

STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The Public Accounts comprise the 5 operating accounts established by sections 38 to 42 of the Public Finance Act 1977, together with a suspense account created under section 37 (1) (c) of that Act, and the National Roads Fund established by section 22 of the National Roads Act 1953. A brief description of each of the operating accounts is given in the introduction to this summary. The Suspense Account is a clearing account for receipts banked to the Public Account.

The "Public Account" refers to the bank account of that name kept at the Reserve Bank of New Zealand.

This summary reflects only those transactions relating to departments or activities operating within the Public Account. It does **not** reflect transactions of accounts to which sections 68 and 69 of the Public Finance Act apply. All transactions are reported on the cash basis of accounting.

The amounts shown in this summary represent the cumulative result of transactions from the beginning of the financial year at historic cost.

Recognition of Receipts and Payments

Receipts for money paid into the Public Account are initially credited to the Suspense Account. The receipts are subsequently recognised by debiting the Suspense Account when the revenue receiver advises Treasury of the particular account code to be credited. The balance to the credit of the Suspense Account at the end of each accounting period is disclosed in the Summary of Balances.

Payments are brought to charge in two ways:

- if money is paid from the Public Account Disbursement Account, it is recognised as a payment immediately.
- if money was paid from an imprest account, it is recognised as a payment when Treasury is advised of the particular account code to be debited. Money advanced to Imprestees but remaining unspent at the end of each accounting period forms part of the cash balances.

Particular Accounting Policies

The following particular accounting policies which affect the contents of the accounts have been adopted—

Recognition of Interdepartmental Transactions

Transactions occurring between Government Departments are recognised on the following basis:

- if it was a cash transaction, then the accounting policy on recognition of receipts and payments above applies
- if it was a non-cash transaction, then the transaction is recognised when Treasury is advised of the accounting codes to be credited and debited.

Foreign Currencies

As a general rule receipts and payments are converted into New Zealand currency at the actual bank rate for each currency.

All rates are adjusted on an official revaluation and, in respect to investment and public debt transactions, on the last working day preceding the 1st day of June, September, December and March in each year.

An exception to the general rule is made for receipts and payments in respect of the Sovereign Note Program. In this case the aggregate results of the transactions for each month are converted into New Zealand currency at the actual bank rate prevailing on the last working day of the month.

Investments

Investments of Public Account Balances are recorded at cost price in foreign currency and converted at the actual bank rate into New Zealand dollars. Capital gains or losses arising from investment transactions are recognised when realised and are disclosed in the public accounts.

Changes in Accounting Policies

There have been two changes in respect of accounting for foreign currencies. Previously these were converted into New Zealand currency at a special exchange rate fixed at the mid-point between the buying and selling rates for each foreign currency quoted by the Reserve Bank. This rate was retained until it was at variance by 2 percent with the actual mid-point of the buying and selling rate. All foreign exchange rates were adjusted quarterly on 1 June, 1 September, 1 December and 1 March.

The changes in accounting policies are as follows:

- From 1 December 1986 all foreign currencies were converted into New Zealand currency at the actual bank rate prevailing on the 1st day of June, September, December and March.
- From 1 April 1987 all foreign currencies in respect of investment and public debt transactions, will be converted into New Zealand currency at the actual bank rate obtained on the last working day preceding 1 June, 1 September, 1 December and 1 March

All other policies have been applied on bases consistent with those used in previous years.