

**Composition of the Task Force on
Review of Government's Financial Reporting Policy**

- Chairperson : Miss Denise Yue
Secretary for the Treasury
Finance Bureau
- Members : Mr Stanley Ying (with effect from 24 July 2000)
Mrs Carrie Lam (up to 23 July 2000)
Deputy Secretary (Treasury) 1
Finance Bureau
- Mr K T Li (with effect from 31 July 2000)
Mr Steve Cookson (up to 30 July 2000)
Principal Assistant Secretary (Treasury) H
Finance Bureau
- Mr Shum Man-to
Director of Accounting Services
Treasury
- Mr A L Calder
Assistant Director of Accounting Services (Accounting Services)
Treasury
- Mr C H Tsang
Assistant Director of Accounting Services (Treasury Accounts)
Treasury
- Secretary : Miss Christine Chow (with effect from 12 February 2001)
Miss Ivy Law (up to 21 November 2000)
Assistant Secretary (Treasury) H
Finance Bureau
- In Attendance : Mr Frankie Lam
Chief Treasury Accountant (Financial Management Services) A
Treasury

Funds Established under Section 29 of Public Finance Ordinance

Name of Fund	Purposes
(a) Capital Works Reserve Fund	To finance public works programmes, acquisitions of land, capital subventions and major systems and equipment items.
(b) Capital Investment Fund	To finance investments in and loans to public sector bodies which are not part of the Government structure and such other bodies as the Finance Committee of the Legislative Council (LegCo) may specify.
(c) Civil Service Pension Reserve Fund	To meet payment of civil service pensions in the most unlikely event that the Government cannot meet such liabilities from the General Revenue.
(d) Disaster Relief Fund	To provide a ready mechanism for Hong Kong to respond swiftly to international appeals for humanitarian aid in relief of disasters that occur outside Hong Kong.
(e) Innovation and Technology Fund	To finance projects to help promote innovation and technology upgrading in manufacturing and service industries.
(f) Land Fund	To enable the investments held by the former Trustees of the Hong Kong Special Administrative Region Government Land Fund to be formally brought into the Government's accounts.
(g) Loan Fund	To finance loans and advances for schemes of developments in Hong Kong and loans to such persons (such as loans to students, schools and teachers in training and housing loans for civil servants) as approved by the Finance Committee of the LegCo.
(h) Lotteries Fund	To finance social welfare services by grants, loans and advances.

Summary of the Statements of Assets and Liabilities of HKSAR Government as at 31 March 2000

	Consolidated Account	GRA	CWRF	CIF	CSPRF	DRF	ITF	Land Fund	Loan Fund	Lotteries Fund
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets										
Investments with the Exchange Fund	448,127	148,223	37,082	3,307	11,139	22	5,008	234,546	8,800	3,615
Deposits with banks	690	670	20	-	-	-	-	-	-	-
Cash and bank balances	1,818	1,757	41	-	-	-	-	-	20	4
Advances	3,900	3,772	128	-	-	-	-	-	-	-
Suspense Accounts (Note 4)	146	146	-	-	-	-	-	-	-	-
Investments (held under CIF)	-	-	-	407,423	-	-	-	-	-	-
Loans outstanding (under CIF and Loan Fund)	-	-	-	9,754	-	-	-	-	24,351	-
	<u>454,681</u>	<u>154,568</u>	<u>37,271</u>	<u>420,484</u>	<u>11,139</u>	<u>22</u>	<u>5,008</u>	<u>234,546</u>	<u>33,171</u>	<u>3,619</u>
Liabilities										
Deposits	(10,291)	(9,045)	(1,245)	-	-	-	-	-	(1)	(4)
Suspense Accounts (Note 4)	(136)	(136)	-	-	-	-	-	-	-	-
	<u>(10,427)</u>	<u>(9,181)</u>	<u>(1,245)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(4)</u>
	<u>444,254</u>	<u>145,387</u>	<u>36,026</u>	<u>420,484</u>	<u>11,139</u>	<u>22</u>	<u>5,008</u>	<u>234,546</u>	<u>33,170</u>	<u>3,615</u>
Representing:										
Applied Fund				417,177					24,351	
Available Fund				3,307					8,819	
Total Fund Balance	<u>444,254</u>	<u>145,387</u>	<u>36,026</u>	<u>420,484</u>	<u>11,139</u>	<u>22</u>	<u>5,008</u>	<u>234,546</u>	<u>33,170</u>	<u>3,615</u>
	(Note 1)			(Note 2)					(Note 3)	

Abbreviations

GRA : General Revenue Account
 CWRF : Capital Works Reserve Fund
 CIF : Capital Investment Fund
 CSPRF : Civil Service Pension Reserve Fund
 DRF : Disaster Relief Fund
 ITF : Innovation and Technology Fund

Notes

1. The Consolidated Account is prepared on the cash basis by combining the GRA and all the Funds established under section 29 of the PFO except the Lotteries Fund. It aims to give an overview showing the overall position of cash resources available for future spending. Accordingly, the capital investments (e.g. equity holding in the MTRCL) and outstanding loans under the CIF and Loan Fund are excluded from the Consolidated Account, but are disclosed at cost in the Notes on the Account.
2. The Applied Fund under the CIF represents the sum of investments acquired and loans made for the purposes of the Fund. The Available Fund represents funds available for acquiring investments or making loans for the purposes of the Fund.
3. The Applied Fund under the Loan Fund represents the outstanding loans made from the Fund. The Available Fund represents funds available for making loans.
4. The Suspense Accounts are established under section 30 of the PFO. Under the category of Assets, the balance mainly represents the cost of stocks in hand. Under the category of Liabilities, the balance represents (i) the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins and (ii) the net amount arising from dealing with the regrant or renewal of Government leases and managing the properties comprised therein.

Summary of the Statements of Receipts and Payments of HKSAR Government for the Year Ended 31 March 2000

	Consolidated									Lotteries Fund
	Account	GRA	CWRP	CIF	CSPRF	DRF	ITF	Land Fund	Loan Fund	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cash and bank balances at 1 April 1999	2,420	2,367	33	1	-	-	-	-	19	-
Revenue	232,995	162,104	39,111	10,665	1,016	35	5,193	21,387	11,515	1,126
Expenditure	(223,043)	(191,278)	(34,490)	(8,510)	-	(31)	(185)	-	(6,580)	(686)
(Deficit)/Surplus for the year	9,952	(29,174)	4,621	2,155	1,016	4	5,008	21,387	4,935	440
Other cash movements (Note 1)	(10,554)	28,564	(4,613)	(2,156)	(1,016)	(4)	(5,008)	(21,387)	(4,934)	(436)
Cash and bank balances at 31 March 2000	1,818	1,757	41	-	-	-	-	-	20	4
	(Note 2)									

Abbreviations: please refer to Annex 3-1.

