

# Accounting Procedure

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1.0	Director, Financial Control & Compliance	16 January 2026	5 January 2026

## Purpose

To establish decisions, directions and precedents which act as a mandatory reference for financial reporting.

## Scope

The requirements in this procedure should be consistently applied by the University including its controlled entities, for both their financial reporting responsibilities and group consolidation purposes.

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## 1. INTRODUCTION

The principles included in this document have been developed to assist UNSW and its controlled entities with guidance and direction on application of accounting policies for financial reporting of transactions or events. The principles in this section are mandatory in the preparation and the presentation of UNSW's consolidated financial statements.

### 1.1. Application of accounting procedures

The following sections in this document highlight specific and key areas to assist stakeholders to apply the correct accounting requirements to record and present transactions and events in compliance with accounting standards and various other statutory guidelines. Guidance provided in this document whilst being comprehensive with a focus on significant balances and transactions is not exhaustive. Where further support is required in selecting appropriate accounting procedure, consult with the Financial Control and Compliance team or send an e-mail request to [cfas@unsw.edu.au](mailto:cfas@unsw.edu.au).

### 1.2. Basis of Preparation of the Group's Financial Statements

The general-purpose financial statements of the University are prepared in accordance with the following requirements:

- *Government Sector Audit Act 1983 (NSW)*,
- *Government Sector Finance Act 2018 (NSW)*,
- *Government Sector Finance Regulation 2024 (NSW)*
- Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"),
- Australian Accounting Interpretations,
- *Financial Statement Guidelines* approved under the *Higher Education Support Act 2003 (Cth)*,
- *Government Sector Finance Legislation (Repeal and Amendment) Act no 70*, and
- other Australian Government and State legislative requirements.

### 1.3. Framework for Financial Reporting

UNSW follows the Conceptual Framework for Financial Reporting as issued by the AASB in preparing general purpose financial statements. These concepts include the following:

Fair Presentation	Faithful presentation of the effects of transactions, events and conditions in accordance with accounting standards and regulations.
Historical Cost Convention	Transactions recognised based on historical costs unless fair value or revaluation applies for certain elements of financial statements.
Critical Accounting Estimates	Management will exercise judgement, relevant information and reasonable assumptions in making accounting estimates.
Going Concern	Reporting is prepared on the assumption that the entity is a going concern and will continue in operation for the foreseeable future.
Accrual Basis of Accounting	Financial performance and position are based on the effects of transactions, other events and circumstances in the reporting period, even if the cash receipts and payments occur in a different period.
Materiality and Relevance	Management determined materiality forms the basis of what information is included in financial statements and therefore relevant to users, based on quantitative and qualitative factors.
Offsetting and Aggregation	Assets and liabilities, and income and expenses, shall not be offset and will only be aggregated where required or permitted under Australian Accounting Standards.
Comparability	Financial statements will include information for the prior period(s) for all relevant elements except when Australian Accounting Standards permit or require otherwise.
Consistency	Similar measurement and/or recognition for transactions/balances for the periods presented. Similar presentation and classification for each period unless departure or deviation is required by Australian Accounting Standards.

For further detail on the AASB Conceptual Framework for Financial Reporting use the link below:  
[https://www.aasb.gov.au/admin/file/content105/c9/Conceptual\\_Framework\\_05-19.pdf](https://www.aasb.gov.au/admin/file/content105/c9/Conceptual_Framework_05-19.pdf)

## 1.4. Significant financial statement items

Components in the UNSW financial statements are assessed as significant or key items if they meet 2 or more of the following criteria namely:

Material	Balance or component is material by value to the overall financial statements or by its omission or misstatement.
Complex	Requires significant judgment, assumptions or technical understanding to recognise or measure in the financial statements
Qualitatively significant	A key focus area which may impact entity reputation or has a high significance to users of financial statements

A summary of the significant financial statement items are shown in the summary below

Line item	Sub-classes of line item
Revenue	Fees and charges Australian Government Financial Assistance Research revenue
Employee benefits	Salaries Superannuation contributions On-costs
Other expenses	Grants and scholarships Contractor and consultant expenses
Financial assets	Cash and cash equivalents Trade and student receivables Investments Impairment of assets Expected credit losses on receivables Contract assets
Property, plant and equipment	Land Buildings Equipment Right-of-use assets Service concession assets
Financial liabilities	Loans payable Bank facilities Cross currency interest rate swap
Provisions	Employee benefit provisions Defined benefit plan obligations Other provisions
Other liabilities	Trade payables Contract liabilities Lease liabilities

## 1.5. Definitions of assets, liabilities, income and expenses

The *Conceptual Framework for Financial Reporting* (“CFFR”) issued by the AASB provides guidance as follows on criteria for recognising a transaction or event in accounting records:

Element	Criteria to be met for recognition	References
Asset	<p>A present economic resource controlled by the entity as a result of past events. This resource gives the entity a right that has the potential to produce economic benefits.</p> <p><u>Key considerations:</u></p> <p><i>A present right</i> – for the entity to receive consideration in the form of cash, goods, services, or another economic resource.</p> <p><i>Potential to produce economic benefits</i> – the resource should have potential to yield or produce some form of economic benefit to the entity beyond those available to all other parties.</p> <p><i>Control</i> – established the entity’s present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it, to the exclusion of other parties.</p> <p>An example is campus land and buildings.</p>	CFFR paragraphs 4.1 to 4.25
Liability	<p>A present obligation of the entity to transfer an economic resource as a result of past events.</p> <p><u>Key considerations:</u></p> <p><i>Obligation</i> - the entity has a present obligation and no practical ability to avoid which it owes to another party or parties.</p> <p><i>Transfer of an economic resource</i> – the obligation must have the potential to require the entity to transfer an economic resource to another party (parties).</p> <p><i>Present obligation as a result of past events</i> – will exist if the entity a] has either already obtained an economic benefit or taken an action and b] as a consequence the entity will or may have to transfer an economic resource that it would not otherwise have had to transfer.</p> <p>An example is provision for annual leave.</p>	CFFR paragraphs 4.26 to 4.47
Income	<p>Represents increases in assets or decreases in liabilities, that result in increases in equity other than those relating to contributions from holders of equity claims.</p> <p>An example is fees charged to students.</p>	CFFR paragraphs 4.68
Expense	<p>Represents decreases in assets or increases in liabilities, that result in decreases in equity other than those relating to distributions to holders of equity claims.</p> <p>An example is salaries paid to employees.</p>	CFFR paragraphs 4.69
Equity	<p>Equity is the residual interest in the assets of the entity after deducting all its liabilities.</p> <p>An example is ordinary shares.</p>	CFFR paragraphs 4.63 to 4.67

Only the items highlighted above form the elements of what is recognised in the financial statements. Other related events or transactions may result in commitments, contingent assets or contingent liabilities which may require disclosure but will not be recognised in the accounting records as a transaction or included in the elements comprising the financial statements.

## 2. INVESTMENTS AND OTHER FINANCIAL ASSETS

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

- financial assets at fair value through profit or loss
- financial assets at amortised cost
- financial assets at fair value through other comprehensive income
- investment property

Financial assets are classified according to the business model under which they are held and their contractual cash flow characteristics. University management determines the classification of its financial assets at initial recognition. The University initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### 2.1. Financial Assets at Fair Value through Profit or Loss (FVPL)

Financial assets which are held for sale in the near term or where there is evidence of short-term profit taking are measured at fair value through profit or loss. Financial assets which do not meet business model criteria to be classified as financial assets at amortised cost or financial assets at fair value through other comprehensive income are also classified as financial assets at fair value through profit or loss. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the reporting date. Financial assets at fair value through profit or loss are initially recognised at fair value, with subsequent increases or decreases in fair value recognized in profit or loss.

