

Section 14: Liabilities Management

14.1 Overview

Liabilities are amounts owed to lenders and suppliers. Liabilities can also include amounts received in advance for future costs or for a future service. For schools, the most common liabilities are accounts payable, revenue in advance and co-operative loans.

14.2 Accounts Payable

These are the amounts owed to creditors for the supply of goods and services.

14.2.1 Mandatory policy (Must do):

Sequence Numbers	Information	
14.2.1.1	When entering creditor details check the validity of the ABN provided.	
14.2.1.2	Where a creditor does not have an ABN, select the most appropriate code to be entered into the ABN field. See CASES21 Finance Business Process Guide Section 3 - Creditors .	
14.2.1.3	Regularly review invoices awaiting payment and outstanding orders and take appropriate action. (For example, pay overdue invoices, cancel invalid invoices and orders).	
14.2.1.4	Regularly review unallocated creditor items and take appropriate action. (For example, allocate payments to relevant invoices.)	
14.2.1.5	Enter invoices on a regular basis into CASES21 in the period to which they apply.	
14.2.1.6	Undertake balance day adjustments for prepaid expenses where appropriate. (For example, deposit paid for next year's camp.) Refer to CASES21 Finance Business Process Guide Section 10 – Balance Day Adjustments .	

14.3 Revenue in Advance

Amounts received in advance for future costs or future services yet to be performed.

14.3.1 Mandatory policy (Must do):

Sequence Numbers	Information	
14.3.1.1	Undertake any balance day adjustments for revenue in advance. Refer to CASES21 Finance Business Process Guide Section 10 – Balance Day Adjustments .	
14.3.1.2	Regularly review the balance of revenue in advance to ensure validity and take appropriate action if required.	

14.4 Co-operative Loans

A school council does not have the power to engage in any form of borrowing. A school community may choose to raise funds for new capital works initiatives by forming a school community co-operative and taking out a government guaranteed co-operative loan.

14.4.1 Mandatory policy (Must do):

Sequence Numbers	Information	
14.4.1.1	If a school is considering a co-operative loan arrangement, please contact Schools Financial Management Support at email: schools.finance.support@edumail.vic.gov.au and enquire about an application.	
14.4.1.2	In contacting School Financial Management Support, further guidelines will be provided. (A flow chart for applying for Co-operative loans is available.)	
14.4.1.3	Co-operative loans require approval from the Department of Treasury and Finance (DTF) and applications are lodged through the Department.	
14.4.1.4	A co-operative loan must only be taken out with Treasury Corporation Victoria (TCV) for a maximum of fifteen years.	
14.4.1.5	Government school co-operatives are established under the co-operative as non-trading, incorporated entities with limited liability. Membership is voluntary and open to any person (parent, staff and/or supporter).	
14.4.1.6	Where a school does not have sufficient funds available to construct or undertake improvements in relation to capital works, a business	

Sequence Numbers	Information
	case must be prepared by the school to assess the feasibility of the loan request in consultation with the Department.
14.4.1.7	Co-operative loans are only considered for capital works (either a new building or extension) that can generate future income to meet loan repayments.
14.4.1.8	A school co-operative must only borrow for one purpose and obtain one loan. Schools are required to be aware that if the: <ul style="list-style-type: none"> total project cost is under or equal to \$200,000 the loan amount cannot be more than 70% of the total project cost; total project cost is greater than \$200,000, the loan amount cannot be more than 50% of the total project cost.
14.4.1.9	If successful in the application process and a loan is obtained: <ul style="list-style-type: none"> enter the loan amount as a non-current liability in CASES21 using the relevant Chart of Account code 40001; enter the co-operative bank account associated with the loan.
14.4.1.10	Ensure that loan repayments are recorded in CASES21. The interest component is to be entered into CASES21 using the Chart of Account code 86805 and the principal component is to be entered into CASES21 using the Chart of Account code 40001.
14.4.1.11	Schools must perform regular checks to ensure that the balance of the co-operative loan in Chart of Account code 40001 reconciles with the outstanding loan balance as per the loan statement.
14.4.1.12	Ensure compliance with the co-operative reporting requirements of Consumer Affairs Victoria.

14.4.2 Prohibited policy (Must not do):

Sequence Numbers	Information
14.4.2.1	A school cannot enter into a loan agreement with third party organisations i.e. bank and/or financial institution.

14.4.3 Year-end requirements (30 June)

Sequence Numbers	Information
14.4.3.1	<p>The following information must be made available upon request by the Department for end of financial year (30 June) requirements for co-operative loans entered into by a school:</p> <ul style="list-style-type: none">• initial co-operative loan agreement held with Treasury Corporation Victoria;• loan bank statement stating the balance that is still outstanding at the 30 June;• confirmation of the balance held in CASES21 in chart of account code 40001 – Co-operative loan.

Legislative requirements

Legislation

The advice in this section was based on requirements outlined in the following legislation:

- Australian Accounting Standards AASB 7 Financial instruments and AASB 123 Borrowings.
- *Education and Training Reform Act 2006* – Part 2.3 – Government School Councils.
- *Education and Training Regulations 2017* – Part 4 – Government School Councils and Parents Clubs.
- *Financial Management Act 1994*.
- Standing Directions of the Minister of Finance 2018 under the *Financial Management Act 1994* – Section 3.3 Financial Authorisations; 3.4 Internal Control Systems and 3.7 Managing Risk.

Definitions

ABN

An Australian Business Number (ABN) is a unique 11-digit number that identifies a business to the government and community. It is used for tax and various other business purposes. A school can only obtain an ABN through the Department, as the ATO requires proof of identity for schools from the Department.

Accounts Payable

Accounts payable is money owed to suppliers and is shown as a liability on the balance sheet. These are recorded in the Account Payable sub-ledger of CASES21 at the time an invoice is produced for payment. (CASES21 Chart of Account code 37000)

CASES21	CASES21 (Computerised Administrative System Environment in Schools) is the software package provided to Victorian Government schools to support school administration, finance and central reporting.
Co-operative bank account	Account used to administer loans raised through a co-operative society for a school infrastructure project. (CASES21 Chart of Account code 10005)
Co-operative loan account	Loans raised through a co-operative Society for school projects. The monthly payment of principal is processed against the CASES21 Chart of Accounts code 40001.
Revenue received in advance	Funds received prior to the period they relate too. The revenue belongs to a future accounting period (generally the next one); however, the payment of revenue is received in the current accounting period.
School Community Co-operative	A democratic organisation set up by a school community to promote and access funding for a particular purpose relating to a school. Usually a building project such as the construction of a multipurpose facility.
Unallocated creditor items	Creditor payments and credit notes that have not been allocated to an invoice.

Additional resources

- [CASES21 Finance Business Process Guide](#)
- [Chart of Accounts for Victorian Government Schools](#)
- [Consumer Affairs Victoria](#)
- [Internal Controls for Victorian Government Schools](#)
- [Management of School Trading Operations Guidelines](#)
- [School Policy and Advisory Guide](#)

Version and revision control record

Date	Version	Approver	Next Review
01/2019	1.2	Chief Finance Officer - Financial Services Division	01/2020