Notes

1. These are transactions relating to cash movements other than revenue or expenditure, such as increase/decrease in deposits and advances, investments with the Exchange Fund and deposits with banks.
2. The consolidated revenue and expenditure exclude inter-fund transfers between the GRA and various Funds totalling \$18,031 million.

Comparison between Cash Accounting and Accrual Accounting

Issues	Cash Accounting	Accrual Accounting
1. Timing of transactions recording	Recognises transactions only when cash is received or paid.	Recognises transactions when the obligation or event occurs which gives rise to the payment or receipt, irrespective of the time when money settlements are made. The transactions and events are recognised in the financial statements of the periods to which they relate.
2. Reporting objectives	Gives a full account of the receipts and payments made in the reporting period only.	Presents fairly the financial performance (i.e. income and expenditure) for the period covered by the accounts and the financial position as at the end of the accounting period.
3. Recognition of assets	Treats all payments the same way and does not distinguish between payments of a revenue nature (e.g. salaries) or capital nature (e.g. construction of an office building). The only “asset” recognised is the amount of cash and cash equivalents at the end of the reporting period.	Distinguishes between revenue and capital expenditure, and recognises assets as being expenditure which will generate economic benefits for longer than the current year. The valuation of such assets is open to a range of possible interpretations, e.g. historical cost, replacement value, net realisable value.
4. Recognition of liabilities	Basically does not recognise any liabilities.	Recognises a liability when an obligation to pay arises. Liabilities can include accrued expenses, borrowings, accounts payable and accrued pensions.
5. Matching	Transactions are recorded when cash is received or paid, without regard to the matching of revenue with the related costs.	Matches revenue with related costs so far as their relationship can be established or justifiably assumed. The revenue and related costs are dealt with in the same accounting period to which they relate.

**Summary of Experiences in the
Adoption of Financial Reporting Policies by
Central Governments of the Six Selected Countries**

<u>Country</u>	<u>Experience</u>
Australia	<p>In response to the growing results orientated and value-for-money focus in public sector, the Federal Government moved progressively towards the modified accrual basis of accounting (please see <u>Note</u> below) in 1980s. Subsequent to the pilot study conducted by the Department of Finance in 1992, accrual accounting was progressively adopted within the Government. Whole of government accrual-based financial statements were initially prepared on a trial basis for 1994-95 and 1995-96. The financial statements for 1996-97 have been audited and tabled before the Parliament and the first accrual-based budget (for 1999-2000) was published on 11 May 1999.</p>
Canada	<p>Canada has taken an evolutionary approach in moving towards full accrual accounting. Concerns about the huge debts and deficits led the Federal Government to recognise that cash accounting did not supply the complete information about what the Government owed.</p> <p>Canada as a result changed from the cash basis to the modified accrual basis (see <u>Note</u> below) in the 1980s. Although this form of accounting has lasted for over ten years, budgeting measures are still on the cash basis. Starting from 1 April 2001, full accrual accounting will be introduced (i.e. physical assets will be recognised). The Government also intends to adopt an accrual-based budget but the timing of implementation is yet to be announced.</p>

<u>Country</u>	<u>Experience</u>
New Zealand	<p>The switch from cash to accrual accounting and budgeting in New Zealand was implemented within a comparatively short time span as it was driven by the fiscal problem which the New Zealand Government faced at the time of the change. The statute mandated the use of accrual accounting with effect from 1 July 1991. Since then, budget allocation has also been on the accrual basis and resources are determined primarily according to the budgeted level of outputs agreed to be purchased from departments/agencies by the ministries of the Government. New Zealand has adopted the most complete accrual-based budgeting, accounting and reporting system of all governments throughout the world.</p>
Singapore	<p>The published accounts of the Government of Singapore are similar to those of the HKSAR Government. They are prepared on the cash basis and made up of various funds set up for designated purposes. Unlike the Fund accounts in Hong Kong each of which has its own balance sheet and notes to the accounts, only a balance sheet (encompassing all Funds) is prepared for the Government of Singapore as a whole. For each Fund, a statement showing receipts and payments is produced.</p>

<u>Country</u>	<u>Experience</u>
United Kingdom	A gradual approach was adopted in the implementation of accrual accounting and budgeting. To cope with the various financial management reforms underway since 1980s, the Government proposed in 1993 and decided in 1995 to introduce Departmental Resource Accounts (DRAs), which are in effect accrual accounting, to all government departments. Starting from 1 April 1998, DRAs are prepared annually by all departments to supplement the Appropriation Accounts (which compare actual expenditure with Estimates on the cash basis). The DRAs for 1999-2000 have already been audited and tabled before the Parliament. Resource-based Estimates, which are in effect accrual budgeting, will be prepared for 2001-02. It is also targeted to initially produce a set of unaudited Whole of Government Accounts (WGA) on the accrual basis for 2003-04, with the eventual aim of the first full set of audited WGA being published for 2005-06.
U.S.A.	Prompted by the perceived need to reform accounting and financial reporting as a result of public sector reforms which placed more emphasis on cost reduction and efficiency improvement, the U.S.A. started to implement full accrual accounting in the 1990s. The first set of accrual-based consolidated financial statements was published for the year ended 30 September 1997. Budgets are still prepared on the cash basis except credit programmes which are on the full accrual basis so that the long term cost implications created by these programmes can be brought to account when the relevant policy and budget are considered.

Note : Modified accrual accounting is essentially accrual accounting except that expenditure on physical assets is accounted for on the cash basis.

Policies/Practices	Australia	Canada	New Zealand	Singapore	United Kingdom	U.S.A.
	<ul style="list-style-type: none"> ● Statement of Cash Flows 	<ul style="list-style-type: none"> ● Statement of Assets and Liabilities ● Statement of Changes in Financial Position 	<ul style="list-style-type: none"> ● Statement of Financial Position ● Statement of Cash Flows 	<ul style="list-style-type: none"> ● Statement of Assets and Liabilities ● Statements of various Accounts and Funds 	<ul style="list-style-type: none"> ● Operating Cost Statement ● Balance Sheet ● Cash Flow Statement ● Statement of Resources (analysed by aims and objectives) 	<ul style="list-style-type: none"> ● Statement of Operations and Changes in Net Position
<p>(3) Major assets reported or disclosed in the financial statements (the basis of valuation, if applicable)</p>	<p><u>Physical assets</u></p> <ul style="list-style-type: none"> ● Land (at market value or replacement cost) ● Buildings (at market value or replacement cost) ● Specialist military equipment (at replacement cost) ● Other infrastructure, plant and equipment (at replacement cost) ● Computer software (at replacement cost) ● Other intangibles (at replacement cost) 	<ul style="list-style-type: none"> ● Physical assets are treated as expenditure when incurred (i.e. on the cash basis) under the existing modified accrual basis 	<ul style="list-style-type: none"> ● Land and buildings (at net current value) ● State highways (at depreciated replacement cost) ● Land associated with the State highways (at an opportunity cost based on adjacent use, as an approximation to net current value) ● Commercial forests (at estimated net current value) ● Specialist military equipment (at depreciated replacement cost) 	<ul style="list-style-type: none"> ● Under the cash basis, physical assets are treated as expenditure when incurred 	<ul style="list-style-type: none"> ● Land and buildings (at replacement cost based on existing use value and subject to periodic professional valuation) ● Specialised properties not normally traded in open market, equipment and computers (at depreciated replacement cost) ● Roads (at depreciated current replacement cost) ● Donated assets (at current value on receipt) ● Operational heritage assets (at lower of replacement cost and recoverable amount) 	<ul style="list-style-type: none"> ● Property, plant and equipment (at cost less accumulated depreciation) consist of tangible assets including land, buildings, structures and other assets used by the Government to provide goods and services ● Certain types of tangible assets e.g. heritage assets, national defense assets, forests and parks, are disclosed as “Stewardship Assets” but the amounts are treated as expenses in the financial statements when acquired