#### Initial Measurement

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

#### Subsequent Measurement

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

#### Gains and Losses

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

### 2.2. Financial Assets at Amortised Costs

Financial assets held under a business model of collecting contractual cash flows on specific dates, and where those cash flows are generally in the form of principal and/or interest, are measured at amortised cost using the effective interest method and net of any impairment loss. For example, loans receivable and trade receivables. Where a financial asset at amortised cost is reclassified, its fair value at the reclassification date becomes its new gross carrying amount. Financial assets at amortised cost are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### Initial Measurement

Financial assets at amortised cost shall be measured at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the investment.

#### Subsequent Measurement

After initial recognition, measurement shall be at amortised cost using the effective interest rate method.

#### Impairment

Please refer to section 6.5 *IMPAIRMENT OF FINANCIAL ASSETS*.

#### Gains and Losses

A gain or loss shall be recorded in the income statement, when financial assets at amortised cost are derecognised or impaired, and through the amortisation process.

## **2.3. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)**

Financial assets held under a business model of collecting contractual cash flows that are solely payments for principal and/or interest and selling financial assets are measured at fair value through other comprehensive income. There is an option for an irrevocable election for equity instruments not held for trading to be measured at fair value through other comprehensive income. The University has made this election for investments in equity not held for trading. Classification is determined on an instrument-by-instrument basis. Financial assets at fair value through other comprehensive income are included in non-current assets unless the University intends to dispose of the investment within 12 months of the statement of financial position date.

### **Initial Measurement**

Financial assets at fair value through other comprehensive income are initially recognised at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the financial assets.

### **Subsequent Measurement**

After initial recognition, subsequent increases or decreases in fair value are recognised in other comprehensive income.

### **Gains and Losses**

Gains and losses on these financial assets are not recorded in profit or loss. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

## **2.4. Recognition and Derecognition**

The University shall recognise a financial asset on its statement of financial position when, and only when, the University becomes a party to the contractual provisions of the instrument. Purchases and sales of investments are recognised on the trade date - the date on which the University commits to purchase or sell the asset.

A financial asset is derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the University has transferred substantially all the risks and rewards of ownership.

## **2.5. Fair Value Measurement**

The fair value of financial assets and financial liabilities must be measured for recognition and for disclosure purposes. The University classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements each Statement of financial position date. The level in the fair value hierarchy shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and listed securities) is based on quoted market prices for identical assets or liabilities at the statement of financial position date (Level 1). The quoted market price used for financial assets held by the University is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives), and the fair value of unlisted securities, is determined using valuation techniques that maximise the use of relevant data. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held.

Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

## 2.6. Investment Property

Investment property excludes property held to meet service delivery objectives of UNSW.

Investment property is initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to UNSW. Where an investment property is acquired at no cost or for nominal consideration, its cost shall be deemed to be its fair value, as at the date of acquisition.

Subsequent to initial recognition at cost, investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by external independent valuers. Changes in fair values are recorded in the income statement as part of the other income or other expense.

Rental revenue from the leasing of investment property is recognised in the income statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the property.

### References

AASB 7 – *Financial Instruments: Disclosures*

AASB 9 – *Financial Instruments*

AASB 13 – *Fair Value Measurement*

AASB 132 – *Financial Instruments: Presentation*

AASB 139 – *Financial Instruments: Recognition and Measurement*

AASB 140- *Investment Property*

### 3. TRADE RECEIVABLES and CONTRACT ASSETS

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

- those that the University intends to sell immediately or in the near term, which should be classified as financial assets at fair value through profit or loss. Refer to section 2 [INVESTMENTS AND OTHER FINANCIAL ASSETS](#).
- those that the University upon initial recognition designates as financial assets at fair value through other comprehensive income. Refer to section 2 [INVESTMENTS AND OTHER FINANCIAL ASSETS](#).

#### 3.1. Trade Receivables

##### Recognition

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

##### Measurement

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

Collectability of receivables is reviewed on an ongoing basis.

##### Impairment of Trade Receivables

Please refer to section 6.5 [IMPAIRMENT OF FINANCIAL ASSETS](#).

##### Receivables write off and customer impact

The gross carrying amount of a receivable is written off when UNSW determines that there is no reasonable expectation of recovery, such as when a debtor fails to engage in a repayment plan with UNSW. Refer to FINANCE POLICY for conditions to meet.

The approved write-off is applied against the expected credit loss provision previously recognised for the receivable. Subsequent recoveries of amounts previously written off are credited to the income statement.

Where customers have bad debts written off, UNSW stakeholders may be instructed to cease conduct of any work or provision of goods/services to those customers until the remaining debt is settled in full or advance payment is received or until a point in time when payment guarantees in place.

#### 3.2. Contract assets

##### Recognition

A contract asset is recognised when the University performs or delivers on contract obligations by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer.

Contract assets differ from receivable, in that a receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

##### Measurement

The University will at least annually review and assess contract assets for impairment and may utilise information derived in the assessment of expected credit losses on receivables to form a view on contract assets impairment. Any impairment of contract assets will be measured, disclosed and presented on the same basis as trade receivables.

##### References

AASB 7 – *Financial Instruments: Disclosures*

AASB 9 – *Financial Instruments*

AASB 13 – *Fair Value Measurement*  
AASB 15 – *Revenue from Contracts with Customers*

## 4. PROPERTY, PLANT AND EQUIPMENT

The principles in this section are applied in accounting for property, plant and equipment including the following categories:

- land
- works of art
- rare books
- buildings
- student accommodation
- leasehold improvements
- computer equipment
- library holdings
- motor vehicles
- other equipment
- right of use assets
- service concession assets

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

### 4.1. Recognition

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if, there is sufficient certainty that future economic benefits will flow to the University, which is normally achieved only when the risks and rewards of the asset have passed on to the University. In practice, this often occurs when the asset is delivered. The University will only capitalise assets where the asset has a cost of AUD\$10,000 or more. The University does not recognise in the carrying amount of property, plant and equipment the costs of the day-to-day servicing, repair or maintenance of the item. These costs are recognised in the income statement as incurred.

### 4.2. Land, Works of Art and Rare Books

#### Initial Recognition

Land, works of art and rare books that qualify for recognition as an asset are measured at cost on acquisition. The cost of acquisition includes both the purchase price and other directly attributable costs. Land and buildings are accounted for separately, even when they are acquired together. Where an asset is acquired for no cost, or for a nominal cost, the cost recorded reflects the fair value as at the date of acquisition.

#### Subsequent Measurement

After initial recognition, these assets are measured at their revalued amounts. The revalued amounts are their fair values based on valuations performed by a qualified valuer. Revaluations are carried out annually to ensure that the carrying amount does not differ materially from the revalued amount.

#### Depreciation

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

### 4.3. Buildings and Student Accommodation

#### Initial Recognition

Buildings and student accommodation that qualify for recognition as an asset are initially measured at cost. The cost of buildings and student accommodation comprises:

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

Examples of directly attributable costs include:

- costs of employee benefits arising directly from the construction or acquisition of the item
- costs of site preparation (incl. demolition)
- initial delivery and handling costs
- installation and assembly costs
- costs of testing whether the asset is functioning properly
- professional fees.

