

# UNDERSTANDING & WORKING WITHIN THE BUILDING SERVICES AUTHORITY GUIDELINES

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## **1. Introduction**

The regulations which are imposed by the Queensland Building Services Authority are contained primarily in the Queensland Building Services Authority Act 1991 and expanded upon in various interpretations and pronouncements of the Queensland Building Services Board.

The regulations have been in place since 1991 and have gradually been interpreted, re-interpreted and strengthened over time.

The objectives of the financial requirements are to promote financially viable business and promote good business practice amongst those who participate in the industry. It does this by prescribing a number of minimum financial requirements and some harsh penalties for non-compliance.

Whilst it seems that Queensland may be alone in their thinking on this issue, at present it is worth noting:

- In Western Australia, applications for building licences require the inclusion of business plans with detailed financial plans and proof of working capital.
- In 2008, the Master Builders Association of Queensland made recommendations regarding a National Licensing Model to COAG (Council of Australian Governments) Skills Recognition Steering Committee and in particular that business licences provide financial data as per the Queensland model. (Recommendation 9)
- In NSW, if builders intend to perform Home Warranty Work, they must be assessed against guidelines set out by the Home Warranty Insurance Fund, the NSW government home warranty insurer. These guidelines include financial factors such as Net Tangible Assets, Profitability and Working Capital.

Lastly, it should also be noted that similar financial criteria licensing arrangements apply in other industries. Examples of this are travel agents and financial planners both of whom face various regimes for licensing.

## 2. **Financial Requirements For Licensing**

### **a) Outline**

The financial requirements for licensing under the act are mandatory and vary depending upon your circumstances.

There are two financial calculations used in the guidelines:

- Current Ratio
- Net Tangible Assets

and the result of the Net Tangible Assets calculation is then used to calculate Allowable Annual Turnover.

Allowable Annual Turnover is the critical measure for all licensees. It represents the maximum sales revenue allowable in any licence year that a licensee may generate under his/her licence.

Coupled with these financial calculations, licensees must also meet the rules for minimum financial requirements. This means licensees must be preparing financial information at regular intervals.

Lastly, an application for a new licence on a renewal of an existing licence must be signed off by a prescribed person. A prescribed person is generally an accountant who has performed various tasks to assess the validity of the information being presented in the licence renewal.

Without a report from a prescribed person, a licence will not be granted.

It would be outside the scope of this paper to explain in detail the calculations and the guidelines and so this paper will only give a brief outline of the requirements so as to help readers gain an understanding of how these guidelines work so the benefit can be maximised.

For further detailed explanations of the rules, I refer the reader to the BSA publication Financial Requirements For Licensing and to the BSA website for various other pronouncements in this regard.

### **b) Current Ratio**

The first ratio that all licences must meet is the Current Ratio which is measured as:

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

Current Assets and Current Liabilities take their meaning from the accounting standards and are those items expected to be realised or settled within a 12 month period.

All licensees must maintain a ratio of at least 1:1.

### **c) Net Tangible Assets (NTA)**

Applicants and licensees must have sufficient Net Tangible Assets (NTA) required for the allowable level of turnover.

Net Tangible Assets is calculated using the following formula:

$$\text{NTA} = \text{Total Assets} - \text{Total Liabilities} - \text{Intangible Assets}$$

Once again, the definition of Assets and Liabilities takes their meaning from the accounting standards. Intangible Assets include items such as goodwill, intellectual property, patents, trademarks, borrowing and formation expenses all of which may have been capitalised by a licensee.

The amount of NTA required will vary between licensees depending on required turnover. That is, if the applicant wants a large turnover, he will need a greater NTA than a licensee who only requires a small turnover.

To illustrate this point, I refer the reader to Appendix 1 of this paper which is a table extracted from the BSA guidelines. The table clearly sets out the minimum NTA required for various categories of turnover.

As an example, a licensee who needs an allowable turnover of \$30,000,000 will need to demonstrate an NTA position of at least \$1,200,000 from 01 July 2011 (Category 5). Similarly, a licensee who needs an allowable turnover of \$3,000,000 will need to demonstrate an NTA of at least \$156,000 (Category 3).

It is worth noting that where the licensed entity does not have sufficient NTA for the turnover required, other related parties may pledge assets by way of Deed of Assurance in favour of the company.

A Deed of Assurance is a legal contract enforceable against the person or entity should the licensee not be able to meet its commitments. If relied upon in a licence application, a copy of the executed deed will be kept by the BSA.

### **d) Allowable Annual Turnover (AATO)**

Allowable Annual Turnover is calculated on the NTA position of the Applicant or licensee and includes any amounts which have been assured by way of Deed of Assurance.

The formula for calculating AATO is as follows:

$$\text{AATO} = \{[(\text{Licensees NTA} - c) / (d - c)] \times (b - a)\} + a$$

Where: a = minimum turnover for the category in question  
b = maximum turnover for the category in question  
c = minimum NTA for the category in question  
d = maximum NTA for the category in question

The categories to which I refer are those listed in the table at Appendix 1.

As an example of this calculation, assume the applicant has an NTA of \$520,000. Because of his NTA, he will be within Category 4 of AATO (\$12-\$30m).

The calculation will therefore be:

$$\begin{aligned} \text{AATO} &= \\ & \{[(520,000-480,000)/(1,200,000-480,000)] \times (30,000,000-12,000,000)\} + 12,000,000 \\ &= 13,000,000 \end{aligned}$$

### **e) Financial Monitoring Requirements**

As mentioned earlier, all licensees must meet other requirements outside the basic ratios.