Policies/Practices	Australia	Canada	New Zealand	Singapore	United Kingdom	U.S.A.
	<p data-bbox="360 635 555 659"><u>Financial Assets</u></p> <ul data-bbox="360 703 640 1273" style="list-style-type: none"> <li data-bbox="360 703 640 799">● Investments (at cost, market value or contract price) <li data-bbox="360 839 640 999">● Inventories held for sale (at cost or, when no longer required, at net realisable value) <li data-bbox="360 1038 640 1174">● Inventories not held for sale (at average cost, if not available, replacement cost) <li data-bbox="360 1214 640 1273">● Receivables (at recoverable amount) 	<ul data-bbox="647 703 927 1206" style="list-style-type: none"> <li data-bbox="647 703 927 863">● Loans, investments and advance (at cost or reduced to the estimated realisable value) <li data-bbox="647 903 927 1142">● Foreign exchange accounts - represents the excess of financial claims over financial obligations as a result of foreign exchange operations <li data-bbox="647 1182 927 1206">● Accounts receivable 	<ul data-bbox="934 225 1214 1374" style="list-style-type: none"> <li data-bbox="934 225 1214 392">● Other plant and equipment e.g. motor vehicles (at cost less accumulated depreciation) <li data-bbox="934 432 1214 632">● Other physical assets, such as national parks and heritage assets (at the best estimate of net current value) <li data-bbox="934 703 1214 871">● State-owned enterprises and Crown entities (at cost plus retained profits/reserves) <li data-bbox="934 911 1214 1031">● Marketable securities and deposits (at net current value) <li data-bbox="934 1070 1214 1238">● Receivables and advances (at amounts expected to be ultimately collected in cash) <li data-bbox="934 1278 1214 1374">● Inventories (at the lower of cost and net current value) 	<ul data-bbox="1220 703 1500 1302" style="list-style-type: none"> <li data-bbox="1220 703 1500 759">● Government stocks <li data-bbox="1220 799 1500 903">● Other investments -quoted <li data-bbox="1220 943 1500 1031">● Other investments -unquoted <li data-bbox="1220 1070 1500 1174">● Deposits with investment agents <li data-bbox="1220 1214 1500 1302">● Funds for hedging currencies 	<ul data-bbox="1507 225 1787 999" style="list-style-type: none"> <li data-bbox="1507 225 1787 392">● Certain non-operational heritage assets (at lower of depreciated replacement cost and net realisable value) <li data-bbox="1507 432 1787 568">● Intangible fixed assets e.g. deferred development expenditure (at cost) <li data-bbox="1507 703 1787 791">● Investments (at market value or historical value) <li data-bbox="1507 831 1787 903">● Stocks (at lower of cost and net realisable value) <li data-bbox="1507 943 1787 999">● Debtors (at net realisable value) 	<ul data-bbox="1794 703 2065 1374" style="list-style-type: none"> <li data-bbox="1794 703 2065 967">● Other assets include advances, prepayments, securities (at cost, net of unamortised premiums and discounts) and investments <li data-bbox="1794 1007 2065 1238">● Inventories and related property (at historical cost, net of allowance for obsolete and unserviceable inventory) <li data-bbox="1794 1278 2065 1302">● Loans receivable <li data-bbox="1794 1342 2065 1366">● Accounts receivable

Policies/Practices	Australia	Canada	New Zealand	Singapore	United Kingdom	U.S.A.
<p>(4) Major liabilities reported or disclosed in the financial statements (the basis of valuation, if applicable)</p>	<ul style="list-style-type: none"> ● Government securities (at nominal value adjusted for the unamortised portion of the premium or discount on issue) ● Loans ● Deposits ● Superannuation liabilities – represent the present value of Commonwealth’s unfunded liability ● Leave and other entitlements ● Accrued salaries and wages ● Suppliers liabilities ● Grants liabilities ● Australian currency on issue - represents a liability of the Reserve Bank of Australia in favour of the holder 	<ul style="list-style-type: none"> ● Marketable bonds and Treasury bills (at fair value based on market rates or discounted cash flows) ● Canada savings bonds ● Public sector pensions – represent the present value of projected benefits to be paid ● Allowance for employee benefits ● Account payable and accrued liabilities ● Interest and matured debt 	<ul style="list-style-type: none"> ● Borrowings (at nominal value adjusted for the unamortised portion of the premium or discount on issue) ● Pension liabilities (at the latest actuarial value of the Crown’s liability for pension payments, net of the schemes’ assets) ● Liabilities for annual leave (recognised as they accrue to employees) ● Payables and provisions ● Currency issued (at face value) 	<ul style="list-style-type: none"> ● Deposit Accounts ● Pension liabilities disclosed in a separate statement ● Loan guarantees, other financial liabilities, e.g. promissory notes issued, are disclosed in a separate statement 	<ul style="list-style-type: none"> ● Loans and borrowings (at contractually agreed amounts) ● Pension and superannuation liabilities (to the extent that the contributions paid fall short of the accruing superannuation liability charge) ● Creditors (at contractually agreed amounts) ● Accruals (at estimate of the amount to be paid) ● Provision (at estimate of the expenditure required to settle the obligation) 	<ul style="list-style-type: none"> ● Federal debt securities held by the public (at face value, with unamortised premiums added and unamortised discounts subtracted) ● Federal employee and veteran benefits payable - represents liabilities for retirement benefits, life and health insurance, and other benefits ● Accounts payable ● Environmental liabilities - represent costs payable for treating hazardous nuclear wastes ● Loan guarantee liabilities