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

### Subsequent Measurement

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

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

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

### Depreciation

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

Building component	Useful life (yrs.)	Building component	Useful life (yrs.)
Structure	40	Electrical (incl. security)	30
Roof Membrane	20	Mechanical (incl air conditioning and lifts)	25
Fit out (incl. finishes & fitments)	15	Fire Infrastructure	35

### Public Private Partnerships (PPP)

The University enters PPP with the private sector in relation to the construction and operation of new student accommodation. Each individual PPP is accounted for in accordance with its substance and economic reality, and not merely its legal form. Refer to section 10 [SERVICE CONCESSION ARRANGEMENTS: GRANTORS](#) which provides further details on service concession arrangements.

## 4.4. Leasehold Improvement

### Initial Recognition

Leasehold improvements that qualify for recognition as an asset are initially measured at cost. The cost of leasehold improvement comprises:

- directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

### Subsequent Measurement

After initial recognition as assets, leasehold improvements are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are carried out annually to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When a leasehold improvement is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

### Depreciation

Depreciation on leasehold improvements is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The useful life of leasehold improvement is usually, depending on the leasing agreements, between 5 and 40 years.

## 4.5. Equipment and Other Tangible Assets

### Initial Recognition

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

The cost of equipment and other tangible assets comprises:

- the purchase price, including import duties and non-refundable purchase taxes less any trade discounts and rebates;
- and directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### Subsequent Measurement

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

### Depreciation

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

Asset	Controlled entities	University
Computer equipment	3 to 5 years	3 years
Motor vehicles	3 to 8 years	8 years
Other equipment	3 to 10 years	5 to 10 years
Library holdings	10 years	10 years

## 4.6. Right-of-use Assets

### Initial Measurement

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), plus 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.

### Subsequent Measurement

A right-of-use asset is subsequently measured at cost less any accumulated depreciation and adjusted for any remeasurement of the corresponding lease liability.

### Depreciation

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the asset. The estimated useful lives are as follows:

Asset	Controlled Entities	University
Off Campus Properties	15 to 40 years	15 to 40 years
Motor vehicles	3 to 8 years	8 years
Other equipment	10 years	5 to 10 years

## 4.7. Service concession assets

Refer to section 10 [SERVICE CONCESSION ARRANGEMENTS: GRANTORS](#) for grantors covering requirements of AASB 1059 *Service Concession Arrangements: Grantors*

## 4.8. Fair Value in Valuation

### Basis of Valuation

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

Assessment of the service capacity is a key factor in determining the fair value of campus buildings, along with the capital works and condition assessment of the building components. On an annual basis, the University assesses any indicators of permanent obsolescence or under-utilisation, in particular, any long-term plans to re-purpose the buildings or permanently change the purpose for which they were designed for, to ensure that the replacement costs are still relevant.

Please refer to **Figure 1** below for the [Fair Value Decision Tree](#).

### Revaluation Gains and Losses

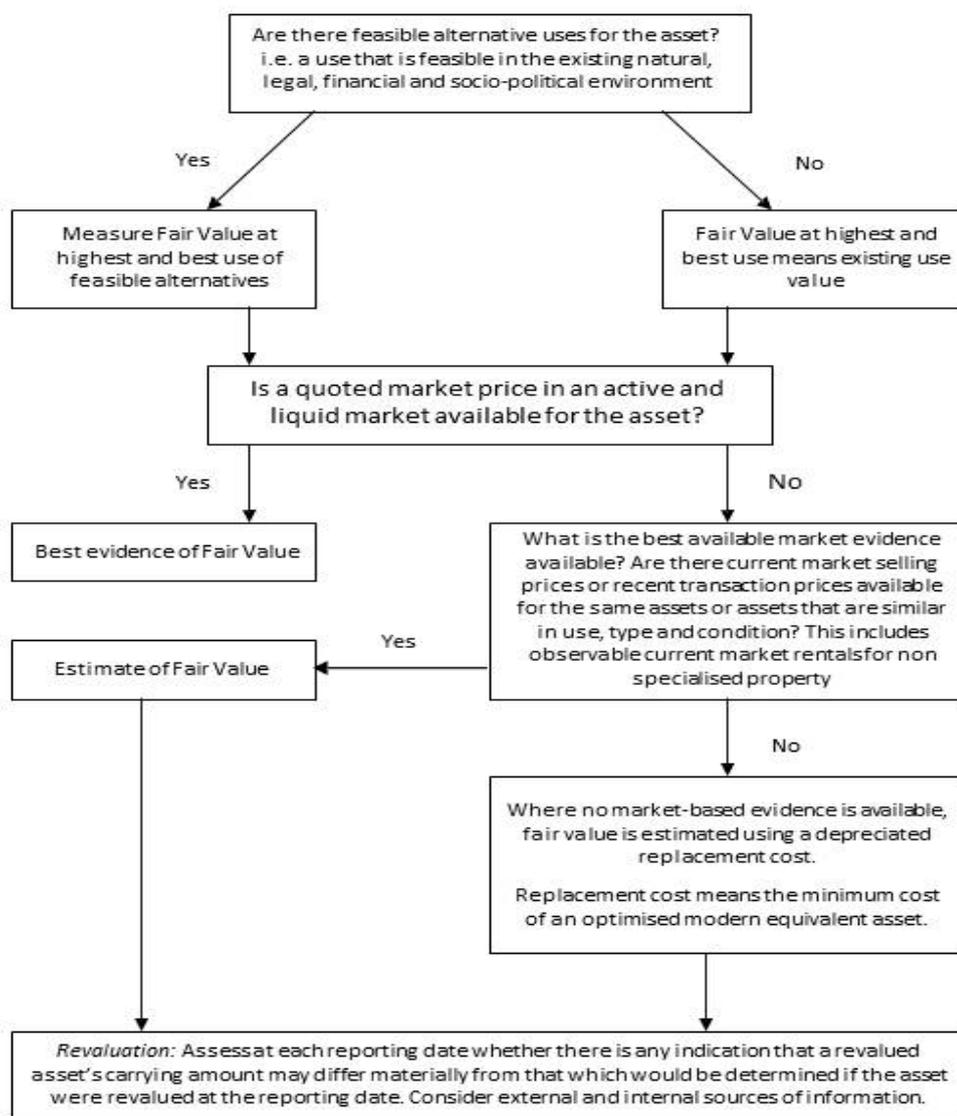
If the carrying amount of a class of assets is increased because of a revaluation, the net revaluation increase is credited directly to equity under the heading of revaluation reserve. However, the net revaluation increase is recognised in the income statement to the extent that it reverses a net revaluation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

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

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

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

**Figure 1 – Fair Value Decision Tree**



## 4.9. Impairment

An impairment assessment is made each year when there is any indication that an asset is impaired. If the recoverable amount is below an asset's carrying amount, the asset is written down to its recoverable amount. Please refer to section 6: [IMPAIRMENT OF ASSETS](#) for more details.

## 4.10. Derecognition

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

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

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

### References

AASB 116 – *Property, Plant and Equipment*

AASB 136 – *Impairment of Assets*

AASB 1059 – *Service Concession Arrangements: Grantors*

## 5. INTANGIBLE ASSETS

The principles in this section are applied in accounting for intangible assets, except for:

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

### 5.1. Recognition

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

### 5.2. Measurement

#### Computer Software

Computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the assets' estimated useful life between 5 to 10 years.

