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GLOSSARY

Accrual accounting	The system of accounting where items are brought to account and included in the financial statements as they are earned or incurred, rather than as they are received and paid.
Accumulated Depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Additional Estimates	Where amounts appropriated at Budget time are insufficient, Parliament may appropriate more funds to portfolios through the <i>Appropriations Bills (Nos. 3 and 4)</i> .
Administered appropriation	Revenues, expenses, assets and liabilities administered by an agency for the Commonwealth (such as taxes, benefits payments and public debt) that are not concerned with running the agency or its commercial activities.
Administered items	Revenues, expenses, assets and liabilities administered by an agency for the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third-party outputs.
AEIFRS	Australian Equivalents to International Financial Reporting Standards which were issued by the Australian Accounting Standards board in July 2004.
Amortisation	A term used interchangeably with depreciation, except that it applies to a non-current physical asset under finance lease, or a non-current intangible asset, over its limited useful life.
Appropriation	An authorisation by Parliament to spend moneys from the Consolidated Revenue Fund for a particular purpose.
Annual Appropriation	Acts of Parliament, which provide appropriation for the government's activities during a specific financial year. Two appropriation Bills are introduced into Parliament in May and comprise the Budget. Further supplementary Bills are introduced later in the financial year as part of the Additional Estimates process. The Parliamentary Departments have their own appropriation Bills.
Assets	Future economic benefits controlled by Defence as a result of past transactions or other past events. Assets are initially recognised at the cost of acquisition. Non-financial assets are subject to ongoing revaluation assessment.

Assets under construction	Assets under construction by Defence for Defence, or for the use of another entity according to a construction contract where Defence controls the asset until completion, or assets under construction or otherwise being made ready by another entity for use by Defence.
Average funded strength	A budgetary measure used to count the average number of ADF members paid on a full-time equivalent basis during a financial year.
Budget Estimates and Framework Review	The term used to describe the recommendations agreed by the Government in May 2002 following a thorough assessment of the budget estimates and advice system. The review outcomes are designed to improve the accuracy, responsiveness and effectiveness of the Government's budget estimates and framework system. It also provides agencies with methods to improve financial management and reporting within their own organisations.
Capability	The combination of military equipment, personnel, logistics support, training, resources, etc. that provides Defence with the ability to achieve its operational aims.
Capability Manager	A Capability Manager is responsible for raising, training and sustaining in-service capabilities through the coordination of fundamental inputs to capability. Capability Managers include the Service Chiefs, the Chief of Joint Operations and the Chief Information Officer.
Capital budget	All proposed capital expenditure funded by appropriation for outcomes, by equity injections or loans and/or appropriations for administered capital, or by other sources.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.
Combined exercise	An exercise or activity involving one or more Services of the ADF with the forces of other countries.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund (CRF). The CRF is not a bank account. The Official Public Account reflects most of the operations of the CRF.
Defence Capability Plan	The Defence Capability Plan is a costed, detailed development plan for Australia's military capabilities over a ten-year period. The plan is reviewed regularly to take account of the changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget.

Defence Management and Finance Plan	The Defence Management and Finance Plan (DMFP) provides Ministers and central agencies with a clear oversight of Defence planning and financing strategies. It describes the strategies agreed through the <i>2000 Defence White Paper</i> and subsequent Strategic Review papers. As a compendium of information attached to Defence's annual Portfolio Budget Submission, it is intended to help Ministers make informed strategic and budgetary decisions on Defence, by bringing into one document the expected financial position of the portfolio taking into account existing commitments and proposed new investments. The DMFP also provides the Government with the information necessary to ensure that its investment in Defence is both affordable and sustainable.
Defence Procurement Review	An independent review initiated by the Government in December 2002 to examine the procurement process for major acquisitions in Defence. The review was led by Mr Malcolm Kinnaird and is also known as the Kinnaird Review.
Departmental items	Assets, liabilities, revenues and expenses that are controlled by the agency to produce outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Effectiveness indicators	Indicators to assess the degree of success in achieving outcomes. As outcomes are generally long-term in nature, effectiveness indicators often relate to intermediate outcomes (shorter-term impacts) below the planned outcomes specified.
Efficiency indicators	Measures the adequacy of an agency's management of its outputs (and where applicable, administered items). Includes Price, Quality and Quantity indicators. The interrelationship between the three efficiency indicators of any one output should be considered when judging efficiency.
Employee	Any Australian Public Service officer of Defence or serving Defence Force member who receives a salary or wage, along with other benefits, for the provision of services whether on a full-time, part-time, permanent, casual or temporary basis