Policies/Practices	Australia	Canada	New Zealand	Singapore	United Kingdom	U.S.A.
	<ul style="list-style-type: none"> Contingencies disclosed in a separate schedule Commitments disclosed in a separate schedule 	<ul style="list-style-type: none"> Contingent liabilities disclosed in the notes to the accounts Commitments disclosed in the notes to the accounts 	<ul style="list-style-type: none"> Contingent liabilities disclosed in the notes to the accounts Commitments disclosed in the notes to the accounts 	<ul style="list-style-type: none"> Capital commitments are disclosed in a separate statement 	<ul style="list-style-type: none"> Contingent liabilities disclosed in the notes to the accounts Commitments disclosed in notes to the accounts 	<ul style="list-style-type: none"> Contingent liabilities disclosed in the notes to the accounts Commitments disclosed in the notes to the accounts
(5) Reporting of revenue and expenditure (a) Tax revenue (b) Non-tax revenue (c) Expenditure	<ul style="list-style-type: none"> Recognised on the accrual basis Recognised on the accrual basis Recognised on the accrual basis Reported both by nature and by function 	<ul style="list-style-type: none"> Recognised when they have been received i.e. on the cash basis Recognised on the accrual basis Recognised on the accrual basis except physical assets which are treated as expenditure when incurred Reported both by nature and by function 	<ul style="list-style-type: none"> Recognised on the accrual basis Recognised on the accrual basis Recognised on the accrual basis Reported by function only 	<ul style="list-style-type: none"> Recognised on the cash basis Recognised on the cash basis Recognised on the cash basis Reported both by nature and by function 	<ul style="list-style-type: none"> Recognised on the accrual basis Recognised on the accrual basis Recognised on the accrual basis Reported both by nature of expenses, e.g. staff costs and depreciation and by function, e.g. education and social welfare 	<ul style="list-style-type: none"> Recognised when received or when revenues are measurable and legally collectible Recognised on the accrual basis Recognised on the accrual basis Reported by function only

Policies/Practices	Australia	Canada	New Zealand	Singapore	United Kingdom	U.S.A.
<p>(6) Boundary of government financial reporting and consolidation methodology</p>	<ul style="list-style-type: none"> ● Includes the Commonwealth Government (including Ministers, departments, the Parliament and the courts) and its controlled entities ● Control is taken to exist where (i) the entity is accountable to Commonwealth Government and (ii) the Commonwealth Government has a residual financial interest in its net assets ● The Commonwealth may be divided into General Government Sector, Public Trading Enterprise Sector and Public Financial Enterprise Sector which includes the Reserve Bank of Australia ● All the controlled entities are consolidated by using the line-by-line method (Note 3) 	<ul style="list-style-type: none"> ● Includes the Federal Government departments, agencies, corporations and funds which are owned or controlled by the government and are accountable to the Parliament ● Enterprise Crown corporations (including the Bank of Canada) and other government business enterprises, which are not dependent on the Government for funding are also included ● Departments, agencies, corporations and funds are consolidated by the line-by-line method ● Enterprise Crown corporations and government business enterprises are consolidated by modified equity method (Note 4) 	<ul style="list-style-type: none"> ● Includes Ministers of the Crown and departments of the Government of New Zealand, Offices of Parliament, Reserve Bank of New Zealand, State-owned enterprises and Crown entities are included ● State-owned enterprises and Crown entities are consolidated by the modified equity method (Note 4) ● Other entities included in the reporting boundary are consolidated by using the line-by-line method (Note 3) 	<ul style="list-style-type: none"> ● All organs of state and ministries are included ● Statutory boards (such as the Monetary Authority of Singapore) and government-owned companies are excluded 	<ul style="list-style-type: none"> ● WGA are not prepared at present ● Legislative work requiring the preparation of WGA is under way 	<ul style="list-style-type: none"> ● Includes the executive branch of the Federal Government, independent agencies and government corporations ● Parts of the legislative and judicial branches are also included (cash transactions only) ● The Federal Reserve System, Government Sponsored Enterprises (such as Federal Home Loan Banks) and bailout entities are excluded ● Line-by-line method is used to consolidate all the entities included in the reporting boundary

Notes

1. To facilitate comparison among the six selected countries, we have presented in the table the financial reporting policies adopted in the whole-of-government accounts of the central governments (i.e. the Federal Government or the Commonwealth Government) concerned, except the U.K. since its WGA are not prepared at present. The financial reporting of the six selected countries in this Annex therefore refers to –

Australia : Financial Statements of the Commonwealth Government of Australia

Canada : Public Accounts of Canada

New Zealand : Financial Statements of the Government of New Zealand

Singapore : Financial Statements of the Government of Singapore

U.K. : DRAs prepared by individual government departments in the U.K.

U.S.A. : Financial Report of the United States Government

2. In Canada, the modified accrual basis means the adoption of accrual accounting in all aspects except that physical assets and tax revenues are accounted for on the cash basis.
3. Under the line-by-line method of consolidation, the financial statements of the controlling entity and its controlled entities are combined by adding together like items of assets, liabilities, net assets/equity, revenue and expenditure and eliminating inter-entity balances and transactions.
4. Under the equity method of consolidation, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the entities concerned. This method is modified to the effect that : (i) for Canada : differences in accounting policies among entities are disregarded and (ii) for New Zealand : inter-entity transactions carried out on an arms-length basis are not eliminated.

**List of International Public Sector Accounting Standards (IPSASs)
and Exposure Drafts (EDs) issued by the
International Federation of Accountants (IFAC) up to 15 June 2002**

<u>IPSAS No.</u>	<u>Title</u>	<u>Issued in</u>
1	Presentation of Financial Statements	May 2000
2	Cash Flow Statements	May 2000
3	Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies	May 2000
4	The Effects of Changes in Foreign Exchange Rates	May 2000
5	Borrowing Costs	May 2000
6	Consolidated Financial Statements and Accounting for Controlled Entities	May 2000
7	Accounting for Investments in Associates	May 2000
8	Financial Reporting of Interests in Joint Ventures	May 2000
9	Revenue from Exchange Transactions	July 2001
10	Financial Reporting in Hyperinflationary Economies	July 2001
11	Construction Contracts	July 2001
12	Inventories	July 2001
13	Leases	December 2001
14	Events After the Reporting Date	December 2001
15	Financial Instruments : Disclosure and Presentation	December 2001

<u>IPSAS No.</u>	<u>Title</u>	<u>Issued in</u>
16	Investment Property	December 2001
17	Property, Plant and Equipment	December 2001

<u>ED No.</u>	<u>Title</u>	<u>Issued in</u>
9	Financial Reporting under the Cash Basis of Accounting	May 2000
17	Segment Reporting	January 2001
20	Related Party Disclosures	June 2001
21	Provisions, Contingent Liabilities and Contingent Assets	June 2001
22	Definition of a Segment: Amendment to the Definition Proposed in ED17 Segment Reporting	December 2001

