

## STATEMENT OF ACCOUNTING POLICIES

### General Accounting Policies

The Public Accounts comprise the five 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

Receipts and payments are translated into New Zealand currency at the actual bank rate for each currency.

All rates are adjusted on an official revaluation and on the last working day of June, September, December and March in each year. The rates so obtained are used to realign foreign investments, liabilities and cash balances. Balances in foreign imprest accounts are realigned at the bank rates applying on the last date Treasury is advised of imprest transactions for the quarter.

#### 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 the current financial year in respect of accounting for foreign currencies.

Prior to 1 April 1988, the accounting treatment was as follows:

- foreign currency transactions excluding the Sovereign Note Program were 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.
- in respect of the Sovereign Note Program the aggregate results of transactions for each month were converted into New Zealand currency at the actual bank rate prevailing on the last working day of the month.

From 1 April 1988 the accounting policy in respect of all foreign currency transactions is as follows:

- all receipts and payments will be translated and at the actual bank rate.
- all rates are now adjusted on the last working day in June, September, December and March.

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