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

#### Research and Development - Patents

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate allocation of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its estimate useful life, usually 20 years.

#### Digitalised Library Research Collections

Digitalised library research collections are perpetual licences to access online research material. Digitalised library research collections are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful life, usually 10 years.

### 5.3. Impairment

An impairment assessment is made each year when there is any indication that an asset is impaired. If the recoverable amount is below an asset's carrying amount, the asset is written down to its recoverable amount. Please refer to section 6: [IMPAIRMENT OF ASSETS](#) for more details.

#### References

- AASB 3 – *Business Combination*
- AASB 136 – *Impairment of Assets*
- AASB 138 – *Intangible Assets*

## 6. IMPAIRMENT OF ASSETS

The principles in the subsections 6.1 to 6.4 below are applied in accounting for the impairment of all assets under AASB 136 (including investments in subsidiaries, associates and joint ventures) other than:

- inventories
- assets arising from construction contracts
- deferred tax assets
- assets arising from employee benefits
- financial assets that are within the scope set out in subsection 6.5 below
- non-current assets (or disposal groups) classified as held for sale. Refer to section 16
- investment property that are measured at fair value

### 6.1. Basic Principles of Impairment

An asset should not be carried in the statement of financial position at a value greater than its recoverable amount. All assets (other than goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use) are required to be tested for impairment where there is an impairment indicator. Testing threshold, if any, is detailed in the University's procedures for each class of asset. Goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use must be tested for impairment at least annually.

For investments in associates and joint ventures, after applying the equity method and recognising any share of losses of the associate, the University should assess whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate or joint venture. Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

### 6.2. Measuring Recoverable Amount

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

#### Fair Value Less Costs of Disposal

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

#### Value in Use

Value in use shall be determined as the depreciated replacement cost of the asset (e.g., campus buildings) or value derived by the entity (e.g., patents where future cash flow generated is applied).

A key factor in determining the value in use of the net investment in associates or joint ventures is an assessment of the share of present value of the estimated future cash flows to be generated through operations and dividends including proceeds from ultimate disposal.

### 6.3. Recognition of Impairment Loss

If the recoverable amount of an asset is less than its carrying amount, the University should reduce the carrying amount to the recoverable amount. The reduction is recognised as an impairment loss. For assets carried at a depreciated historical cost basis the impairment loss is recognised in the income statement immediately. For assets that are carried at revalued amounts, an impairment loss is treated as a revaluation decrease. The loss is first set off against any revaluation surplus relating to the same class of assets in reserves and the balance of the loss is then treated as an expense in the income statement.

## 6.4. Reversals of Impairment Losses

An assessment is required to be done at each reporting date to identify whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the University shall estimate the recoverable amount of that asset. For assets other than goodwill, the reversal of an impairment loss should be recognised if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. The reversal of an impairment loss recognises an increase in the estimated service potential of an asset, either from use or sale since the last impairment test. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement. Impairment losses relating to goodwill are not allowed to be reversed.

## 6.5 Impairment of financial assets

The principles in this section are applied in accounting for the impairment of the following categories of assets under AASB 9:

- Investments in debt instruments measured at amortised cost such as loans and receivables
- Investments in debt instruments measured at FVOCI
- All loan commitments not measured at FVTPL
- Lease receivables that are within the scope of AASB 16 *Leases*
- Trade receivables and contract assets within the scope of AASB 15 *Revenue from Contracts with Customers*

The University applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the University does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The University 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. In calculating expected credit losses, the following items are considered in addition to the provision matrix:

- Stratification or profiling of customers – recovery or collection of receivables that may be impaired by geo-political issues or economic downturn in specific jurisdictions,
- Stakeholder knowledge – consultation with relevant personnel to understand circumstances that may impact full recovery of receivables at reporting date, and
- External information on customers – relevant data gathered from third party sources where available to identify indicators of impairment such as a customer in financial distress, administration, facing liquidity and or bankruptcy concerns.

The provision matrix will be subject to re-assessment and or change based on factors observed that impact the historical credit loss experience and any forward-looking factors that may specifically impact collection of receivable balances or the economic environment impacting expected receivable settlements.

The amount of the provision is recognised in the income statement within impairment of assets. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. Subsequent recoveries of amounts previously written off are credited to the income statement.

### References

AASB 136 – *Impairment of Assets*  
AASB 13 – *Fair Value Measurement*  
AASB 9 – *Financial Instruments*

## 7. PAYABLES AND BORROWINGS

The principles in this section are applied in accounting for all financial liabilities except for:

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

### 7.1. Recognition

Payables and borrowings are recognised in the statement of financial position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation, and the amount at which the settlement will take place can be measured reliably. Trade and other payables represent liabilities for goods and services provided to the University prior to the end of the reporting period which are unpaid. These amounts are unsecured and are provided with credit terms of payment. All borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date and does not expect to settle the liability for at least 12 months after the statement of financial position date.

### 7.2. Measurement

#### Payables

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

#### Borrowings

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

### 7.3. Derecognition

Payables and borrowings are to be 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 the income statement.

#### Borrowing Costs

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

#### References

AASB 7 – *Financial Instruments Disclosures*  
AASB 9 – *Financial Instruments*  
AASB 13 – *Fair Value Measurement*  
AASB 101 – *Presentation of Financial Statements*  
AASB 123 – *Borrowing Costs*  
AASB 132 – *Financial Instruments: Presentation*

## 8. PROVISIONS AND EMPLOYEE BENEFITS

The principles in this section are applied in accounting for employee benefit provisions and related expenses.

### 8.1. Provisions

#### Recognition

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

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

#### Measurement

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as a borrowing cost. The key distinctions between accruals and provisions are:

- Timing of the cash outflow is uncertain for provisions, and
- Amount required to settle the obligation for a provision may vary or change.

### 8.2. Employee Benefits

#### Short-term obligations

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

#### Other long-term obligations

The liability for other long-term employee benefits such as annual leave and long service leave is recognised in non-current provisions for employee benefits if it is not expected to be settled wholly before twelve months after the end of the reporting period. It is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. The expected future payments are discounted using market yields at the reporting date on national Government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

#### Bonus plans

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

#### Retirement Benefit Obligations

All employees of the University are entitled to benefits on retirement, disability, or death from contributions to superannuation plans. The University has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the University and its legal or constructive obligation is limited to these contributions.

### **Defined Benefit Plans**

A liability or asset in respect of the defined benefit superannuation plan is recognised in the statement of financial position and is measured as the present value of the defined benefit obligation at the reporting date, plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the plan to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside of the income statement, in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement, unless the changes to the superannuation plan are conditional on the employees remaining in service for a specified period (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (for example, taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

### **Defined Contribution Plan**

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

### **Unfunded superannuation**

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

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

Accordingly, the liabilities have been recognised in the statement of financial position under provisions with corresponding assets recognised under receivables. The MOU stipulates that UNSW will receive funding from governments when assets in the State Super reserve accounts are run down to a one-year asset buffer level. Accordingly, a proportion of both the liability and receivable will be recognised as current, representing the amounts payable, and therefore receivable, in the next year.