**Non-exchange Revenue - Possible Points of Revenue Recognition under the Accrual Basis
and Rough Estimate of their Effects on the 1999-2000 Annual Accounts of the Government**

<u>Head Revenue</u>	<u>Recognised when</u>	Cash	Accrual	<u>Difference</u>		
		<u>Basis</u>	<u>Basis</u>	<u>In amount</u>	<u>In %</u>	
		(1)	(2)	(3)=(2)-(1)	(3)/(1)	
		\$ million	\$ million	\$ million		
General Revenue Account						
1	Duties					
	- Hydrocarbon oils	oils are sold	4,216	4,239	23	0.5%
	- Locally manufactured alcoholic beverages	goods are manufactured	87	84	(3)	-3.4%
	- Others (alcohol and tobacco)	tax is collected	3,074	3,074	0	0.0%
2	Rates (include shares by ProUC and ProRC)	demand notes are issued	12,705	12,669	(36)	-0.3%
3	Bets and sweeps tax	betting events take place	11,938	11,840	(98)	-0.8%
	Earnings and profits tax	tax is assessed and legally collectible	66,914	66,899	(15)	0.0%
	Estate duty	tax is assessed and legally collectible	1,272	1,359	87	6.8%
	Hotel accommodation tax	tax is collected by hotels	182	190	8	4.4%
	Stamp duties					
	- collected by the Stock Exchange	transactions occur	6,547	6,629	82	1.3%
	- others	duty is collected	5,569	5,569	0	0.0%
	Air passenger departure tax	tax is collected from the passengers	499	501	2	0.4%
4	Vehicle first registration tax	tax is collected	2,613	2,613	0	0.0%
5	Court fines and statutory penalties	cash is received	538	538	0	0.0%
	Forfeitures	forfeited properties are realised	58	58	0	0.0%
	Fixed penalty tickets	tickets are issued	495	484	(11)	-2.2%
	Payments by civil servants	cash is received	2	2	0	0.0%
9	Payments in lieu of profits tax from trading funds	tax is assessed and legally collectible	91	91	0	0.0%
10	Embarkation fee	fees are collected from passengers	148	148	0	0.0%
	Total Non-exchange Revenue		116,948	116,987	39	0.0%

**Exchange Revenue - Possible Points of Revenue Recognition under the Accrual Basis
and Rough Estimate of their Effects on the 1999-2000 Annual Accounts of the Government**

<u>Head</u>	<u>Revenue</u>	<u>Recognised when</u>	Cash	Accrual	<u>Difference</u>	
			<u>Basis</u>	<u>Basis</u>	<u>In amount</u>	<u>In %</u>
			(1)	(2)	(3)=(2)-(1)	(3)/(1)
			\$ million	\$ million	\$ million	
General Revenue Account						
6	Royalties and concessions	royalties accrue and concessions are collected	1,577	1,618	41	2.6%
7	Government rent	demand notes are issued	4,474	4,491	17	0.4%
	Rents from properties	rents accrue	2,510	2,552	42	1.7%
	Interest	interests accrue	15,391	15,391	0	0.0%
	Recovery of HOS land formation cost	an HOS development is completed	640	2,282	1,642	256.6%
9	Other receipts and recoveries	cash is received	1,258	1,258	0	0.0%
	Insurance premium from trading funds	premiums accrue	4	4	0	0.0%
10	Berthing fee	fees accrue	33	33	0	0.0%
	Water charge, sewage charge and trade effluent surcharge	charges accrue	3,139	3,178	39	1.2%
11	Fees and charges					
	- for licences, permits, registration, statutory fees, etc.	fees are paid	6,669	6,669	0	0.0%
	- for services (collected in advance)	fees are paid	898	898	0	0.0%
	- for services (collected in arrears)	fees accrue	1,078	1,077	(1)	-0.1%
	- for services to trading funds and autonomous bodies	costs are incurred	1,053	1,050	(3)	-0.3%
	- for others	fees accrue	783	782	(1)	-0.1%
Total for General Revenue Account			<u>39,507</u>	<u>41,283</u>	<u>1,776</u>	<u>4.5%</u>

<u>Head Revenue</u>	<u>Recognised when</u>	Cash	Accrual	Difference	
		<u>Basis</u> (1) \$ million	<u>Basis</u> (2) \$ million	<u>In amount</u> (3)=(2)-(1) \$ million	<u>In %</u> (3)/(1)
Capital Works Reserve Fund					
Land premium	cash is received	34,624	34,624	0	0.0%
Investment income	incomes accrue	3,647	3,647	0	0.0%
Fees for short term waiver	fees accrue	186	188	2	1.1%
Oncost on entrustment works-MTRCL	work is completed	155	155	0	0.0%
Donations and others	cash is received	199	199	0	0.0%
Total for Capital Works Reserve Fund		<u>38,811</u>	<u>38,813</u>	<u>2</u>	<u>0.0%</u>
Capital Investment Fund					
Dividends (Housing Authority, Trading Funds and others)	cash is received	850	850	0	0.0%
Interest on loans	interests accrue	576	506	(70)	-12.2%
Interest on deposits and bank balances	interests accrue	59	67	8	13.6%
Total for Capital Investment Fund		<u>1,485</u>	<u>1,423</u>	<u>(62)</u>	<u>-4.2%</u>
Civil Service Pension Reserve Fund					
Investment income	incomes accrue	<u>1,016</u>	<u>1,016</u>	<u>0</u>	<u>0.0%</u>
Disaster Relief Fund					
Investment income	incomes accrue	<u>4</u>	<u>4</u>	<u>0</u>	<u>0.0%</u>

<u>Head</u> <u>Revenue</u>	<u>Recognised when</u>	Cash	Accrual	Difference	
		<u>Basis</u> (1) \$ million	<u>Basis</u> (2) \$ million	<u>In amount</u> (3)=(2)-(1) \$ million	<u>In %</u> (3)/(1)
Land Fund					
Investment income	incomes accrue	21,387	21,387	0	0.0%
Innovation and Technology Fund					
	incomes accrue	193	193	0	0.0%
Loan Fund					
Loan interest	interests accrue	886	883	(3)	-0.3%
Interest on deposits and bank balances	interests accrue	224	311	87	38.8%
Surcharges on overdue loan repayments	cash is received	3	3	0	0.0%
Total for Loan Fund		1,113	1,197	84	7.5%
Total for Exchange Revenue (per above)		103,516	105,316	1,800	1.7%
Total Non-exchange Revenue (per Annex 8)		116,948	116,987	39	0.0%
Grand Total for Exchange and Non-exchange Revenue		220,464	222,303	1,839	0.8%
<u>Reconciliation</u>		\$ million			
Total revenue (per above)		220,464			
Add:	Loan repayments	11,581			
	Pension contributions	31			
	Recovery of salaries and staff on-costs	4,797			
	Recovery from Post Office Trading Fund	300			
	Other miscellaneous items	1,395			
Less:	Rates (ProUC and ProRC shares)	(5,573)			
Revenue per Consolidated Account (cash basis)		232,995			

