schemes.

UniSuper

The Group's parent entity contributes to the UniSuper Defined Benefit Plan ('UniSuper') for academic staff appointed since 1 March 1988 and professional staff from 1 July 1991. UniSuper is a post-employment defined contribution plan into which the Group pays fixed contributions. The UniSuper Defined Benefit Division (DBD) is a defined benefit plan under Superannuation Law but, as a result of Clause 34 of the UniSuper Trust Deed, a defined contribution plan under AASB 119. UniSuper is not considered to be controlled by the Group and therefore any excess/shortfall of assets over accrued benefits has not been included in the Group's financial statements.

Back to main page of Employee Benefit Liabilities

Onerous Contracts [AASB 137]

Onerous Contracts

Onerous contract refers to a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The expected economic benefits under a contract may include future cash inflows and other direct and indirect benefits, which requires careful consideration and requires significant professional judgment for non-for-profit entities.

The unavoidable costs of meeting obligations are the lower of:

- the incremental costs of fulfilling the contract, or
- any compensation or penalties that would become payable if the contract is exited or breached.

In assessing unavoidable costs, the Group considers all expected costs to complete or exit a contract, which includes incremental costs to complete the contract as well as other unavoidable direct costs. Where the Group has an onerous contract, the present obligation under the contract must be recognised and measured as a provision.

It is expected that a provision for an onerous contract would be measured based on the unavoidable costs of meeting contract obligations and using the same approach that was used for determining whether the contract is onerous.

Before the Group recognises provision for onerous contracts, assets involved in contract fulfilment are first tested for impairment. If any impairment loss occurred on the assets dedicated to the contract, it is recognised first.

Unearned Revenue [AASB 15]

Definition and Recognition

The differences between amounts recognised as revenue and amounts received from customers are recognised as contract assets or liabilities as per AASB 15. Unearned revenue is recognised when the consideration is received and there are remaining performance obligations to the customer. Unearned revenue is recognised as revenue when the performance occurs.

The following are examples of unearned revenue relevant to the University:

- teaching revenue received but not yet delivered, and;
- research revenue from grants not yet performed.

Other Financial Liability [AASB 9]

Definition and Recognition

A financial liability is the obligation to transfer funds to an external third party (e.g. students in receipt of scholarships or research partners under Multi Institutional Arrangements) as per the terms and conditions of the contract. These are funds that have been received but do not meet the criteria for recognition as revenue and is therefore a liability.

A financial liability is recorded when the Group receives consideration on behalf of the identified recipient and is extinguished as the funds are transferred to the identified recipients.

Contingent Liabilities [AASB 137]

Definition

Contingent Liability is:

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

Recognition

Contingent Liabilities are not recognised in the general ledger. Refer to Appendix: Provisions vs Contingent Liabilities

General Concepts of Equity [Conceptual Framework]

Definition

Equity is the residual interest in the assets of the entity after deducting all its liabilities. The following is the composition of equity within the Group:

Issued Capital	For MQ Health Pty Limited and Celosia Therapeutics Pty Limited, issued capital relates to the total value of shares that a company has issued to its shareholders.
Reserves	Refer to the "Asset Revaluation Reserves" section below.
Retained earnings / (Accumulated deficit)	This pertains to the accumulation of profits or losses that is retained by the Group at the end of the reporting period.

Asset Revaluation Reserves

Definition

Asset Revaluation Reserves exist for each class of non-current asset and are used in accordance with criteria set out in this Register.

Refer to the following section for further information:

- 4.11 Property, plant and equipment (PPE) [AASB 116]
- 4.18 Service Concession Arrangements [AASB 1059]

Appendix A: Illustrative Examples

Research Revenue Recognition Assessment Guide – Common Scenarios for Accounting Considerations

Steps for revenue recognition assessment	Research Fee-for-service Research services - Transfer of PIP, funder owns PIP. No license to MQ.	MQ Research Fee-for-service Research services - Transfer of PIP, funder owns PIP. License to MQ.	MQ-led Research Collaboration Research services - Provision of licence to funder at contract execution	Non MQ-led Research Collaboration Research services - Provision of licence to funder at contract conclusion	Non MQ-led Research Collaboration Research services - Provision of access to funder as generated data is published.	Philanthropic Grant Research services— No transfer or provisioning access/license of PIP/ Research Data
Agreement Type	Contract Research Agreement	Standard MQ Contract Research Agreement	Standard MQ Research Collaboration Agreement	Research Collaboration Agreement	Research Collaboration Agreement	Funding Agreement
Anticipated Output/ Deliverables	Report, design, device etc	Report, joint publication, design, device etc	Report, joint publication, design, device etc	Report, joint publication, design, device etc	Report, joint publication, design, device, research data published via open access as obtained	Acquittal reports to be provided to the funder.
Ownership of Project IP (PIP)	Owned by the funder	Owned by the funder	University	Owned by Collaborator/ Funder.	The parties to the contract jointly own PIP	University
PIP Licence (including identifying licensor and licence timing of assignment	None, no licence granted to MQ for internal purposes.	Funder assigns rights to PIP to MQ at contract execution	MQ assigns rights to PIP to the funder at contract execution.	MQ assigns rights to PIP to the funder at contract conclusion.	The parties licence their PIP to each other for non-commercial purposes.	None, no licence or assignment of rights were given to the Funder.
Value ex GST	Awarded amount	Awarded amount	Awarded amount	Awarded amount	Awarded amount	Awarded amount
Revenue recognition assessment	Revenue Over Time	Revenue Over Time	Revenue Over Time	Revenue Point in Time	Revenue Over Time	Revenue Upfront
Rationale to revenue recognition assessment	PIP is transferred to the funder, no licence granted to MQ for internal purposes.	PIP is transferred to the funder and a licence is granted to MQ for internal purposes at execution.	PIP is licensed to funder from contract execution.	PIP is licensed to funder from contract conclusion.	Research data published in open access as generated.	No specific requirement to transfer or provisioning access/ license of PIP/Research Data to the Funder.
Reference to AASB – for Finance use only	AASB 15 35(b) AASB 15 35(c)	AASB 15 35(b)	AASB 15 B58	AASB 15 B58	AASB 15 35(b)	AASB 1058