### **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The University recognises termination benefits at the earlier of when the University can no longer withdraw the offer of benefits or when the University recognises costs for restructuring involving the payment of termination benefits.

Benefits falling due more than 12 months after reporting date are discounted to present value.

### **References**

AASB 119 – *Employee Benefits*

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

## 9. LEASES

This section deals with leases and its accounting treatment based on its classification in the hands of a lessor and a lessee.

### 9.1. The University as a Lessee

#### Initial Measurement

At inception of a contract, the University assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration. In contracts where the University is a lessee, the University recognises a right-of-use asset and a lease liability at the commencement date of the lease, as follows:

- Recognise a lease liability measured at the present value of the lease payments that are not paid at that date.
- The lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined.
- If that rate cannot be readily determined, the University uses the University's incremental borrowing rate.

Lease payments comprise of:

- fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the University under residual value guarantees,
- the exercise of a purchase option if the University is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the University exercising an option to terminate the lease.

Recognition of a right-of-use asset measured at cost, comprises:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs incurred by the University
- an estimate of costs to be incurred by the University in dismantling and removing the underlying asset.

#### Short-term lease

Lease payments associated with a lease that has a lease term of 12 months or less and does not contain a purchase option are recognised as an expense on a straight-line basis over the lease term.

#### Lease for which the underlying asset is of low value

Lease payments associated with a lease for which the underlying asset is AUD\$10,000 or less are recognised as an expense on a straight-line basis over the lease term.

#### Concessionary (peppercorn) lease

Right of use assets arising from significantly below-market terms and conditions lease principally to enable the entity to further its objectives are measured at cost which equal to the amount of the initial measurement of the lease liability.

#### Subsequent Measurement

Lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability
- reducing the carrying amount to reflect the lease payments made
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

A right-of-use asset is subsequently measured at cost:

- less any accumulated depreciation; and
- adjusted for any remeasurement of the lease liability

## 9.2. The University as a Lessor

### Classification of Leases

When the University acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease. To classify each lease, the University makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the University considers indicators such as whether the lease is for the major part of the economic life of the asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The University reassesses the lease classification only if there is a lease modification. Changes in estimates (e.g., 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), do not give rise to a new classification of a lease for accounting purposes.

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

- the lease transfers ownership of the asset to the lessee by the end of the lease term,
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable, for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
- the lease term is for the major part of the economic life of the asset even if title is not transferred,
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all the fair value of the leased asset; and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee,
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease), and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

## 9.3. Measurement

### Operating Leases

The University shall present assets subject to operating leases in its statement of financial position according to the nature of the asset. Lease income from operating leases shall be recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred by the University in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The depreciation policy for depreciable leased assets shall be consistent with the University's normal depreciation policy for similar assets.

### Finance Leases

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

## 9.4. Sale and Leaseback Transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon whether the transfer of the asset is accounted for as a sale of that asset.

### Transfer of the asset is a sale

The University shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the University. Accordingly, the University shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

### Transfer of the asset is not a sale

The University shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds.

### References

AASB 16 – Leases

AASB 2018-8 -Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

## 10. SERVICE CONCESSION ARRANGEMENTS: GRANTOR

This section deals with service concession arrangements and its accounting treatment from the grantor's perspective, where the University is the grantor. Service concession arrangement is an arrangement that involves an operator providing public services related to a service concession asset on behalf of the University for a specified period of time and managing at least some of those services. An arrangement within the scope of these accounting procedure typically involves an operator constructing the assets used to provide the public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period of time. Such arrangements are often described as build-operate, transfer or rehabilitate-operate- transfer service concession arrangements or public-private partnerships (PPPs).

### 10.1. Recognition and measurement of service concession assets

#### Recognition

The University shall recognise an asset provided by the operator and an upgrade to or a major component replacement for an existing asset of the University as a service concession asset if the University controls the asset. The University controls the asset if, and only if:

- a. the University controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- b. the University controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The University shall recognise an asset that will be used in a service concession arrangement for its entire economic life (a 'whole-of-life' asset) if the conditions in point (a) above are met. In this case, the condition in point (b) is not relevant and therefore the grantor controls the whole-of-life asset if the conditions in point (a) are met.

#### Initial Measurement

The University shall initially measure the service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement* (AASB13).

Where an existing asset(s) of the grantor meets the conditions specified in the initial measurement paragraphs above, the University shall reclassify the existing asset(s) as a service concession asset(s) and shall measure the asset(s) at current replacement cost in accordance with the cost approach to fair value in AASB 13 as at the date of reclassification. The University shall recognise any difference at that date between the carrying amount of the asset and its fair value (current replacement cost) as if it is a revaluation of the asset(s). This approach does not mean that the grantor has adopted the revaluation model.

#### Subsequent Measurement

After initial recognition or reclassification, the University shall account for a service concession asset during the term of the service concession arrangement as follows:

- depreciate or amortise the depreciable amount of the asset over the useful life in accordance with Property, Plant and Equipment or Intangible Assets useful lives as set out in this document, as appropriate, with any impairment recognised, and
- at fair value less any depreciation and impairment. References to fair value shall be read as references to current replacement cost for service concession assets. For example, this means that current replacement cost is the basis for fair value measurement of service concession assets under a revaluation model.

Depreciation on service concession assets is calculated using the straight-line method to allocate their cost or revalued amounts, over their estimated useful lives. The estimated useful lives are as follows:

Asset	Controlled Entities	University
- Campus buildings and Off-campus properties	5 to 40 years	5 to 40 years
- Computer equipment	3 to 5 years	3 years
- Motor vehicles	3 to 8 years	8 years
- Other equipment	10 years	5 to 10 years
- Library holdings	10 years	10 years

The University shall account for a service concession asset after the end of the term of the service concession arrangement in accordance with other policies, as appropriate.

## 10.2. Recognition and measurement of liabilities

### Initial Measurement

Where the University recognises a service concession asset in accordance with conditions mentioned above, the University shall also recognise a liability. The University shall not recognise a liability when an existing asset of the University is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator, as noted below.

The liability recognised shall be initially measured at the same amount as the service concession asset, adjusted by the amount of any other consideration (e.g., the transfer of an existing asset) from the University to the operator, or from the operator to the University. The nature of the liability recognised is based on the nature of the consideration exchanged between the University and the operator. The nature of the consideration given by the University to the operator is determined by reference to the terms of the contract.

In exchange for the service concession asset, the University might compensate the operator for the service concession asset by any combination of:

- making payments to the operator (the 'financial liability' model); and
- compensating the operator by other means (the 'grant of a right to the operator' model), such as granting the operator:
  - the right to earn revenue from third-party users of the service concession asset; or
  - access to another revenue-generating asset for the operator's use.

### Financial liability model

Where the University has a contractual obligation to deliver cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the University shall account for the liability recognised as a financial liability.

### Grant of a right to the operator model

Where the University does not have a contractual obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and instead grants the operator the right to earn revenue from third-party users or access to another revenue-generating asset, the University shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the University and the operator. The University shall recognise revenue, and accordingly reduce the liability, according to the economic substance of the service concession arrangement.

### Definitions under service concession arrangement

**Contract:** An agreement between two or more parties that creates enforceable rights and obligations.

**Grantor:** The entity that grants the right to access the service concession asset to the operator.

**Operator:** The entity that has a right of access to the service concession asset to provide public services.

**Service concession arrangement:** A contract effective during the reporting period between a grantor and an operator in which:

- the operator has the right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time;
- the operator is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor; and
- the operator is compensated for its services over the period of the service concession arrangement.

