

FMM 03.12 Accounting for Proceeds from Dividends, Sale, Interest and other Investments

12.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

12.2 Standards and Supporting Documentation

- IPSAS 9 – Revenue from Exchange Transactions
- Department of Treasury State Dividend Policy 2025

12.3 Minimum Responsibilities

The Treasurer is responsible for publishing the terms and conditions in respect of investments including reinvestment of investment proceeds.

The Treasurer is responsible for managing investments of public funds and state loans, other than investment from public funds under Section 12.

The Department of Finance is responsible for ensuring all interest earned on government bank accounts, investments, dividends and sales proceeds (including realised gains) is credited to the CRF or respective GRFs unless an exemption is granted, monitoring interest-bearing accounts to prevent unauthorised use of government funds and overseeing the accounting treatment of interest expenses on government borrowings.

Departmental Heads must ensure interest earned on project or trust accounts or earnings on investments or sale proceeds is properly recorded and reported.

Finance Officers must record all interest transactions accurately in IFMS using the correct economic classification and reconcile interest earned with bank statements and report any discrepancies.

Internal Auditors must review financial records to ensure interest income and expenses are properly accounted for.

12.4 Mandated Policy

- 1. Proceeds from sales of an asset/investment must be recognised when received and classified based on the underlying transaction in IFMS (or**

approved finance system), such as dividend received or proceed from sales.

2. Investment proceeds held in Trust Funds must comply with the governing Trust Instrument and must not be retained outside of legal authority.
3. Reinvestment of public money (deposits) under Section 12 as an investment requires prior approval from the Finance Minister.
4. Investment of all other public funds and state loans, other than investments from public funds pursuant to Section 12 requires prior approval from the Treasurer.

12.4.1 Recognition of Dividends

5. Dividends must be recorded as revenue in the financial year in which it is receipted and not when it is declared and payable. For reinvested earnings (where dividends are not immediately distributed), the entity will not record accrued revenue in its accounts.
6. For any public entity which is declaring dividends, all Dividends Declared and Dividends Paid (including interim dividend declarations and payments) must be notified in writing within 14 days of their declaration and their payment, to Treasury department head specifying the amount, date of declaration and date of payment, the nominated recipient of the payment.

12.4.2 Allocation of Investment Proceeds (Compliance with Section 12 of PFMA)

7. All investment proceeds must be returned to the fund that originally provided the investment capital:
 - If the investment was financed using money from the CRF, all returns must be credited back to the CRF.
 - If the investment was made using funds from a Provincial or Local-Level Government General Revenue Fund, the proceeds must be returned to the respective General Revenue Fund.
 - Investment proceeds (other than interest) in Trust Funds may only be retained if authorised under the Trust Instrument generally it is

required to be returned to the CRF or for Provincial Governments, returned to the General Fund.

12.4.3 Recognition and Recording of Interest on Bank Accounts

- 8. Interest earned on bank balances must be recorded in IFMS (or the approved finance system) at the time of deposit and part of the bank reconciliations.**
- 9. Interest earned must be reported as non-tax revenue under the appropriate economic item in IFMS.**
- 10. Accumulated interest balances, including those earned on trust accounts, must be transferred to the CRF (or relevant General Fund) regularly or at least prior to the end of the fiscal year.**

12.4.4 Restrictions on Investment Transfers and Negotiations

- 11. Agencies are strictly prohibited from negotiating interest rates or investing of deposits without prior approval from the Finance Minister.**
- 12. Agencies are strictly prohibited from negotiating investment arrangements, other than deposits, without prior approval from the Treasurer.**

12.5 Non-Mandatory Guidance

This policy applies to all government investment proceeds, including but not limited to:

- Dividends from state-owned enterprises (SOEs) or government equity holdings for the State.
- Interest earned on government-owned financial instruments and investments.
- Sale of government-owned investment assets.
- Earnings from financial market activities.

Interest income must be classified correctly in IFMS under revenue codes for financial income and is usually done as a journal as part of the bank reconciliation processes as an Generate a Matching Ledger Transaction Activity during the bank reconciliation procedures.

Interest earned in trust accounts must be reported separately in trust financial reports.

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Version	1.0
Date Issued	30 June 2025