Appendix A: Illustrative Examples (cont'd)

Example 1 - Arranging for the provision of goods or services (entity is an agent)

Scenario:

MQ Hospital (MQH) arranges for clinical services on behalf of sessional medical professionals (e.g. doctors and consultants). MQH also arranges the billing of such to patients/customers, to which it is entitled to a share in the revenue/commission of the professional service fees. The sessional medical professionals are responsible for fulfilling obligations associated with the services to be availed by patients/customers.

Analysis:

To determine whether the MQH is a principal or an agent, MQH considers the nature of its promise and whether it takes control of the provision of services.

- MQH is not primarily responsible for fulfilling the promise to provide the specified service.
- MQH does not have the discretion in establishing prices.
- MQH's consideration is in the form of a commission or revenue share/fee, because it is entitled to a stipulated percentage of the fee charged to the customers.

MQH concludes that its promise is to arrange for goods or services to be provided to customers in exchange for a commission or revenue share. MQH does not control the provision of the services to the customers, and as such, it only operates as an agent in this arrangement.

MQH thus recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services. This is the net amount of consideration that the Hospital retains after paying the other party the consideration received in exchange for the goods or services provided by that party.

Back to Principal vs Agent page

Appendix A: Illustrative Examples (cont'd)

Example 2 – Income (provision of services, no sufficiently specific performance obligation) Scenario

Scenario:

The Group received an endowment of $2m from an alumnus, with the following conditions:

- Group is required to provide student accommodation each year for one student for one year, for as long as the Group continues to operate as a university and subject to the real value of the principal of $2 million being preserved.
- Income generated from investment of the principal may be applied to provide the student accommodation.
- Any excess income generated from the investment of the principal is permitted to be spent on other university activities.

Analysis:

Based on these facts and circumstances, on gaining control of the endowment of $2 million, the Group determines that there are no related amounts for the $2 million as the endowment does not give rise to:

- a contribution by owners, as the alumnus does not control or have an ownership interest in the Group
- a contract with a customer within the scope of AASB 15. Although the promise to provide student accommodation is a promise to transfer goods or services, it is not a sufficiently specific performance obligation relating to the controlled asset. While the promise to provide student accommodation is distinct and the Group can identify at the end of each year whether or not it has delivered the accommodation for one student, it cannot identify when its obligation is fully satisfied and cannot allocate the transaction price as the promise is continuous as long as the Group continues to operate as a university. The Group must be able to identify when the performance obligation is satisfied for the promise to be identified as sufficiently specific.
- a lease liability as defined in AASB 16, as the endowment agreement does not provide a right to use a specified asset (the accommodation provided can vary from year to year)
- a financial liability within the scope of AASB 9 as there is no obligation to provide cash or other financial assets to other parties, only accommodation, or;
- a provision within the scope of AASB 137, as the agreement provides legal obligations and there are no other constructive obligations that are sufficiently specific to consider.

The endowment of $2 million is accounted for by the Group as income immediately in the Income Statement on recognition of the financial asset in accordance with AASB 9.

Back to Donations and Bequests

Appendix A: Illustrative Examples (cont'd)

Example 3 – Cash grant for the construction of a recognisable asset – income recognised at a point in time

Scenario:

The State Government provides a cash grant of $100,000 to MQ Health (MQH) to construct a cancer research lab that is to be controlled by the entity in its operations.

Analysis:

MQH determines:

- the $100,000 grant is an asset MQH acquired for consideration that is significantly less than the fair value of the grant to further the objectives of the hospital. Accordingly, the grant is within the scope of AASB 1058, and;
- it controls a financial asset ($100,000) within the scope of AASB 9.

MQH determines its agreement with the State Government is a transfer of a financial asset to enable it to construct a recognisable non-financial asset to be controlled by the hospital that meets the criteria of AASB 1058. That is, the agreement:

- requires the transfer of a financial asset to enable Macquarie Hospital to acquire non-financial assets (the cancer reasearch lab) that conform to identified technical specifications
- relates to non-financial assets that the hospital will be able to recognise as assets under another Standard (AASB 116)
- does not involve a transfer of a non-financial asset to or on behalf of the State Government, and;
- is enforceable, as the Government may sue for specific performance or transfer of the ownership of any assets acquired with the funds if the money is not used to acquire the non-financial assets.

In accordance with paragraph 16 of AASB 1058, MQH recognises the grant initially as a liability at the point in time when it obtains control of the funds. Macquarie Hospital recognises income as it controls the cancer reasearch lab.

Appendix A: Illustrative Examples (cont'd)

Example 4 – Revenue Recognition of Upfront Fees

Scenario:

The University offers enrolment to prospective students for the courses it provides. Upon accepting an offer of enrolment, the prospective student must pay a non-refundable upfront fee. This fee guarantees future service for the student to commence in the agreed-upon year and for the period of the contract, say, 2 years. The fee is non refundable and non-transferrable.

Analysis:

- Contract is in the scope of AASB 15.
- Non-refundable upfront fee does not relate to an activity that represents a separate performance obligation (it relates to internal administrative activities). In substance the upfront fee is an advance payment for future services.
- Upfront fee is recognised as revenue as the future services are provided over the two-year contract period.