**Rough Estimate of the Impact of Accrual Accounting on Recurrent Expenditure (Note 1)
on the 1999-2000 Annual Accounts of the Government**

<u>Recurrent Expenditure</u>	Cash	Accrual	<u>Difference</u>	
	<u>Basis</u> (1) \$ million	<u>Basis</u> (2) \$ million	<u>In amount</u> (3)=(2)-(1) \$ million	<u>In %</u> (3)/(1)
Subventions	74,362	74,362	0	0.0%
Salaries				
Salaries	44,890	44,890	0	0.0%
Clearance and squatter control (Note 2)	512	512	0	0.0%
Contract staff not on establishment	503	535	32	6.4%
Pay and allowance for auxiliary services	185	169	(16)	-8.6%
	46,090	46,106	16	0.0%
Allowances				
Home financing allowance	2,631	2,631	0	0.0%
Home purchase allowance	1,085	1,085	0	0.0%
Acting allowance	508	508	0	0.0%
Overtime allowance	392	390	(2)	-0.5%
Disciplined services overtime allowance	303	304	1	0.3%
Private tenancy allowance	195	195	0	0.0%
Accommodation allowance	76	76	0	0.0%
Other allowances	1,123	1,099	(24)	-2.1%
	6,313	6,288	(25)	-0.4%
Social Benefits				
Comprehensive Social Security Assistance Scheme	13,623	13,623	0	0.0%
Old age allowance	3,463	3,463	0	0.0%
Disability allowance	1,420	1,420	0	0.0%
	18,506	18,506	0	0.0%
Other Recurrent Expenditure				
Purchase of water	2,387	2,389	2	0.1%
Electricity	1,320	1,342	22	1.7%
Services provided by Electrical and Mechanical Services Trading Fund	1,248	1,231	(17)	-1.4%
Rents	892	892	0	0.0%
Student finance	840	846	6	0.7%
Miscellaneous	13,918	13,926	8	0.1%
	20,605	20,626	21	0.1%
Total Recurrent Expenditure (Note 3)	165,876	165,888	12	0.0%

Notes

1. This Annex primarily focuses on the impact of adopting the accrual basis of accounting on the major expenditure items, namely subventions, social security payments and staff salaries which collectively account for some 80% of the Government's recurrent expenditure.
2. Mainly represents staff costs and other expenses incurred in clearing squatters and Temporary Housing Areas.
3. The Total Recurrent Expenditure of \$165,876 million under cash basis in Column (1) is before taking into account pensions and gratuities payments made during the year. If these payments are included, the Total Recurrent Expenditure under cash basis is \$174,130 million.

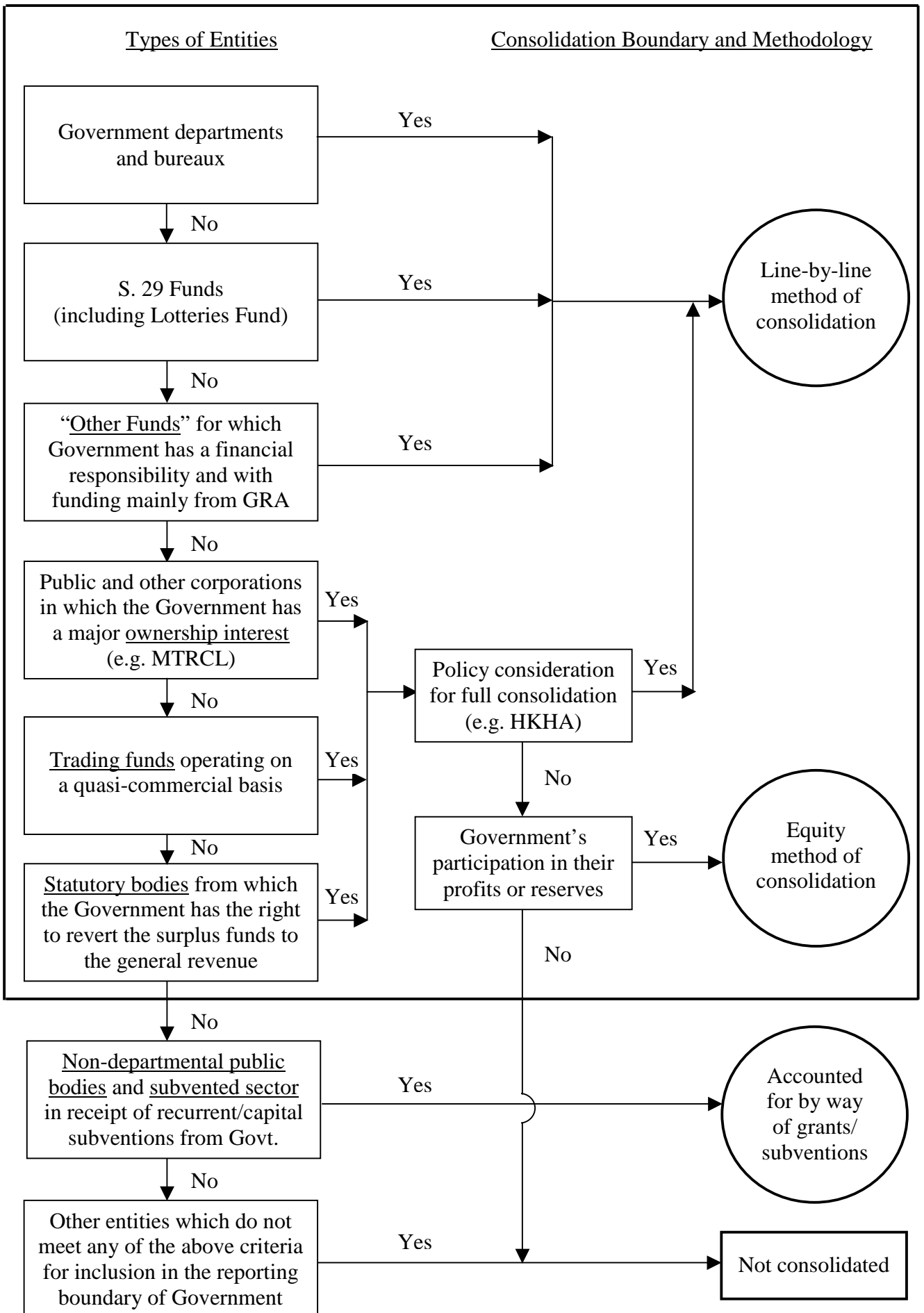
List of Other Funds to be Included in the Consolidated Financial Statements

