

Wheatbelt Natural Resource Management Incorporated

Accounting Treatments Policy

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Contact Officer:	Natarsha Woods
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Related Legislation:	Australian Accounting Standards Board 101 (AASB) Associations Incorporations Act (WA) 1987 Income tax assessment Act 1997 (ITAA) Fringe Benefit Tax Assessment Act 1986 Taxation Administration Act 1953 Pay-roll tax Assessment Act 2002
Related Wheatbelt NRM Procedures:	3.7 Account Treatments Procedure 3.3 Procurement and Purchasing Policy Wheatbelt NRM Constitution

1. **Definitions** *(Australian Accounting Standards Board (AASB) definitions are specific to this policy)*

“Accrual” means a financial book transaction rather than a financial cash transaction. The economic event is measured regardless of when cash transactions occur.

“Asset (AASB)” defined by the AASB is a resource controlled by Wheatbelt NRM as a result of past events; and from which future economic benefit are expected to flow to Wheatbelt NRM.

“Contingent Asset (AASB)” defined by the AASB is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;

“Contingent Liability (AASB)” defined by the AASB means a possible obligation from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised

because: a) it is not probably that an outflow of resources embodying economic benefits will be required to settle the obligation; or b) the amount of the obligation cannot be measured with sufficient reliability.

“Liability (AASB)” defined by the AASB is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefit.

“Financial Year” means a period of twelve (12) months from 1 July to 30 June that defines the annual accounting period.

“Not-for-profit” means an organisation that does not operate for the profit, personal gain or other benefit of particular people, while the organisation is operating and if it winds down.

“Recognised Asset” means property which have an effective life greater than 12 months, and a procurement, or thereafter market value, greater than \$5,000 for the effect of Accounting depreciation.

“Special Purpose Financial Report” (SPFR) means a statement that gives a true and fair view of the financial position and financial performance, of Wheatbelt NRM for the purpose of comprehensive independent financial audit and reporting to members.

“Wheatbelt NRM” means Wheatbelt Natural Resource Management Incorporated.

“Wheatbelt Natural Resource Management Public Fund” means the Wheatbelt NRM fund specifically endorsed under the Register for Environmental organisations to receive tax deductible donations.

2. Overview:

Wheatbelt NRM’s primary purpose as constituted is of a Not for Profit nature, and therefore Wheatbelt NRM is a Not for Profit entity under the Tax Assessment Act, and holds a number of tax concessions and endorsements.

As such, Wheatbelt NRM is required to publish financial statements to its members, prepared in accordance with the Associations Incorporation Act 1987 (WA) and Australian Accounting Standards.

Definitions applied in this policy can relate to technical accounting treatments applied by the Australian Accounting Standards Board (AASB), differentiating between the treatment of property and Recognised Assets.

This policy is a summary of the organisations significant accounting policy.

3. Policy Statements

3.1. Not-For-Profit Organisation

- 3.1.1. Wheatbelt NRM is a not-for-profit organisation and its activities do not generate profit or losses for distribution to members.

3.2. Special Purpose Financial Report (SPFR)

- 3.2.1. Wheatbelt NRM is an individual entity, and is not a reporting entity under the definition of the AASB.
- 3.2.2. It is reasonable to expect there is no existence of users who are unable to command the preparation of reports tailored so as to satisfy all their information needs in the making and evaluating decisions about the allocation of resources;
- 3.2.3. Annual audited financial statements are special purpose, prepared for the use by Wheatbelt NRM so as to satisfy the requirements of the Wheatbelt NRM Constitution and the Associations Incorporations Act;
- 3.2.4. Material accounting policies adopted by Wheatbelt NRM in preparation of the annual SPFR, are applied on a consistent basis, unless otherwise stated specifically in the financial statements;
- 3.2.5. The SPFR is prepared in accordance with the Associations Incorporations Act 1987 (WA) and Australian Accounting Standards; on an accrual basis; based on historical cost modified by the revaluation of selected non-current assets; and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

3.3. Assets and liabilities

- 3.3.1. Assets will be recognised at fair value at a time when a resource from a past event from which future economic benefit is expected, and adequate provision is made for any permanent diminution in the value on non current assets;
- 3.3.2. Carrying amounts of all non current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount and amended accordingly to present value;
- 3.3.3. Adequate provision will be made for allowances which may be given and for losses which may be sustained, in connection with collection of accounts receivable and non-trade receivables;
- 3.3.4. Deficiencies and encumbrances attached to title of Wheatbelt NRM will be reflected in the SPFR;
- 3.3.5. Contingent Asset will be recognised at a time when the asset realisation of income associated with it, is virtually certain;
- 3.3.6. Liabilities which have arisen or which will arise out of the activities of Wheatbelt NRM will be recognised and included in the SPFR;

3.3.7. Material commitments for capital expenditure will be included in the notes to the SPFR;

3.3.8. Contingent Liabilities including guarantees or assets including those arising under derivative financial instruments, will be recognised at a time when the liability is probable, and disclosed in the SPFR;

3.4. Income

3.4.1. The Organisations principal receipts are funds provided for specific projects and not available for general activities. Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised from the major business activities as follows:

- Rendering of Service: Revenue is recognised on delivery of service or by reference to the stage of completion specified by the funder.
- Interest: Revenue is recognised as the interest accrues.
- Grants: Grants are recognised at fair value when the organisation is scheduled to apply this funding to project completion. The balances of grants are recognised as prepaid income until such time as it is scheduled for project completion. Matching of grant funding to planned project activity occurs at financial year end.