Appendix B: Revenue Recognition for Material Revenue Streams

Revenue Stream	Accounting Standard	Revenue Recognition
Commonwealth Grants Scheme (CGS)	**AASB 15:** There is an enforceable contract by provisions in HESA and the CGS Funding Agreement; and Sufficiently specific performance obligations in providing a specific number of students with tuition services for the year covered by the CGS Funding Agreement.	**Revenue Over Time** Revenue recognised over time as the student receives the tuition services. Where the tuition services cross the year end, only recognise revenue for the proportion of services provided at balance date.
HELP – Australian Government Payments Including: ▪ HECS-HELP, and; ▪ FEE-HELP	**AASB 15:** There is an enforceable contract by the provisions in HESA and related legislation; and Sufficiently specific performance obligations in the promise of tuition services for a distinct course over a specific period of time.	**Revenue Over Time** Revenue recognised over time as the student receives the tuition services. Where the tuition services cross the year end, only recognise revenue for the proportion of services provided at balance date
OS-HELP	**AASB 9:** There is a contractual obligation to deliver cash to the required student, therefore a financial liability is created.	**Financial Liability** A financial liability is created and extinguished as the Group delivers on its obligation to provide cash to the required student.
Student Services and Amenities Fees From Students Including: SA-HELP	**AASB 15:** There is an enforceable contract by the provisions in the Student Services and Amenities Act 2011 and by the agreement between the Group and student to provide services and amenities which form part of the Group experience. Sufficiently specific performance obligations in the promise of providing certain services and amenities to the students who are enrolled.	**Revenue Over Time** Revenue recognised over time as the Group provides the services and amenities to the students who are enrolled.

See next page for other Revenue Streams

Appendix B: Revenue Recognition for Material Revenue Streams (cont'd)

Revenue Stream	Accounting Standard	Revenue Recognition
Indigenous Student Success Program	**AASB 1058:** This is a flexible funding program with no sufficiently specific performance obligations.	**Revenue Upfront** Recognise income immediately when the Group has the contractual right to receive the grant.
Higher Education Participation and Partnership Program	**AASB 1058:** This is a flexible funding program with no sufficiently specific performance obligations.	**Revenue Upfront** Recognise income immediately when the Group has the contractual right to receive the grant.

See next page for other Revenue Streams

Appendix B: Revenue Recognition for Material Revenue Streams (cont'd)

Revenue Stream	Accounting Standard	Revenue Recognition
Higher Education Disability Support Program	This program is split into three funding components: **Additional support for Students with Disabilities – AASB 1058:** There are no identified sufficiently specific performance obligations and other related amounts. **Australian Disability Clearinghouse on Education and Training (website) – AASB 15:** There is an enforceable contract by provisions in HESA and sufficiently specific performance obligations in hosting the website. **Performance-based Disability Support funding – AASB 1058:** There are no identified sufficiently specific performance obligations and other related amounts.	**Additional support for Students with Disabilities – Revenue Upfront** Recognise income immediately when the Group has the contractual right to receive the grant. The period in which that right to receive the grant arises will depend on the timing of the funding claim. Therefore, revenue may be recognised in the financial year after the year the expenses were incurred. **Australian Disability Clearinghouse on Education and Training (website) – Revenue Over Time** There is an enforceable contract by provisions in HESA and sufficiently specific performance obligations in hosting the website. **Performance-based Disability Support funding – Revenue Upfront** Recognise the income immediately when the Group has the contractual right to receive the grant.
National Priorities and Industry Linkage Fund	**AASB 1058:** Represents supplementary funding to assist the University engagement with industry to increase the number of job-ready graduates through strengthening partnerships with industry, increased internships and other innovative approaches to work-integrated learning. The funding received by the University represents a general pool of funds which can be used for a number of diverse activities. There are no identified sufficiently specific performance obligations and other related amounts.	The University recognises revenue when it has a contractual right to receive the grant.

See next page for other Revenue Streams

Appendix B: Revenue Recognition for Material Revenue Streams (cont'd)

Revenue Stream	Accounting Standard	Revenue Recognition
Higher Education Superannuation Program	**AASB 119 Employee Benefits:** This is a partial settlement of superannuation plan assets recognised in accordance with AASB 119.116.	**AASB 119 Employee Benefits:** Accounting for this remains the same as the current practice. No revenue is recognised as this cash is passed through to a third party
Research Support Program (RSP) Research Training Program (RTP)	**AASB 1058:** There are no identified sufficiently specific performance obligations and other related amounts.	**Revenue Upfront:** Recognise income immediately when the Group has the contractual right to receive the grant.
Commonwealth Scholarships Under Part 2-4 HESA Commonwealth Education Cost Scholarships Commonwealth Accommodation Scholarships	**AASB 9:** There is a contractual obligation to deliver cash to the student, therefore, a financial liability is created.	**Financial Liability:** A financial liability is created and extinguished as the Group delivers on its obligation to provide cash to the student.
Australian Research Council (ARC) Research Projects/Fellowships and Awards / Centres and Hubs	**AASB 15:** There is an enforceable contract by provisions in the ARC funding agreement and corresponding legislation. Sufficiently specific performance obligations in the promise of research activities in the form of the 'mature research plan' which is contained within the proposal for the grant.	**Revenue Over Time:** Revenue is recognised over time as the research activities are performed.

