MOORE STEPHENS
ACCOUNTANTS & ADVISORS

WORK PAPER	Provision for Redundancy
CLIENT:	UMSU
YEAR END:	31 December 2013

During the audit of the University of Melbourne Student Union Inc. (UMSU) we tested the appropriateness of the redundancy provision. We found that the provision was a general provision raised by management to mitigate the possibility of Student Services and Amenities Fee (SSAF) being reduced resulting in the potential loss of jobs.

Based on information obtained throughout the audit we have removed the provision based on the fact that:

1. Management is not aware of the need for any specific redundancies in the foreseeable future; and
2. The services agreement is soon to be phased out, which required a redundancy provision to be raised.

Per *AASB 137* a provision is to be raised when:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
(c) a reliable estimate can be made of the amount of the obligation

Applying the standard conditions to UMSU's provision we have concluded there is no present obligation at 31 December 2013 to provide for redundancies given no probable grounds that this outflow will be incurred by UMSU in 2014. As such we have removed the provision as at 31 December 2013 as per the below adjustment:

	Pre adjustment	**Adjustment**	**Post Adjustment**
Provision - Redundancy	(285,215)	285,215	-
Net profit	202,157	285,215	487,372

Financial report users will note that the reversal of the redundancy provision has resulted in an adjusted profit of $487,372. We have subsequently transferred $285,215 from retained earnings into a General reserve account. This enables UMSU to continue to keep these funds separate for future use of redundancy pay outs should they occur.