**Service concession asset:** An asset (other than goodwill) to which the operator has the right of access to provide public services on behalf of the grantor in a service concession arrangement that:

- the operator constructs, develops, upgrades, or replaces major components, or acquires from a third party or is an existing asset of the operator; or
- is an existing asset of the grantor, including a previously unrecognised identifiable intangible asset and land under roads, or an upgrade to or replacement of a major component of an existing asset of the grantor.

### References

AASB 1059 – *Service Concession Arrangements: Grantor*

## 11. REVENUE

The principles in this section are applied in accounting for the recognition of revenue arising from the following transactions and events:

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

### 11.1. Measurement

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

### 11.2. Recognition

Revenue is recognised when or as the entity transfers promised goods or services to a customer. A 'transfer' occurs when the customer obtains control of the good or service. A customer would obtain control of an asset when it can direct the use of and obtain substantially all the remaining benefits from an asset.

#### Government Grants and Assistance

Financial assistance provided by the Australian Government is recognised in the year it was received or when the performance obligations have been satisfied. Most of the government grants and assistance received are a contribution. A contribution occurs when the University receives an asset without having to give equal value to the other party / parties of the transfer.

If the consideration received has no performance obligations, the income is to be recognised as revenue when all the following conditions have been satisfied,

- the University obtains control of the contribution or the right to receive the contribution,
- and it is probable that the contribution will flow to the University.

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

If the considerations received has performance obligations, the income is to be recognised as revenue over time, in a manner that depicts the entity's performance obligations; or at a point in time, when the control of the goods or services is transferred to the customer.

#### Student Fees and Charges

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

#### Research Revenue

Revenue recognition based on contracts to provide services require income to be recognised where contracts with customers are:

- enforceable; and
- have sufficiently specific performance obligations.

Revenue associated with the provision of services is recognised by reference to the satisfaction of a performance obligation at the reporting date when the milestone can be estimated reliably.

The core principle is that UNSW shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The key requirements are:

- Contract price is allocated and recognised across the relevant performance obligations, and
- A performance obligation must include goods or services which are capable of being distinct in the context of the contract.

Revenue is recognised when UNSW transfers control of goods or services to a customer at an amount which the entity is entitled to and is recognised either:

- over time, in a manner that depicts the entity's performance obligations; or
- at a point in time, when the control of the goods or services is transferred to the customer.

### **Sale of Goods**

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

Revenues from sale of goods are recognised when the performance obligations have been satisfied at a point in time (i.e., when 'control' of the goods or services underlying the performance obligation is transferred to the customer).

### **Interest, Royalties and Dividends**

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

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

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

### **Other Revenue**

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

### **References**

AASB 15 – *Revenue from Contracts with Customers*

AASB 1058 – *Income of Not-for-Profit Entities*

## **12. INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS**

The principles in this section are applied in accounting for investments in associates and joint ventures. This section is not applied to investments in associates and joint ventures classified as held for sale, which is covered under the section 16: [NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS](#).

### **12.1. Investments in Associates**

#### **Measurement**

Investments in an associate are accounted for in the University's or stand-alone entity's financial statements using the cost method and in the consolidated financial statements using the equity method from the date it becomes an associate. Under the equity method, on initial recognition the investment in an associate or a joint venture is initially recognised at cost. Cost is the fair value of the consideration paid by the Group. The Group's investment in an associate includes goodwill (net of any accumulated impairment loss) identified on acquisition. The carrying amount of the investment is increased or decreased to recognise the Group's share of the net profit or loss after tax of the investee after the date of acquisition. The Group's share of the investee's profit or loss is recognised in the Group's profit or loss. Dividends/distributions receivable from an associate are recognised in the University's or stand-alone entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment, from foreign exchange translation differences and valuation of financial instruments classified at fair value through other comprehensive income.

The Group's share of those changes is recognised directly in other comprehensive income of the Group. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

### **Equity Accounting Adjustments**

Adjustments similar to those required for consolidation should be made when equity accounting is applied to investments in associates and joint ventures. Adjustments should be made for the following purposes:

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

### **Discontinuing Equity Accounting**

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

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

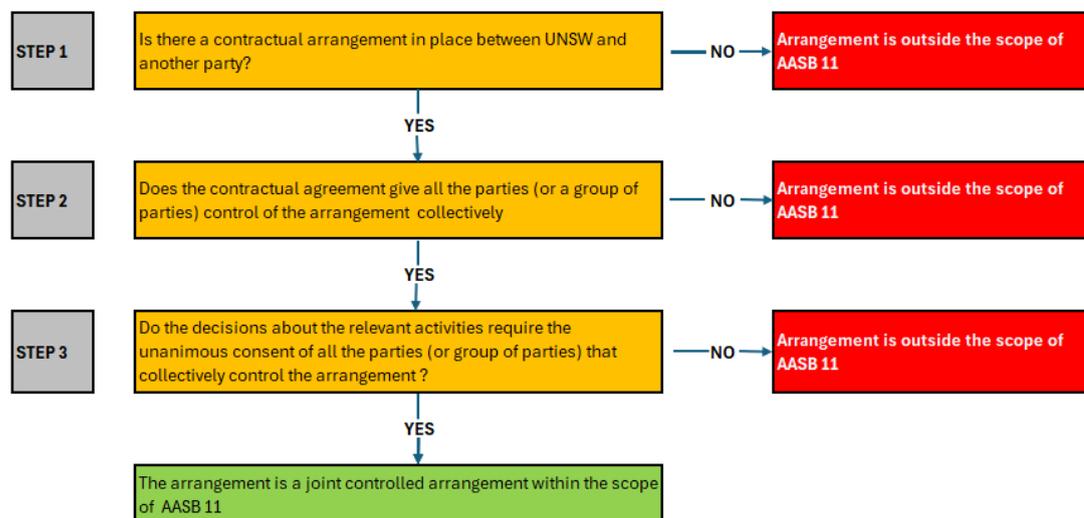
When the Group discontinues the use of the equity method, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the basis as would have been required if the investee had directly disposed of the related assets or liabilities.

### **Impairment**

Please refer to section 6 [IMPAIRMENT OF ASSETS](#).

## 12.2. Joint Arrangements

The diagram below illustrates the process for determining whether UNSW has a joint arrangement under AASB 11 *Joint Arrangements*.



### Joint Ventures

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

### Joint Operations

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

### Impairment

Please refer to section 6 [IMPAIRMENT OF ASSETS](#).

### References

AASB 11 – *Joint Arrangements*

AASB 12 – *Disclosure of Interests in Other Entities*

AASB 128 – *Investments in Associates and Joint Ventures*

AASB 136 – *Impairment of Assets*

## 13. CONSOLIDATION

The University, as a parent, shall present consolidated financial statements in which it should include all controlled entities of the University. Controlled entities are fully consolidated from the date on which control is transferred to the University. They are deconsolidated from the date that control ceases.