See next page for other Revenue Streams

Appendix B: Revenue Recognition for Material Revenue Streams (cont'd)

Revenue Stream	Accounting Standard	Revenue Recognition
Australian Research Council Funded Assets Linkage Infrastructure, Equipment And Facilities	**AASB 1058:** These contracts meet the criteria in paragraph 15 of AASB 1058 and are treated as funds to enable an entity to acquire or construct a recognisable nonfinancial asset to be controlled by the entity (capital grant).	**Revenue Over Time:** The funding received is initially recognised as a liability representing the Group's obligation to acquire or construct the identified non-financial asset. The liability is extinguished and recognised as income as the non-financial asset is acquired or constructed. The non-financial asset is recognised in accordance with AASB 116 Property, Plant and Equipment.
NHMRC Funding NHMRC Schemes (Excluding Postgraduate Scholarships)	**AASB 15:** There is an enforceable contract by provisions in the NHMRC funding agreement and corresponding legislation. Sufficiently specific performance obligations in the promise to undertake Research Activities as presented in the grant proposal in the form of research services provided to the NHMRC.	**Revenue Over Time:** Revenue is recognised over time as the Research Activities are performed.
NHMRC Postgraduate Scholarships	**AASB 9:** There is a contractual obligation to deliver cash to the postgraduate student, therefore, a financial liability exists.	**Financial Liability:** A financial liability is created and extinguished as the Group delivers on its obligation to provide cash to the postgraduate student.
Cooperative Research Centre (CRC) Scholarships/Stipends	**AASB 9:** There is a contractual obligation to deliver cash to the postgraduate student, therefore, a financial liability exists.	**Financial Liability:** A financial liability is created and extinguished as the Group delivers on its obligation to provide cash to the postgraduate student.

See next page for other Revenue Streams

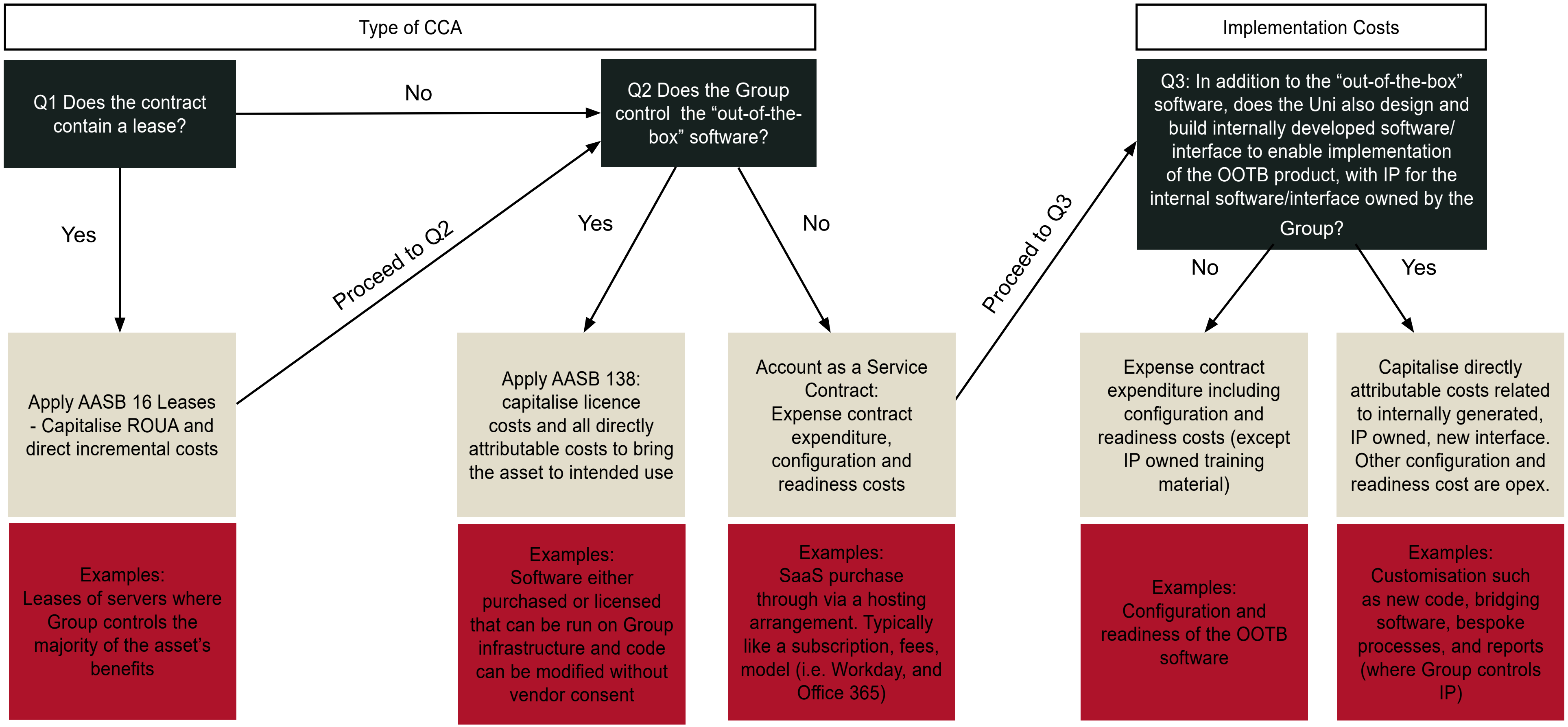
Appendix B: Revenue Recognition for Material Revenue Streams (cont'd)

