

## **Note 1 Summary of significant accounting policies**

The University of the Sunshine Coast (USC) is established under the *University of the Sunshine Coast Act 1998* and is a statutory body as defined by the *Financial Administration and Audit Act 1977*.

The principal accounting policies adopted in the preparation of this financial report by the University of the Sunshine Coast are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to all years presented, unless otherwise indicated. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The financial report includes separate financial statements for the University of the Sunshine Coast as an individual entity and the consolidated entity consisting of the University of the Sunshine Coast and its two subsidiaries, the Innovation Centre Sunshine Coast Pty Ltd and Multi Access Productions Pty Ltd. The following is a summary of the material significant accounting policies adopted by the economic entity in the preparation of the financial report.

### **a) Basis of preparation**

These financial statements are a general purpose financial report that has been prepared in accordance with the Financial Management Standard, issued under Section 46L of the *Financial Administration and Audit Act 1977*, applicable Australian equivalents to the International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the requirements of the Department of Education, Science and Training and other State/Australian Government legislative requirements.

#### ***Compliance with International Financial Reporting Standards (IFRS)***

These financial statements and notes of the University of the Sunshine Coast comply with Australian Accounting Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with International Financial Reporting Standards (IFRS) requirements.

#### ***Historical cost convention***

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of assets and liabilities at fair value through profit and loss, and certain classes of property, plant and equipment.

#### ***Accrual basis of accounting***

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

#### ***Critical accounting estimates***

The preparation of the University of the Sunshine Coast's financial statements was performed in conformity with Australian Accounting Standards and required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University of the Sunshine Coast's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

#### ***Library Collections***

The Accounting for Library Collections Policy issued by Queensland Government in June 2005 has been incorporated into the Non-Current Asset Policies for the Queensland Public Sector with effect from reporting periods beginning on or after 1 July 2006. In the year ending 31 December 2006 the University of the Sunshine Coast has elected to early-adopt the Accounting for Library Collections Policy.

The majority of University of the Sunshine Coast Library collection has been defined as Common Use under the definition of this policy. A portion of monographs and serials have been classified as Reference Collection under the definition of the policy but did not reach the recognition threshold of \$1 million.

#### **Note 1 Summary of significant accounting policies (continued)**

The Heritage Collection is valued at fair value in accordance with Accounting for Library Collections Policy. No further additions have been purchased since the last valuation in 2002. Future additions to the collection purchased since the last valuation date will be recorded at cost. This collection will be re-valued in the 2007 year.

#### **b) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University of the Sunshine Coast ("parent entity") as at 31 December 2006 and the results of all subsidiaries for the year then ended. The University of the Sunshine Coast and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities over which the University of the Sunshine Coast has the power to govern the financial and operating policies, generally accompanying a shareholding of 100%. A list of the subsidiaries of the University of the Sunshine Coast is contained in Note 28 to the financial statements. All subsidiaries have a 31 December year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits and losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with those policies applied by the parent entity.

#### **c) Foreign Currency Translation**

##### ***Functional and presentation currency***

Items included in the financial statements of each of the University's 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 of the Sunshine Coast's functional and presentation currency.

##### ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### **d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Financial assistance is recognised as revenue when the University obtains control over the income. Control over the income would normally be obtained upon the earlier of their receipt or their becoming contractually due. Financial assistance that DEST has identified as being recoverable is disclosed as 'Income in Advance', within other liabilities. All revenue is stated net of the amount of goods and services tax (GST).

The following specific recognition criteria must also be met before revenue is recognised:

##### ***Sale of goods***

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the goods to the customer.

**Note 1 Summary of significant accounting policies (continued)**

***Rendering of services***

Revenue from rendering a service is recognised only when the University of the Sunshine Coast has the right to be compensated, it is probable that compensation will be received, and the amount of revenue and the stage of completion of a transaction can be reliably measured.

***Interest***

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. This is generally recorded on receipt from the financial institution.

***Royalties***

Royalty revenue is recognised when the right to receive a royalty has been established.

***Government Grants***

The University of the Sunshine Coast treats operating grants received from Australian Government entities as income in the year of receipt.

***Contributions***

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the University of the Sunshine Coast obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

***Contract revenue***

Contract revenue is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract.

***Lease income***

Lease income from operating leases is recognised as income on a straight-line basis over the lease term.

**e) Taxation**

The University of the Sunshine Coast and its controlled entities are, by virtue of Section 50-5 of the *Income Tax Assessment Act 1997*, exempted from the liability to pay income tax. The University and its controlled entities are, however, subject to Payroll Tax, Fringe Benefits Tax and Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component on investing and financing activities, which are disclosed as operating cash flows.

**f) Leases**

All of the current leases held by the University of the Sunshine Coast are determined as operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. No accrual has been included to recognise the outstanding commitments on the term of the operating lease. However the commitments at the reporting date is disclosed in note 27(b). Payments made under operating leases are expensed in the periods in which they are incurred. The University of the Sunshine Coast has not entered into any and does not hold any finance leases.