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

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

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

### References

AASB 3 – *Business Combinations*

AASB 10 – *Consolidated Financial Statements*

AASB 12 – *Disclosure of Interests in Other Entities*

AASB 101 – *Presentation of Financial Statements*

AASB 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*

## 14. FOREIGN CURRENCY TRANSLATION

The principles in this section are applied in instances of:

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

For University transactions, stakeholders are required to notify the Treasury, Investments team of foreign exchange exposures arising from foreign currency denominated activities over AUD \$350,000. Any exception to this is to be approved in writing by the Director of Treasury, Investments & Insurance. Hedge accounting for foreign currency items, including the hedging of net investments in a foreign operation is not within the scope of these accounting procedures.

### 14.1. Functional Currency Approach

The University uses the functional currency approach in dealing with foreign currency translation. Items included in the financial statements of the University's controlled entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the University's functional and presentation currency.

### 14.2. Initial Measurement

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

### 14.3. Subsequent Measurement

#### Subsequent Treatment of Monetary Items

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

### **Subsequent Treatment of Non-Monetary Items**

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

## **14.4. Recognition of Foreign Exchange Differences**

Foreign exchange gains and losses arising from the settlements of such transactions or from the translation at each subsequent reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange rate component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, any exchange rate component of that gain or loss shall also be recognised in the income statement.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are taken to equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

## **14.5. Translation to Presentation Currency**

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

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

### **References**

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

AASB 13 – *Fair Value Measurement*

## **15. TAXES**

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

### **15.1. Income Tax**

#### **Recognition of Current and Deferred Tax**

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

- a transaction or event which is recognised, in the same period or a different period, outside profit or loss, either in other comprehensive income or directly in equity; or
- a business combination.

Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, shall be recognised in other comprehensive income; and
- directly in equity, shall be recognised directly in equity.

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

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

### **Recognition of Deferred Tax Liabilities**

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

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

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

- the parent entity can control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

### **Recognition of Deferred Tax Assets**

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

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

### **Reassessment of Unrecognised Deferred Tax Assets**

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

### **Measurement of Current Tax Liabilities**

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

### **Measurement of Current Tax Assets**

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

### **Measurement of Deferred Tax Assets and Liabilities**

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

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

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

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

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

#### **Unused Tax Losses and Unused Tax Credits**

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

### **15.2. Goods and Services Tax (“GST”)**

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

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

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

#### **References**

AASB 101 – *Presentation of Financial Statements*

AASB 112 – *Income Taxes*

Interpretation 1031 – *Accounting for the Goods and Services Tax (GST)*

## **16. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

### **Non-Current Assets Held for Sale**

The principles in this section refer to all recognised non-current assets and all disposal groups of the University, except for those asset types listed below:

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

### **Discontinued Operations**

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

- represent a separate major arm of business of the University or represent a geographical area of operations,
- be part of a single coordinated plan to dispose of a separate major line of the University or geographical area of operations, or
- be a controlled entity acquired exclusively with a view of resale by the University.

### **16.1. Recognition**

The University, in general terms, classifies non-current assets (or disposal groups) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case the University deems that the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and its sale must be highly probable.

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

## **16.2. Measurement**

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

## **16.3. Impairment Losses and Reversals**

The University recognises all impairment loss for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. The University recognises a gain for any subsequent increase in fair value less costs to sell of a disposal group, up to the cumulative impairment loss that has been recognised.

An impairment loss recognised for a disposal group will reduce the carrying amount of the non-current assets in the University. A gain or loss not previously recognised by the date of the sale of a non-current asset shall be recognised at the date of derecognition.

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

## **16.4. Derecognition of an Asset Held for Sale**

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

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

- the carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, or
- its recoverable amount at the date of the subsequent decision not to sell.

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

## **16.5. Presentation**

### **Non-Current Assets Held for Sale**

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

### **Discontinued Operations**

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

### **Reference**

*AASB 5 – Non-Current Assets Held for Sale and Discontinued Operations*

## Appendix 1

### Authority for this procedure

The Director, Financial Control and Compliance is authorised to maintain this procedure in accordance with the [Finance Policy](#).

### Legislative compliance

This procedure supports the University's compliance with the following legislation:

- *Government Sector Audit Act 1983* (NSW)
- *Government Sector Finance Act 2018* (NSW)
- *Government Sector Finance Regulations 2024* (NSW)
- Australian Accounting Standards
- Other authoritative pronouncements of the Australian Accounting Standards Board ("AASB")
- Australian Accounting Interpretations
- *Higher Education Support Act 2003* (Financial Statement Guidelines)
- *Government Sector Finance Legislation (Repeal and Amendment) Act (2018) no 70*
- other Australian Government and State legislative requirements.

### Definitions and acronyms

Definitions and acronyms	
<b>AASB</b>	Australian Accounting Standards Board
<b>Actuarial gains and losses</b>	comprise: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has occurred); and (b) the effects of changes in actuarial assumptions.
<b>Amortised cost</b>	is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or using a provision account) for impairment or un-collectability.
<b>Associate</b>	is an entity, including an unincorporated entity such as a partnership, over which the University has significant influence and that is neither a controlled entity nor an interest in a joint arrangement, generally accompanying a shareholding of between 20% and 50% of the voting rights.
<b>Carrying amount</b>	is the amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses.
<b>Closing Rate</b>	is the spot exchange rate at the end of the reporting period.
<b>Commencement date</b>	The date on which a lessor makes an underlying asset available for use by a lessee.
<b>Component</b>	of the University refers to operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the University.

Definitions and acronyms	
<b>Constructive obligation</b>	<p>is an obligation that derives from the University's actions where:</p> <ul style="list-style-type: none"> <li>(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the University has indicated to other parties that it will accept certain responsibilities; and</li> <li>(b) as a result, the University has created a valid expectation on the part of those other parties that it will discharge those responsibilities.</li> </ul>
<b>Control</b>	exists over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.
<b>Controlled entity</b>	A <b>controlled entity</b> (subsidiary) is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).
<b>Cost</b>	<p>is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.</p> <p>Examples of directly attributable costs are:</p> <ul style="list-style-type: none"> <li>(a) the cost of employee benefits that arise directly from the construction or acquisition of the item;</li> <li>(b) the costs of site preparation;</li> <li>(c) initial delivery and handling costs;</li> <li>(d) professional fees;</li> <li>(e) commissioning costs; and</li> <li>(f) finance costs.</li> </ul>
<b>Costs of disposal</b>	are incremental costs directly attributable to the disposal of an asset or cash-generating unit or disposal group, excluding finance costs and income tax expense.
<b>Costs to sell</b>	See Costs of disposal.
<b>Depreciated replacement cost</b>	is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated based on such cost to reflect the already consumed or expired future economic benefits of the asset.
<b>Disposal group</b>	refers to a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The University includes goodwill acquired in a business combination if the University is a cash-generating unit to which goodwill has been allocated in accordance with accounting standards if it is an operation within such a cash-generating unit.
<b>ECLs</b>	expected credit losses
<b>Economic life</b>	Either the period over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from an asset by one or more users.
<b>Effective date of the modification</b>	The date when both parties agree to a lease modification.
<b>Effective interest method</b>	is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Definitions and acronyms	
<b>Effective interest rate</b>	is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the University shall estimate cash flows considering all contractual terms of the financial instrument (e.g., prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.
<b>Equity method</b>	The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The profit or loss of the Group includes the Group's share of the profit or loss of the investee.
<b>Fair Value</b>	<ol style="list-style-type: none"> <li>1. 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; or</li> <li>2. is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.</li> </ol>
<b>Fair value less costs of disposal</b>	is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at measurement date, less the costs of disposal.
<b>Finance lease</b>	is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
<b>Fixed payments</b>	Payments made by a lessee to a lessor for the right to use an underlying asset during the lease term, excluding variable lease payments.
<b>Functional Currency</b>	is the currency of the primary economic environment in which the entity operates. The functional currency in respect of the University is the Australian Dollar. However, overseas controlled entities of the University will have their own functional currency. Each entity has its own functional currency and in general the Group will be made up of multiple functional currencies.
<b>Gross investment in the lease</b>	The sum of: <ol style="list-style-type: none"> <li>(a) the lease payments receivable by a lessor under a finance lease; and</li> <li>(b) any unguaranteed residual value accruing to the lessor.</li> </ol>
<b>Group</b>	means the University and its controlled entities
<b>Inception date</b>	The earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease.
<b>Initial direct costs</b>	Incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease.
<b>Intangible asset</b>	An <i>intangible asset</i> is an identifiable non-monetary asset without physical substance.
<b>Interest rate implicit in the lease</b>	The rate of interest that causes the present value of: <ol style="list-style-type: none"> <li>(a) the lease payments; and</li> <li>(b) the unguaranteed residual value to equal the sum of: <ol style="list-style-type: none"> <li>(i) the fair value of the underlying asset and</li> <li>(ii) any initial direct costs of the lessor.</li> </ol> </li> </ol>