Revenue Stream	Accounting Standard	Revenue Recognition
Research Funds received from a Grantor that the Group is to pass through to a Research Collaborator as part of Multi Institutional Arrangements (MIA)	**AASB 9:** There is a contractual obligation to deliver cash to the research collaborator, therefore, a financial liability exists.	**Financial Liability:** A financial liability is created and extinguished as the Group delivers on its obligation to provide cash to the institutions stipulated in the MIA.
Student Contributions Including: ▪ Upfront Student Fees ▪ Fee-Paying Onshore Overseas ▪ Students ▪ Fee-Paying Offshore Overseas Students ▪ Continuing Education	**AASB 15:** There is an enforceable contract by the agreement between the Group and student to provide the relevant course creating legally enforceable rights and obligations. Sufficiently specific performance obligations in the promise of tuition services for a distinct course over a specific period of time.	**Revenue Over Time:** Revenue is recognised over time as the Group provides the tuition services to the student.
Licences of Intellectual Property (IP) Revenue	This is only applicable if there is a contract with a customer accounted for under AASB 15, being an enforceable contract and identified sufficiently specific performance obligations. **AASB 15:** A licence may be either distinct or not distinct from other performance obligations within the agreement. This has to be considered to determine the accounting treatment. Where the promise to grant a licence is not distinct the promise to grant the licence and other performance obligation in the agreement are treated as one performance obligation. Where the promise to grant a licence is distinct, this is a separate performance obligation.	**AASB 15:** Where a licence is distinct, revenue relating to this performance obligation is recognised at a point in time or over time. This is determined by whether the customer has the right to access the IP or the right to use the IP. **Right to access** Criteria to be met for a right of access to IP: ▪ The University is able to undertake activities that significantly affect the IP to which the customer has rights. ▪ This exposes the customer to the positive or negative effects of the University's actions over the IP. ▪ These activities do not result in a transfer of a separate good or service to the customer as these activities occur. ▪ Revenue for this type of promise to grant a licence is recognised over the period of the licence. **Right to use** If the criteria for the right to access IP is not met, revenue is recognised at a point in time in which the licence transfers.

Appendix C: Decision Tree for Cloud Computing Arrangements

Table 1: Assessment of cloud computing arrangement at inception

The Group must assess whether the rights granted in the contract are within the scope of AASB 16 Leases, AASB 138 Intangible asset or if it is a Service Contract. If it is a Service Contract, then the Group must determine if implementation activities will generate internally developed software/interfaces that meet the criteria of an intangible asset [e.g. identifiable, control held by the Group and will provide future economic benefits].



Appendix C: Decision Tree for Cloud Computing Arrangements (cont'd)

Table 2: Cloud Computing Arrangements: Capex vs. Opex split of costs

Stage of Project		Project Activity/Deliverable	Type of CCA [refer Table One]		
			Q2 OOTB software: Intangible Asset Exists	Q2 OOTB: Service Contract	Q3: Internally developed asset generated
Pre-project/Feasibility	Research – prior to vendor contract completion	▪ Business case analysis ▪ Initial investigation before approval of the project ▪ Conceptual formulation and evaluation/high level solution design ▪ User testing of existing software to inform a business case ▪ Consultant fees ▪ Preparation of proof of concept ▪ Evaluation of providers ▪ Selection of alternatives	Opex	Opex	Opex
Pre-project/Feasibility	Governance	▪ Administration costs – not directly related to implementation of OOTB ▪ Project Management – not directly related to implementation of OOTB ▪ Project governance committees ▪ Stakeholder meetings	Opex	Opex	Opex
Pre-project/Feasibility	Change Management	▪ Change risk and impact assessment ▪ Change management plan	Opex	Opex	Opex
Execution & Delivery	Initiation	▪ Project start up (establish project team, set up project controls and governance) ▪ Kick off meeting ▪ Procurement	Opex	Opex	Opex
Execution & Delivery	Design & Build	Project Management – directly related to implementing the solution (software licence, service contract)	Capex	Opex	Capex
Execution & Delivery	Design & Build	Software licence fees for the OOTB that Group controls [i.e. not a hosting arrangement] – pre and post go live	Capex	N/A	N/A

See next page for Other Split of Costs

Appendix C: Decision Tree for Cloud Computing Arrangements (cont'd)

Table 2: Cloud Computing Arrangements: Capex vs. Opex split of costs (cont'd)

Stage of Project		Project Activity/Deliverable	Type of CCA [refer Table One]		
			Q2 OOTB software: Intangible Asset Exists	Q2 OOTB: Service Contract	Q3: Internally developed asset generated
Execution & Delivery	Design & Build	Subscription fees [pre go live] – specifically required for design and build	N/A	Opex	Capex
		Detailed analysis of user requirements	Capex	Opex	Capex
		Detailed design and specification (architecture and solution)	Capex	Opex	Capex
		Purchase of equipment and hardware >$5k	Capex	Capex	Capex
		Configuration - typically involve changing the default settings of the vendors' software to function in a particular way, such as setting flags, defining values or parameters. Must be directly attributable to bringing asset into intended use.	Capex	Opex	Capex
		Customisation - involve modifying the vendors' existing code or writing new code to change or create additional functionalities. Must be directly attributable to bringing asset into intended use.	Capex	N/A	Capex
		Inefficiencies in development/abandoned software	Opex	Opex	Opex
		Data conversion/migration process: Purging or cleansing of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new or additional data, and conversion of old data to the new system	Opex	Opex	Opex
		Training material development, where materials are developed internally, and the content IP is retained by the Group and not transferred to the provider such as training materials, e-learning.	Capex	Capex	Capex