Employee expenses	Include, but are not limited to, benefits provided to employees in the form of salaries and wages, performance pay, senior officers' allowances, leave, and superannuation, but does not include amounts paid or owed to employees as reimbursement of out-of-pocket expenses.
Equity injection	An additional contribution, over and above the cost of outputs to the Government as customer, to Defence by the Commonwealth as owner. Equity injections form part of the Commonwealth's investment in Defence and partly reflect the Commonwealth's ownership interest in Defence.
Equity or net assets	Residual interest in the assets of an entity after deduction of its liabilities.
Expense	Expenses represent the full costs of an activity, that is, the total value of all the resources consumed in producing goods and services to the loss of future economic benefits in the form of reductions in assets or increases in liabilities of the entity. Expenses include cash items such as salary payments as well as expenses that have been incurred, such as accruing employee entitlements that will be paid in the future.
Fair value	Valuation methodology: The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Australian Government entities will move to this method incrementally by 30 June 2006 for valuing most infrastructure, plant and equipment.
Force element	A component of a unit, a unit or an association of units having common prime objectives and activities.
Force element group	A grouping of force elements with an appropriate command and control structure for a specified role or roles (eg the Navy Submarine Force).
Force element product costing tool	A methodology that provides all Defence Groups with a consistent framework to cost their internal products or services and identify how these contribute to the costs of operating a force element.
Group	A high-level organisational grouping of functions and activities used by the Defence Executive as its primary management grouping (eg the Capability Development Group).

Infrastructure	Items owned, leased or otherwise under the control of Defence in support of activities on land and within buildings. Infrastructure includes items such as runways, roads, car parks, parade grounds, ovals, lighting, water, sewerage and other general service related items. It does not include land upon which, or within which, it is constructed or those fixed items integral to, and under, buildings.
Intermediate Outcomes	More specific medium-term impacts (eg. trend data, targets or milestones) below the level of the planned outcomes specified by the budget. A combination of several intermediate outcomes can at times be considered as a proxy for determining the achievement of outcomes or progress towards outcomes (see outcomes).
Interoperability	The ability of systems, units or forces to provide the services to, and accept services from, other systems, units or forces and to use the services so exchanged to enable them to operate effectively together.
Inventory	An inventory is comprised of consumable stores and supplies, fuel and explosive ordnance used in the delivery of Defence services. These are items which are consumed in normal use, lose their identity during periods of use by incorporation into, or attachment upon, another assembly, as a result of wear and tear, cannot be reconditioned because their design does not make it possible or their specific values do not justify it.
Joint exercise	An exercise involving two or more Services of the ADF.
Liabilities	Sacrifices of future economic benefits that Defence is presently obliged to make to other entities as a result of past transactions or other past events.
Materiel Acquisition Agreements	Materiel Acquisition Agreements will cover the Defence Materiel Organisation's acquisition services to Defence for both major and minor capital equipment.
Materiel Sustainment Agreements	Materiel Sustainment Agreements will be between the Capability Managers and the Chief Executive Officer of the Defence Materiel Organisation. These agreements will cover the sustainment of current capability, including services such as repairs, maintenance, fuel and explosive ordnance.
Operating result	Equals revenue less expense.
Other property, plant and equipment	This comprises the following sub-classes; administrative assets, commercial vehicles, general military assets, heritage assets and other (includes all items not specific to one of the classes or sub-classes referred to above and can include testing equipment and non-specific non-rotable spares).