3.5. Equipment and Recognised Assets

3.5.1. Depreciation of a Recognised Asset is on a straight line basis over the assets useful life, commencing from the time of acquisition. The assets residual value and useful life are reviewed, and adjusted is appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

3.5.2. Equipment to be removed from the premises, or allocated to representatives will be recorded in the Loan Book.

3.6. Cash and Cash Equivalent

3.6.1. Cash and cash equivalents include cash on hand, deposits held at call with banks, including short term highly liquid investments.

3.7. Goods and Services Tax

3.7.1. Revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables in the balance sheet are shown inclusive of GST.

3.8. Cash Flows

3.8.1. Cash Flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

3.9. Employee Entitlements

3.9.1. The provision for employee benefits relates to the amount liable to be paid for the long service leave and annual leave resulting from the employees services provided to balance date.

3.9.2. All entitlements are calculated at their nominal amounts using remuneration rates and expected to be settled within one year.

3.9.3. All provisions are calculated based on the capability of being measured reliably in respect of probable future economic settlement, appropriate consideration to current organisation provision values, and workforce plan.

3.9.4. A nominal provision is made for the employee paid parental leave entitlement.

3.9.5. No allowance has been made for future pay rate and thus discounting present value of future cash outflows, due to inherent uncertainty in determining the appropriate valuation rates.

3.10. Retained Earnings

3.10.1. Retained earnings represent income received over time that is not specifically allocated to a project, and can be used in the future for projects or initiatives at the organisations discretion.

3.11. Consolidated Funds

3.11.1. Consolidated funds represent income received that is specifically allocated to project outcomes and can only be used for the purposes described in the contractual agreements for the delivery of NRM services and organisational operation. During times of funding discontinuity, consolidated funds are provisional for ongoing essential NRM work, through organisational continuity.

3.11.2. The character of the funding provided is to be retained.

3.12. Tax Concessions and Endorsements

3.12.1. Income Tax Exemption

3.12.1.1. Wheatbelt NRM is a not for profit organisation and thus exempt from income tax liability by virtue of the Income Tax Assessment Act 1997 (ITAA)

3.12.2. Tax Concession Charity

3.12.2.1. Under the Fringe Benefit Tax Assessment Act 1986, and the Taxation Administration Act 1953, tax concession charity endorsement has been granted to Wheatbelt NRM as a charitable institution.

3.12.2.2. Wheatbelt NRM is a not for profit entity that operates for the public benefit to protect, preserve, care for, and educate the community about the environment and charities.

3.12.3. Payroll Tax Exemption

3.12.3.1. For the purpose of Pay-roll tax Assessment Act 2002, and the Taxation Administration Act 2003, Wheatbelt NRM is granted exemption from payroll tax for the purpose of section 40 (2)(n) of the Act effective 2007 financial year.

3.12.4. Deductible Gift recipient / Register of Environmental Organisations

3.12.4.1. Wheatbelt Natural Resource Management Public Fund has received endorsement as a deductible gift recipient. Entry has been granted onto the Register of Environmental Organisations 27th April 2012.

3.12.4.2. Under the Income Tax Assessment Act 1997 item 6.1.1 of subsection 30-55(a) Wheatbelt Natural Resource Management Public Fund is entitled to receive tax deductible donations.

4. Responsible Officer:

4.1. The Board of Management is responsible for the preparation and fair representation of the financial report and that accounting policies and instruments described in the notes to the financial statements are consistent with the Associations Incorporations Act WA and are appropriate to meet the needs of its members.

4.2. The Board of Management is responsible for the use of appropriate accounting policies and estimates that are reasonable in the circumstances.

4.3. The Chief Executive Officer is responsible to comply on behalf of the Association with Part v(25) and (26) of the Incorporated Associations Act with respect to the accounting records of the Association, by keeping such accounting records as correctly documented and to explain the financial transactions and financial position of the Association; and keep the accounting records in such a manner as will enable true and fair accounts of the Association to be prepared from time to time, and to be conveniently and properly audited

4.4. The Finance Committee is responsible for overseeing the appointment and outcomes of external accountants and auditors; to review and ensure compliance of financial records; and oversee the preparation and reporting of financial accounts to Board and the SPFR.

4.5. The Finance Officer is responsible for the administration of the financial management system.

5. Approval:

This Policy was approved by the Board of Management on 4th May 2016.

Jim Sullivan
Chairperson
Board of Management