See next page for Other Split of Costs

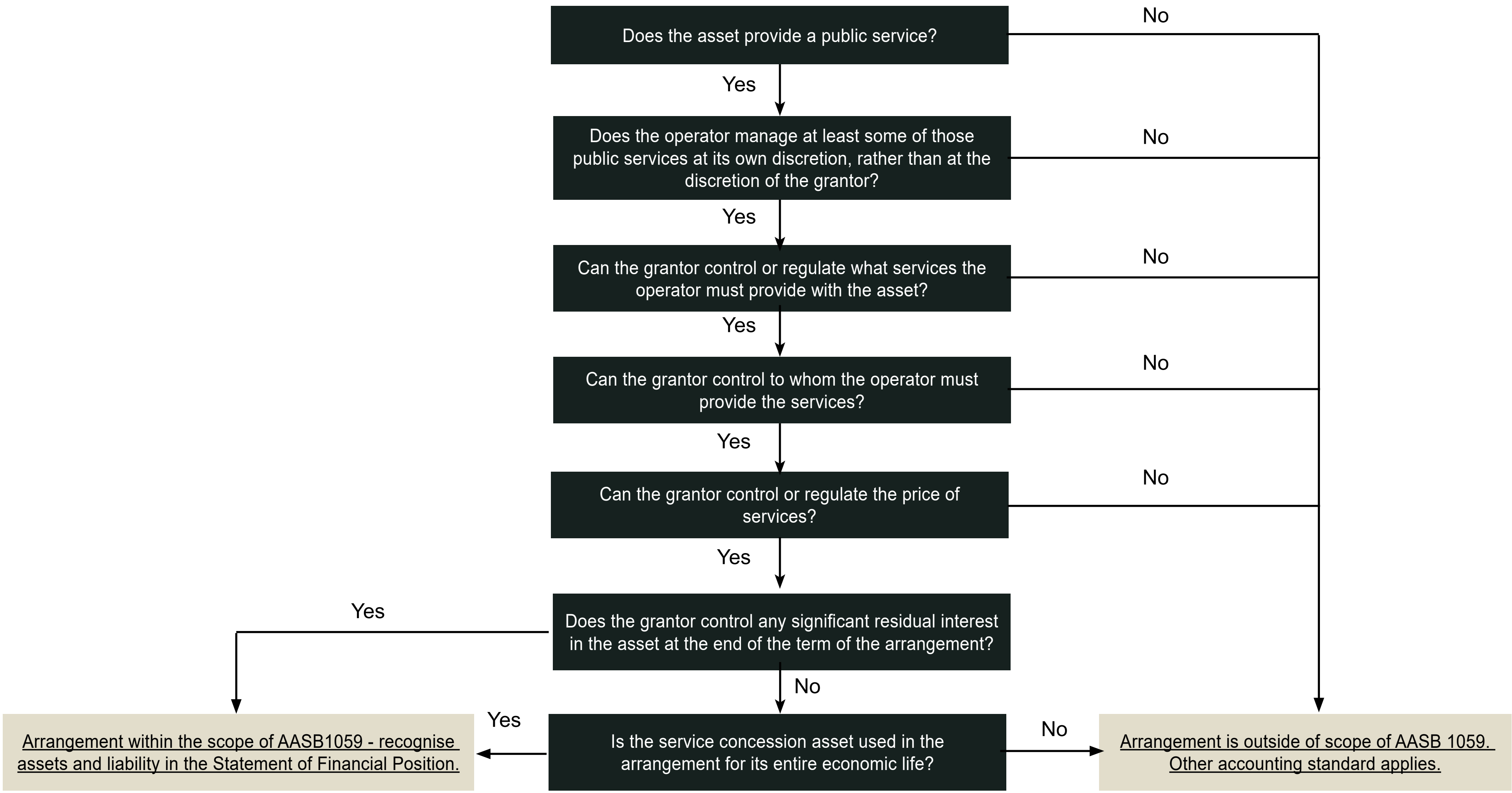
Appendix C: Decision Tree for Cloud Computing Arrangements (cont'd)

Table 2: Cloud Computing Arrangements: Capex vs. Opex split of costs (cont'd)

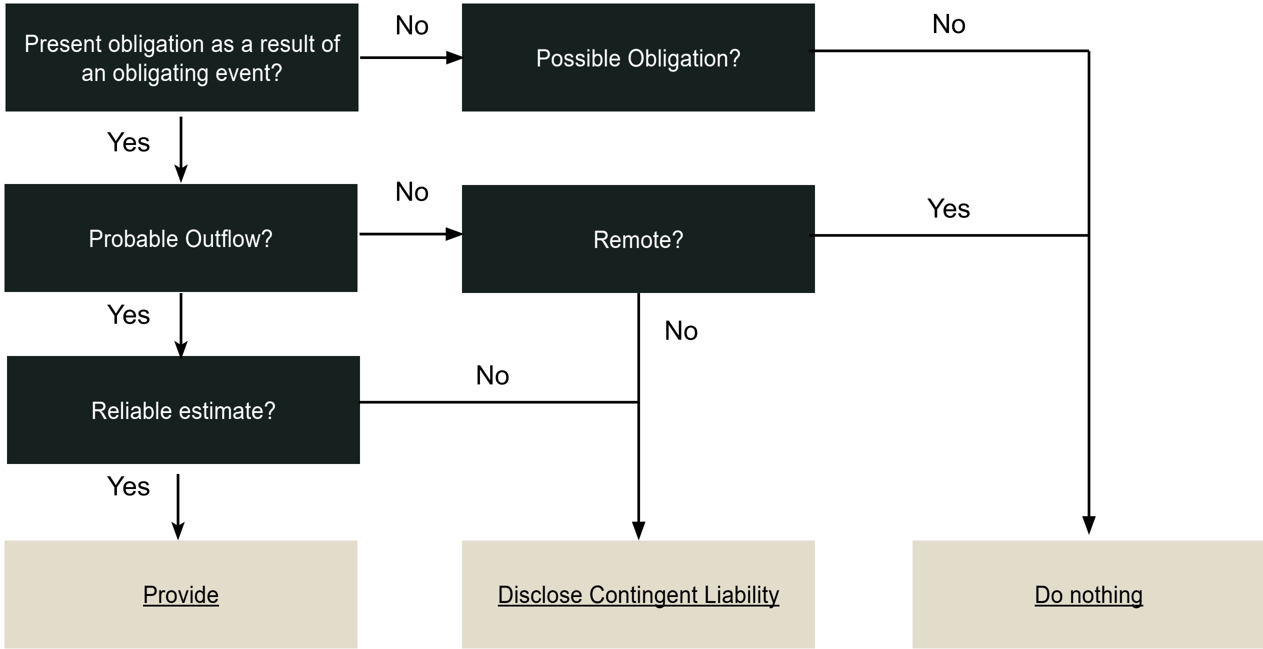
<table>
<tr><th colspan="2" rowspan="2">Stage of Project</th><th rowspan="2">Project Activity/Deliverable</th><th colspan="3">Type of CCA [refer Table One]</th></tr>
<tr><th>Q2 OOTB software: Intangible Asset Exists</th><th>Q2 OOTB: Service Contract</th><th>Q3: Internally developed asset generated</th></tr>
<tr><td rowspan="5">Execution & Delivery</td><td>Test & Deployment</td><td>Testing (User Acceptance Testing, System Integration Testing, Product Validation Testing)</td><td>Capex</td><td>Opex</td><td>Capex</td></tr>
<tr><td rowspan="4">Change Management</td><td>Communications and engagement - must be directly attributable to asset development</td><td>Capex</td><td>Opex</td><td>Capex</td></tr>
<tr><td>Change impact assessment - must be directly attributable to asset development</td><td>Capex</td><td>Opex</td><td>Capex</td></tr>
<tr><td>Resistance management - must be directly attributable to asset development</td><td>Capex</td><td>Opex</td><td>Capex</td></tr>
<tr><td>Business readiness and handover preparation - must be directly attributable to asset development</td><td>Capex</td><td>Opex</td><td>Capex</td></tr>
<tr><td rowspan="2">Closure/Post implementation</td><td>Closure/Post implementation</td><td>▪ Post implementation review
▪ Hyper care support and query resolution
▪ Project completion certificate and financial reconciliations
▪ Advertising and promotional activities
▪ Ongoing support and system administration
▪ Upgrade to maintain existing service capacity
▪ Decommissioning
▪ Archiving of old data
▪ Maintaining old records</td><td>Opex</td><td>Opex</td><td>Opex</td></tr>
<tr><td>Change Management</td><td>▪ Business readiness and handover documentation
▪ Review resistance management plan</td><td>Opex</td><td>Opex</td><td>Opex</td></tr>
</table>