Name of Fund	Net Assets	Major Sources of Funding	Purpose and Application
1. Quality Education Fund (Trust Fund)	\$6,021M (at 31.8.99)	<ul style="list-style-type: none"> - Government grant of \$5,000M under Head 146 – Government Secretariat: Education and Manpower Bureau of GRA in 1997-98 - Investment income 	<ul style="list-style-type: none"> - Set up for promoting quality school education in H.K. - Financing grants to institutions
2. Sir David Trench Fund for Recreation (Trust Fund)	\$479M (at 31.3.00)	<ul style="list-style-type: none"> - Government grants of \$343M - \$15M from the Lotteries Fund - Donations from HK Jockey Club (Charities) Ltd. of \$50M - Donations from public of \$5M - Investment income 	<ul style="list-style-type: none"> - Set up for providing facilities for recreational, sporting, cultural and social and related activities - Financing grants to institutions
3. Beat Drugs Fund Association	\$468M (at 31.3.00)	<ul style="list-style-type: none"> - Government grant of \$350M under Head 106 - Miscellaneous Services of GRA in 1995-96 - Interest income - Dividend income - Sale of investments 	<ul style="list-style-type: none"> - Set up for promoting anti-drug activities - Financing grants as approved by the Governing Committee
4. AIDS Trust Fund (Trust Fund)	\$358M (at 31.3.00)	<ul style="list-style-type: none"> - Government grant of \$350M under Head 106 - Miscellaneous Services of GRA in 1993-94 - Investment income 	<ul style="list-style-type: none"> - Set up for promoting AIDS education and publicity activities - Financing grants to institutions
5. Language Fund (Trust Fund)	\$195M (at 31.8.99)	<ul style="list-style-type: none"> - Government grant of \$300M under Head 106 - Miscellaneous Services of GRA in 1993-94 - Donations - Interest income 	<ul style="list-style-type: none"> - Set up for promoting proficiency in the use of Chinese (including Putonghua) and English language
6. Environment and Conservation Fund (Trust Fund)	\$48M (at 31.3.00)	<ul style="list-style-type: none"> - Grants from the GRA of \$50M in 1994-95 and \$50M in 1997-98 - Interest income - Donations 	<ul style="list-style-type: none"> - Set up for the purposes of funding educational, research and other projects and activities in relation to environmental and conservation matters

Name of Fund	Net Assets	Major Sources of Funding	Purpose and Application
7. Supplementary Legal Aid Fund	\$50M (at 30.9.99)	<ul style="list-style-type: none"> - Government grant of \$27M under Head 94 – Legal Aid Department of GRA in 1995-96 - Contributions, costs recovered from opposite parties - Legal costs and expenses recovered from aided persons - Interest income - Registration fees of unsuccessful applications 	<ul style="list-style-type: none"> - Set up for granting legal aid to qualified persons in need of civil proceedings under the Supplementary Legal Aid Scheme
8. Emergency Relief Fund (Trust Fund)	\$16M (at 31.3.00)	<ul style="list-style-type: none"> - Government grants from the GRA totalling \$102M during the years from 1983-84 to 1998-99 - Donations from the public - Interest income 	<ul style="list-style-type: none"> - Set up for making grants and loans to persons in need as a result of fire, flood tempest, typhoon or other occurrence which has caused suffering or loss
9. New Technology Training Fund (Trust Fund)	\$119M (at 31.3.00)	<ul style="list-style-type: none"> - Government grants of \$55M in 1992-93 and \$50M in 1993-94 under Head 106 -Miscellaneous Services of GRA - Interest income 	<ul style="list-style-type: none"> - Set up for providing assistance in the form of training grants to companies in Hong Kong that wish to have their staff trained in a new technology that would be useful to their business
10. Consumer Legal Action Fund (Trust Fund)	\$13M (at 31.3.00)	<ul style="list-style-type: none"> - Government grant of \$10M in 1994-95 from the GRA - Interest income - Application fees from assisted consumers - Costs recovered from defendants in successful cases - Contribution of 10% of the benefits gained by the assisted consumers in each successful case 	<ul style="list-style-type: none"> - Set up for giving greater consumer access to legal remedies by providing financial support and legal assistance for the benefit of, particularly, groups of consumers with similar grievances in cases involving significant public interests and injustice.
11. Health Care and Promotion Fund	\$94M (at 31.3.00)	<ul style="list-style-type: none"> - Government grant of \$80M under Head 106 -Miscellaneous Services of GRA in 1995-96 - Interest income 	<ul style="list-style-type: none"> - Set up for providing financial support to: <ul style="list-style-type: none"> (a) health promotion activities; (b) research on health care and promotion; and (c) patients of rare diseases, treatment of which is not available in Hong Kong.

Name of Fund	Net Assets	Major Sources of Funding	Purpose and Application
12. Health Services Research Fund	\$21M (at 31.3.00)	<ul style="list-style-type: none"> - Government grant of \$50M under Head 106 -Miscellaneous Services of GRA in 1993-94 - Interest income 	<ul style="list-style-type: none"> - Set up for providing financial support to health services research projects
13. Queen Elizabeth Foundation for the Mentally Handicapped	\$173M (at 31.3.00)	<ul style="list-style-type: none"> - A net profit of \$30M from the sale of gold coins by the Government to commemorate the visit to Hong Kong in 1986 of Her Majesty Queen Elizabeth II - A matching contribution of \$30M from general revenue - \$30M donated by the then Royal H.K. Jockey Club - A donation of \$1M from the Shaw Foundation - Interest income - Dividend income - Profit on sales of investments 	<ul style="list-style-type: none"> - Set up for furthering the welfare, education and training of the mentally handicapped in Hong Kong and promoting their employment prospects

Flow Chart Illustrating the Boundary and Methodology of Consolidation



Proforma Departmental Service Cost Statement
Head X - Department XX

Subhead	<u>Original Estimate</u> \$million	<u>Amended Estimate</u> \$million	<u>20XX-XX Actual</u> \$million
001 Salaries	X	X	X
002 Allowances	X	X	X
007 Job-related allowances	X	X	X
149 General departmental expenses	X	X	X
603 Plant, vehicles and equipment	X	X	X
661 Minor plant, vehicles and equipment (block vote)	X	X	X
700 General other non-recurrent	X	X	X
Cash Expenditure	<u>X</u>	<u>X</u>	<u>X</u>
Add: Staff fringe benefits and others			X
Accommodation cost			
Office			X
Staff quarters			X
Accruing costs			
Provisions for pensions, contract gratuities and untaken leave			X
Depreciation			X
Inter-departmental charging			
Charging in			X
Less: Capitalised plant, equipment and works			<u>(X)</u>
Departmental service cost			X
Inter-departmental charging - charging out			(X)
Revenue : fees and charges			<u>(X)</u>
Net expenditure			<u><u>X</u></u>