Definitions and acronyms	
<b>Inventories</b>	<p>are assets:</p> <ul style="list-style-type: none"> <li>• held for sale in the ordinary course of business;</li> <li>• used in the process of production for such sale; or</li> <li>• in the form of materials or supplies to be consumed in the production process or in the rendering of services.</li> </ul>
<b>Joint control</b>	is the contractually agreed sharing of control over an economic activity, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).
<b>Joint venture</b>	A 'joint venture' is a joint arrangement where the parties with joint control have <b>rights to the net assets of the arrangement</b> .
<b>Joint operation</b>	In a 'joint operation', the parties with joint control have <b>right to the assets, and obligations for the liabilities of the joint arrangement</b> . Joint operations are not structured through a separate vehicle.
<b>Lease</b>	A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration.
<b>Lease incentives</b>	Payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee.
<b>Lease modification</b>	A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).
<b>Lease payments</b>	<p>Payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following:</p> <ul style="list-style-type: none"> <li>(a) fixed payments (including in-substance fixed payments), less any lease incentives;</li> <li>(b) variable lease payments that depend on an index or a rate;</li> <li>(c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and</li> <li>(d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.</li> </ul> <p>For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.</p> <p>For the lessor, lease payments also include any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.</p> <p>Lease payments do not include payments allocated to non-lease components.</p>
<b>Lease term</b>	<p>The non-cancellable period for which a lessee has the right to use an underlying asset, together with both:</p> <ul style="list-style-type: none"> <li>(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and</li> <li>(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.</li> </ul>

<b>Definitions and acronyms</b>	
<b>Legal obligation</b>	<p>is an obligation that derives from:</p> <ul style="list-style-type: none"> <li>(a) a contract (through its explicit or implicit terms);</li> <li>(b) legislation; or</li> <li>(c) other operation of law.</li> </ul>
<b>Lessee's incremental borrowing rate</b>	<p>The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.</p>
<b>Loans and receivables</b>	<p>are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:</p> <ul style="list-style-type: none"> <li>• those that the University intends to sell immediately or in the near term;</li> <li>• those that the University designates as available for sale upon initial recognition; or</li> <li>• those for which the University may not recover substantially all its initial investment</li> </ul>
<b>Minimum lease payments</b>	<p>are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:</p> <ul style="list-style-type: none"> <li>(a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or</li> <li>(b) for a lessor, any residual value guaranteed to the lessor by: <ul style="list-style-type: none"> <li>i. the lessee;</li> <li>ii. a party related to the lessee; or</li> <li>iii. a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.</li> </ul> </li> </ul> <p>However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.</p>
<b>Monetary Asset/Liability</b>	<p>are assets and/or liabilities to be received or paid in a fixed or determinable number of units of currency. Examples include:</p> <ul style="list-style-type: none"> <li>• financial assets such as cash, bank balances and receivables;</li> <li>• financial liabilities such as debts and provisions that are settled in cash;</li> <li>• pensions and other employee benefits to be paid in cash, deferred taxes and cash dividends that are recognised as a liability; and</li> <li>• derivative financial instruments such as forward exchange contracts, foreign currency swaps and options are also monetary items as they are settled at a future date.</li> </ul>
<b>Net investment in the lease</b>	<p>The gross investment in the lease discounted at the interest rate implicit in the lease.</p>
<b>Net realisable value</b>	<p>is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.</p>

Definitions and acronyms	
<b>Non-Monetary Asset/Liability</b>	<p>are all items other than monetary items. In other words, the right to receive or deliver a fixed or determinable number of units of currency is absent in a non-monetary item. Examples include:</p> <ul style="list-style-type: none"> <li>• intangible assets;</li> <li>• goodwill;</li> <li>• PPE;</li> <li>• inventories;</li> <li>• amounts prepaid for goods and services;</li> <li>• equity investments; and</li> <li>• provisions that are to be settled by the delivery of a non-monetary asset.</li> </ul>
<b>Operating lease</b>	A lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
<b>Optional lease payments</b>	Payments to be made by a lessee to a lessor for the right to use an underlying asset during periods covered by an option to extend or terminate a lease that are not included in the lease term.
<b>Parent</b>	is an entity that has one or more controlled entities.
<b>Period of use</b>	The total period of time that an asset is used to fulfil a contract with a customer (including any non-consecutive periods of time).
<b>Presentation Currency</b>	is the currency in which the financial statements are presented
<b>Property, plant and equipment</b>	<p>are tangible items that:</p> <p>(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</p> <p>(b) are expected to be used during more than one year.</p>
<b>Recoverable amount</b>	is defined as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.
<b>Replacement cost</b>	is the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. Replacement cost is not necessarily the cost of replicating the asset.
<b>Residual value guarantee</b>	A guarantee made to a lessor by a party unrelated to the lessor that the value (or part of the value) of an underlying asset at the end of a lease will be at least a specified amount.
<b>Right-of-use asset</b>	An asset that represents a lessee's right to use an underlying asset for the lease term.
<b>Short-term lease</b>	A lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease.
<b>Spot Exchange Rate</b>	is the exchange rate for immediate delivery.
<b>Taxable profit (tax loss)</b>	is the profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).

Definitions and acronyms	
<b>Temporary differences</b>	<p>are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Temporary differences may be either:</p> <ul style="list-style-type: none"> <li>• <b>deductible temporary differences</b>, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or</li> <li>• <b>taxable temporary differences</b>, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.</li> </ul>
<b>University</b>	means the University of New South Wales.
<b>Value in use</b>	is depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the University would, if deprived of the asset, replace its remaining future economic benefits.
<b>Variable lease payments</b>	The portion of payments made by a lessee to a lessor for the right to use an underlying asset during the lease term that varies because of changes in facts or circumstances occurring after the commencement date, other than the passage of time.

## Revision history

Policy document in effect	Approval	Change
Accounting Procedure (1.0) 5 January 2026	Director, Financial Control and Compliance	Full review* and link to the Finance Policy.

\* This is a review and re-naming of the Accounting Policy (3.0) in effect from 28 January 2022 to 4 January 2026.