Outcomes	The Government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Australian Government. Actual outcomes are assessments of the end-results or impacts actually achieved.
Outputs	The goods and services produced by agencies on behalf of government for external organizations or individuals. Outputs also include goods and services for other areas of government external to the agency.
Output groups	A logical aggregation of agency outputs, where useful, and based either on homogeneity, type of product, business line or beneficiary target group. Aggregation of outputs may also be needed for the provision of adequate information for performance monitoring, or based on a materiality test.
Out-turned prices	Estimates adjusted to incorporate the expected rate of inflation.
Price	One of the three efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Purchaser-provider arrangements	Arrangements under which the outputs of one agency are purchased by another agency to contribute to outcomes. Purchaser-provider arrangements can occur between Commonwealth agencies or between Commonwealth agencies and state/territory government or private sector bodies.
Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organization, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.
Quantity	One of the key efficiency indicators. Examples include: the size of an output; count or volume measures; how many or how much.
Readiness	The readiness of forces to be committed to operations within a specified time, dependent on the availability and proficiency of personnel, equipment, facilities and consumables.
Receivables	Amounts payable to Defence, including debtors, bills of exchange and promissory notes, loans to other governments and other entities, interest accrued but not yet received, and advances to Defence employees and other entities that are to be returned or acquitted.
Revenue	The total value of resources earned or received to cover the production of goods and services.

Special account	Balances existing within the Consolidated Revenue Fund (CRF), that are supported by standing appropriations (<i>Financial Management and Accountability (FMA) Act 1997, ss.20 and 21</i>). Special accounts allow money in the CRF to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (s.20 FMA Act) or through an Act of Parliament (referred to in s.21 FMA Act).
Special Appropriations (including Standing Appropriations)	An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year. Standing appropriations are a sub-category consisting of ongoing special appropriations – the amount appropriated will depend on circumstances specified in the legislation.
Specialist military equipment	Items of a specific military nature and that are not available though the normal external market in their current form to other than government military purchasers. It includes the prime military equipment plus the direct support items associated with the equipment.
Unit ready days	The number of days that a force element is available for tasking, by the Maritime Commander, either outside of major maintenance and within planned readiness requirements, or in accordance with contracted availability. Planned unit ready days are determined for each force element by either aggregating total days for the unit in commission, less all days when the unit is programmed to be in major maintenance and conducting pre-workup(preparations for initial operational training) or based on the total number of days the force element is contracted to be available to Defence.]
Weighted average cost	An inventory valuation method which considers the fluctuating prices and quantities of acquired goods in computing of the cost of inventory. The weighted average method takes the prices of units at the beginning inventory and the varying prices of purchases made and are weighted by the number of units to determine the weighted average cost per unit. It may be computed as the weighted average cost of all available goods present in a given period, or as a weighted moving average cost adjusted when new goods are delivered.
Write-offs	The recording in the accounting records of irrecoverable or

	uneconomic to recover debts.
Write-downs	The reduction in value of assets.

ACRONYMS AND ABBREVIATIONS

A

AASB	Australian Accounting Standards Board
ADF	Australian Defence Force
AEIFRS	Australian Equivalents to International Financial Reporting Standards
AFS	Average Funded strength
APS	Australian Public Service

C

CEO DMO	Chief Executive Officer of the Defence Materiel Organisation
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D

DIDS	Defence Integrated Distribution System
DFAT	Department of Foreign Affairs and Trade
DFRDB	Defence Force Retirement and Death Benefits Scheme
DHA	Defence Housing Authority
DMO	Defence Materiel Organisation
DSTO	Defence Science and Technology Organisation
DVA	Department of Veterans' Affairs

F

FFG	Guided Missile Frigate
-----	------------------------

G

GDP	Gross Domestic Product
GST	Goods and Services Tax

H

HMAS	Her Majesty's Australian Ship
------	-------------------------------

I

IT	Information Technology
----	------------------------

M

MSBS	Military Superannuation Benefits Scheme
MWD	Members With Dependants
MWOD	Members Without Dependents

P

PBS	Portfolio Budget Statements
PAES	Portfolio Additional Estimates Statements

Appendices

PSP Professional Service Provider

R

RAAF Royal Australian Air Force

RAN Royal Australian Navy

RAR Royal Australian Regiment

S

SME Specialist Military Equipment

U

UN United Nations

URD Unit ready days

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