Back to main page for Cloud Computing Arrangements

Appendix D: Decision Tree for Assessing Service Concession Arrangements



Appendix E: Decision Tree for Assessing Provisions vs. Contingent Liabilities

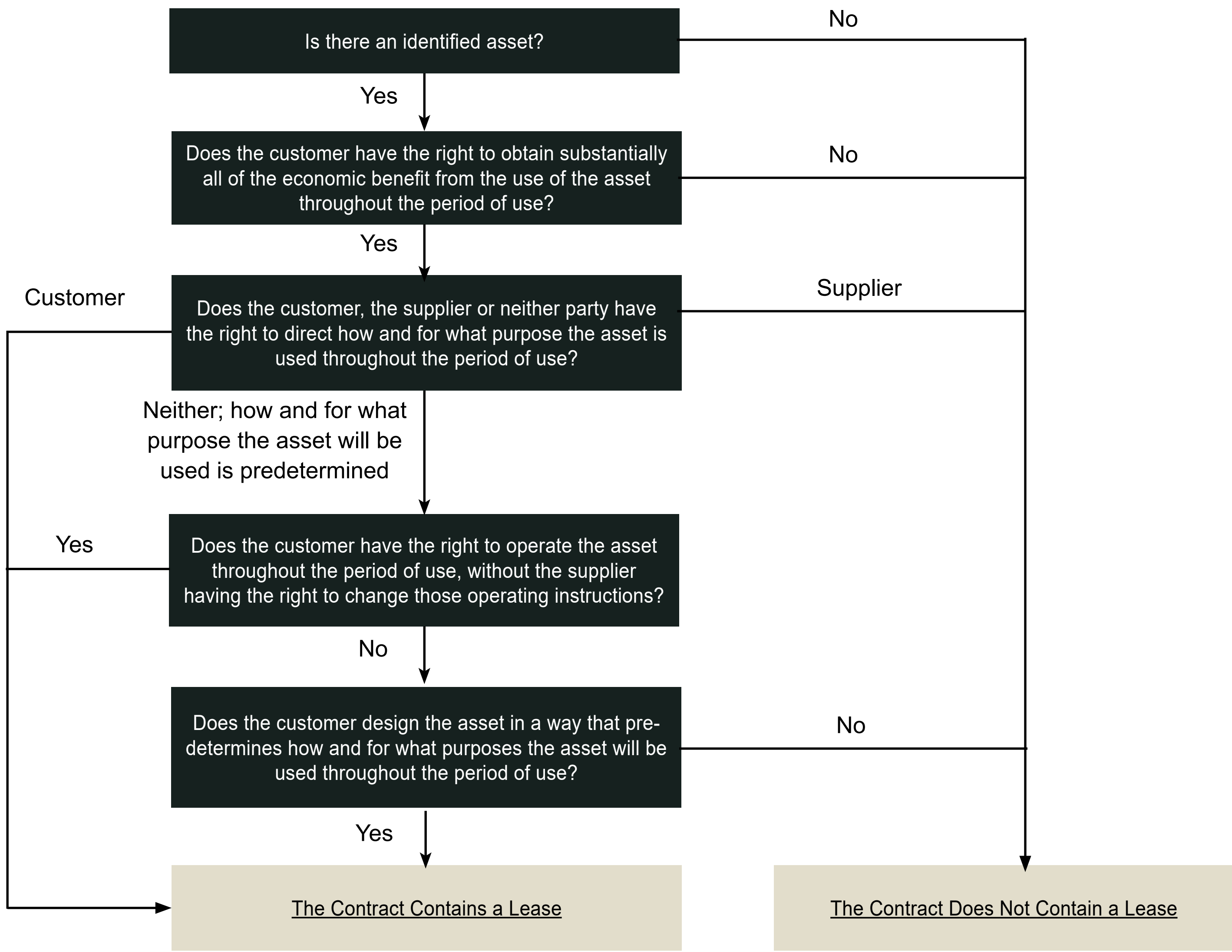


Appendix F: Employment Termination Provision
Timing of recognition and types of costs to include in provision