**List of Departments
Recommended for Implementation of
Inter-departmental Charging on a “Below-the-line” Basis**

1. Audit Commission
2. Civil Service Training and Development Institute
3. Department of Justice
4. Government Land Transport Agency
5. Government Property Agency
6. Government Supplies Department
7. Information Services Department
8. Information Technology Services Department
9. Management Services Agency
10. Official Languages Agency
11. Treasury

Proforma Financial Statements

**Consolidated Statement of Financial Position
as at 31 March 20XX**

\$ million

Financial Assets

Cash and cash equivalents	X
Placements with the Exchange Fund (Note 1)	X
Investments	X
Loans and advances	X
Other financial assets	X

X

Liabilities

Provisions for pensions, contract gratuities and untaken leave	X
Other liabilities	X

X

Net Financial Assets

X

Net Assets of the Exchange Fund (Note 2)

X

Fixed Assets

X

Net Assets

X

Financed by :**General Reserve**

X

Exchange Fund Reserve

X

Capital Expenditure Reserve

X

X

Note

- (1) These are surplus funds of the GRA and Section 29 funds invested with the Exchange Fund.
- (2) Representing the Exchange Fund's total assets less liabilities and minority interests.

Proforma Financial Statements

Consolidated Statement of Financial Performance
for the year ended 31 March 20XX
(Illustrating the classification of expenses by nature)

		\$ million
Revenue		
Taxes, rates and duties		X
Property and investment incomes	X	
<i>less</i> : Interest cost on pensions provision	<u>(X)</u>	X
Land premia		X
Fees and charges		X
Other revenue		X
		<u>X</u>
Expenses		
Subventions and grants		(X)
Staff costs		(X)
Capital expenses		(X)
General operating expenses		(X)
Social welfare benefits		(X)
Depreciation		(X)
		<u>(X)</u>
Surplus/(Deficit) from operating activities		X
Share of profits and losses from equity investments		X
Surplus/(Deficit) of the Exchange Fund		X
Surplus/(Deficit) for the year		<u><u>X</u></u>

Proforma Financial Statements

Consolidated Statement of Financial Performance
for the year ended 31 March 20XX
(Illustrating the classification of expenses by function)

					\$ million
Revenue					
Taxes, rates and duties					X
Property and investment incomes			X		
less :- Interest cost on pensions provision			(X)		X
Land premia					X
Net revenue from HOS operated by the Housing Authority					X
Other revenue					X
					<hr/>
					X
Expenses					
	Operating Expenses	Related Revenue	Net Operating Expenses	Capital Expenses	
Education	(X)	X	(X)	(X)	(X)
Health	(X)	X	(X)	(X)	(X)
Social welfare	(X)	X	(X)	(X)	(X)
Support	(X)	X	(X)	(X)	(X)
Security	(X)	X	(X)	(X)	(X)
Infrastructure	(X)	X	(X)	(X)	(X)
Environment and food	(X)	X	(X)	(X)	(X)
Community and external affairs	(X)	X	(X)	(X)	(X)
Economic	(X)	X	(X)	(X)	(X)
Housing	(X)	X	(X)	(X)	(X)
					<hr/>
					(X)
					<hr/>
Surplus/(Deficit) from operating activities					X
Share of profits and losses from equity investments					X
Surplus/(Deficit) of the Exchange Fund					X
					<hr/>
Surplus/(Deficit) for the year					X
					<hr/> <hr/>

Proforma Financial Statements

Consolidated Cash Flow Statement for the year ended 31 March 20XX

\$ million

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus/(Deficit) for the year X
 (before share of profits and losses from equity investments and
 surplus or deficit of the Exchange Fund)

Adjustments to reconcile surplus/(deficit) to net cash flows from operating activities:

Increase/(Decrease) in reserves and provisions	X
(Increase)/Decrease in other financial assets	(X)
(Gain)/Loss on disposal of fixed assets	(X)
(Gain)/Loss on disposal of investments	(X)
Depreciation	X
Increase/(Decrease) in other liabilities	X

X

Net cash flows from operating activities

X

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase)/Decrease in investments with the Exchange Fund	(X)
Investments made	(X)
Investments disposed	X
Loans made	(X)
Loans repaid	X
Additions to fixed assets	(X)
Disposals of fixed assets	X

(X)

Net cash flows from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Issue of Government bonds	X
Redemption of Government bonds	(X)

Net cash flows from financing activities

X

Net increase/(decrease) in cash and cash equivalents

(X)

Cash and cash equivalents at 1 April 20XX

X

Cash and cash equivalents at 31 March 20XX

X

Proforma Financial Statements

Reconciliation of the Fiscal Results reported under the Accrual Basis and the Cash Basis

	\$ million		
Surplus/(Deficit) - as per Annex 16 (under the accrual basis)			X
Add: <u>Expenditure recognised under the accrual basis but not the cash basis</u> (Core Government only)			
Provisions for pensions, contract gratuities and untaken leave (net increase during the year)			X
Less: <u>Expenditure recognised under the cash basis but not the accrual basis</u> (Core Government only)			
Loans (payments over receipts for the year)		(X)	
Investments (payments over receipts for the year)		(X)	
Fixed assets (net increase for the year)		(X)	(X)
		<hr/>	
<u>Share of (surpluses)/deficits of other consolidated entities not included in the existing Consolidated Account</u>			
Using the line-by-line method of consolidation (mainly Housing Authority)		(X)	
Using the equity method of consolidation			
Exchange Fund	(X)		
Others (mainly MTRCL, KCRC and Airport Authority)	(X)	(X)	(X)
		<hr/>	<hr/>
Surplus/(Deficit) - as per existing Consolidated Account (under the cash basis)			X

Proforma Financial Statements

**Reconciliation of the General Reserve reported under the Accrual Basis
and the Fiscal Reserve reported under the Cash Basis**

\$ million

General Reserve - as per Annex 15 (under the accrual basis)

X

Add: Liabilities recognised under the accrual basis but not the cash basisProvisions for pensions, contract gratuities and
untaken leave

X

Land exchange entitlement

X

Promissory notes issued to the Asian Development Bank

X

Other liabilities of entities consolidated on a line-by-line
basis (mainly Housing Authority)

X

X

Less: Financial assets recognised under the accrual basis
but not the cash basis

Loans

(X)

Investments

(X)

Other financial assets of entities consolidated
on a line-by-line basis
(mainly Housing Authority)

(X)

(X)

Fiscal Reserve (under the cash basis)

X

(equivalent to the Consolidated Fund Balance reported in the existing
Consolidated Account)