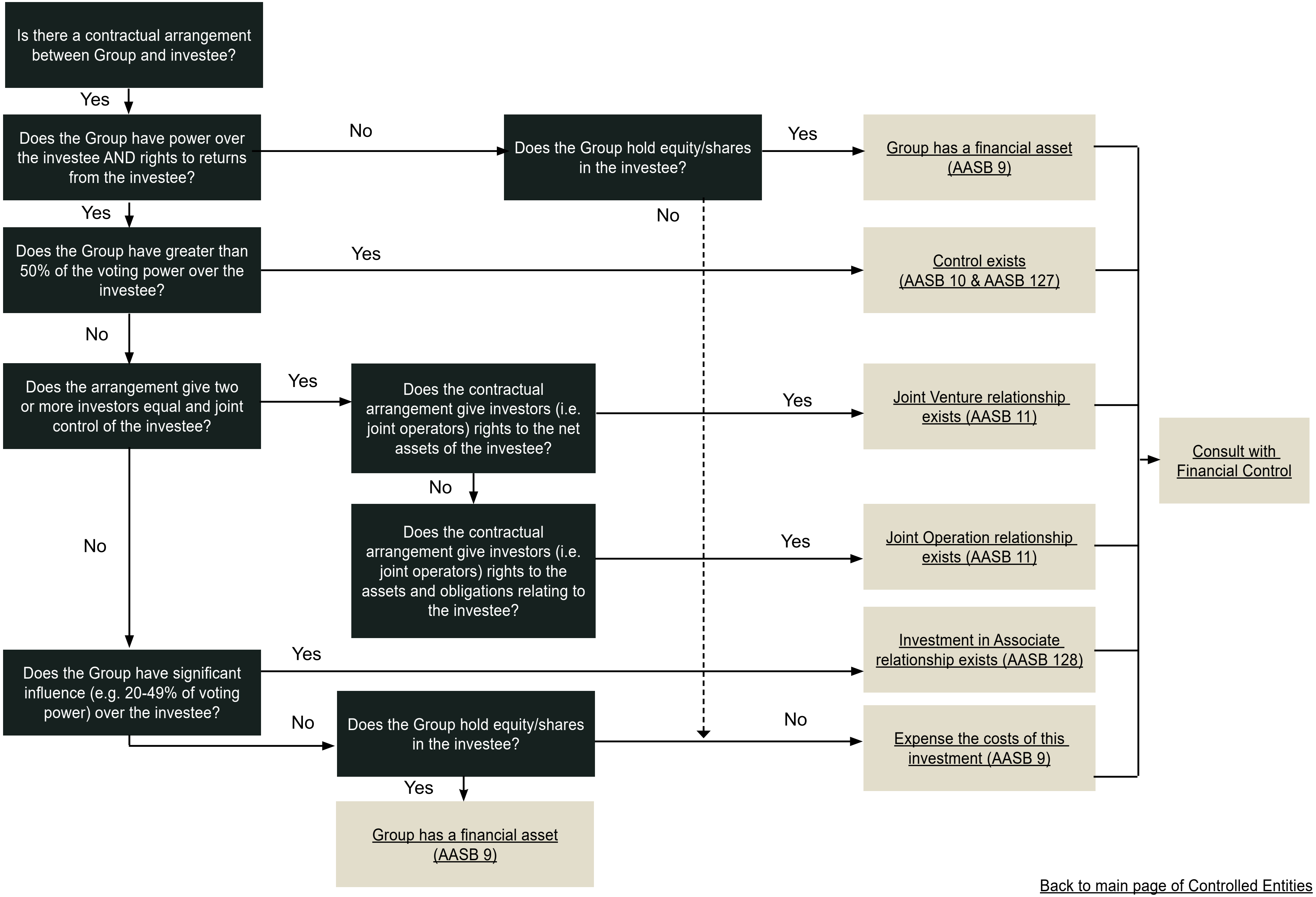
Type of Change	Communications	Recognise Provision	Comment
Workplace Change	Briefing and Consultation. Examples of communications: ▪ Briefings and consultations – email/ webinars ▪ Workplace Change Frameworks ▪ Green Papers, and; ▪ White papers.	No	These communications do not satisfy the criteria under AASB 119 Employee Benefits with respect to impacted staff and timelines.
	Formal change paper. An example of this communication is faculty/office workplace change proposal.	Yes	Under the Enterprise Agreement (clause 44.5) this is the mechanism that the Group can propose significant changes to staff. Formal change paper includes objectives and aims for the change, impact on staff, timelines and financial implications. This satisfies the criteria for AASB 119 Employee Benefits.
Voluntary Redundancy Scheme	The Group will announce a Voluntary Redundancy Scheme	Yes	Provision to be recognised for accepted applications as at the end of the reporting date. If the scheme is open at the end of a reporting date, management assesses the volume of applications already received as at the reporting date and applies judgement to estimate the proportion that are likely to be accepted.

Calculation of Provision	Include in Provision
Lump sum of continuous service	Yes
Lump sum for reduced notice period if offered to staff	Yes
Outplacement costs	Yes
Annual Leave	No - already provided for separately on Statement of Financial Position
Long Service Leave	No - already provided for separately on Statement of Financial Position
Salary for work during notice period	No - this expense must be incurred as services are delivered

Appendix G: Decision Tree for Identifying whether a Lease Exists



Appendix H: Decision Tree for Investment Classification



Appendix I: Amendment History

Version	Effective From	Next Review Date	Approving Authority	Sections Modified	Amendment
1.0	1 July 2024	30 June 2027	Robin Payne Vice-President, Finance & Resources	N/A	N/A - initial release