To comply with the financial monitoring requirement, applicants and licensees must maintain internal management accounts which have been prepared at the following intervals:

<b>Turnover Category</b>	<b>Minimum Interval</b>
Declaration	Not Required
1	Yearly
2	Half Yearly
3-8	Quarterly

These accounts are not required to be presented to the BSA unless requested. They also do not need to be independently reviewed or audited.

### **f) Reviews & Audits**

Lastly, as a final requirement of obtaining or maintaining a licence, it is a requirement that the applicant or licensee provide either an independent review report or an independent audit report with the licence application or renewal.

Whether an audit or a review is required will depend on the category of licence. Turnover categories 1-3 require an independent review report to be submitted. Categories 4 and above will generally require an independent audit report.

Both reviews and audits must be signed off by a prescribed person who carries out various procedures in accordance with Australian Auditing Standards applicable to audit or review engagements.

At Appendix 2 I provide a pro-forma Independent Review Report applicable for turnover categories 1-3. At Appendix 3, I provide a copy of the pro-forma Audit Report for turnover categories 4-8. These reports have been issued for the use of those preparing the documents.

It is suggested that some time is taken to read these documents as they will give the reader an insight to the work required of the reviewer or auditor and the level of assurance provided by those people to the BSA.

### **3. Working Within The BSA Guidelines**

The previous section was all about giving the reader an appreciation of the rules which the BSA set out to be granted or maintain a licence.

In this section, I will outline some of the things licensees can do to make it easier to comply with the rules.

#### **a) Get Organised**

In my mind, the first message out of these rules is to get organised with respect to the financial reporting requirements and internal processes.

In doing this, applicants and licensees should:

- Prepare financial statements regularly. Regardless of size, I recommend at least quarterly
- Review them!!

Licensees need to understand that licence applications can only be made with information which meets various time frames. If it is older than a certain time frame, it will not be able to be used for the licence renewal or application. This means financial reports need to be produced quickly at regular intervals so that advisors, reviewers or auditors have access to it when required.

Also, licensees should set aside time to review this information when prepared. This information will be invaluable in allowing the licensee to gauge how secure his/her licence is.

The penalty for not being organised is great. If a licensee fails to provide an independent review or audit report by the due date, the BSA will suspend the licence. Suspension means that no work can be carried out and no quotes can be given. Further, it will appear on the licensees public record with the BSA.

#### **b) Give the Reviewer or Auditor Time**

Continuing with the theme of being organised, the licensee needs to give the reviewer or auditor time to perform his/her tasks to be able to sign an audit or review report.

As a preparer of these reports, I take my responsibility in this area seriously. The BSA has publically stated many times that it will pursue accountants and auditors who do not get these procedures correct. Often this prosecution means being precluded from undertaking this type of work in future.

With this type of regime in place, licensees will need to understand reviewers and auditors will not sign these reports unless they have carried out their duties, satisfied themselves they have collected all of the information required and satisfied all of their questions on the matter. This process simply requires time.

### **c) Work With The Reviewer or Auditor**

It is important the licensee work with the reviewer or auditor.

This working relationship means the licensee should be transparent and clear with information being provided and answer all queries without undue delays. Because the reviewer will not sign until he is satisfied, there is really nothing to be gained by being secretive, unhelpful or tardy with responses.

Also, the licensee should review the report with the preparer after it is completed. Things the licensee should look for from this review include:

- An understanding of the turnover limits imposed by the NTA position
- An understanding of where the entity sits in expected turnover –v- allowable turnover
- The problems the reviewer or auditor had in completing the work
- Suggestions the auditor or reviewer may have to improve the situation before the next review

### **d) NTA = AATO**

If readers take anything away from this paper, it is that NTA is a proxy for AATO. That is, the greater the NTA, the greater your allowable turnover.

Too often as reviewers, we see licensees who require certain turnovers but have starved their entities of assets by drawing out profits for private purposes.

With this in mind, licensees should appreciate that if you wish to increase your AATO, you will need to increase NTA and this can only be done by earning and retaining profits preferably in the name of the licensed entity or alternatively in the name of a related entity and assured to the licensee by way of Deed of Assurance.

### **e) Choose Your Structure Carefully**

Licensees should choose the structure of their licensed entity carefully!

It is very common for smaller licensees to be trading through family or discretionary type trusts. It is the view of the author that this may not be such a good structure.

Trusts of any type have one problem in Australia and that is unless they distribute all of their income, the amount not distributed will be subject to the top marginal tax rate (46.5%). This means that generally all trusts distribute profits in full which in turn means the trust will never accumulate NTA greater than the original settled sum, which is often \$10. With an NTA of such a nominal amount, AATO will be severely limited without the use of a Deed of Assurance.

Given these problems, it is the author's preference to structure the licensee into a company. Companies can retain profits thereby boosting NTA whilst still only paying tax at 30% without the need to use a Deed of Assurance.



Lastly, if for some reason your choice of structure means you will be required to have a Deed of Assurance, make sure assets are accumulated by persons/entities capable of providing a Deed of Assurance to the licensee. There are strict requirements in this regard.

#### **f) Don't Rely Upon Deeds of Assurance**

The point of a good structure is to provide the owner some form of asset protection isn't it?

If that proposition is true, why would you provide a Deed of Assurance, thereby exposing the assets of another often less risky entity to prop up your risky trading entity?

Licensees should understand that Deeds of Assurance, whilst they allow licensees to increase NTA, are enforceable legal undertakings which can and will be called upon by the BSA should the licensee encounter financial problems. In that way, the assets put forward by the entity providing that deed is putting those assets at risk.

This is a concept often forgotten by licensees and covenantors who many times believe those assets are protected simply because they are in another name.

It is the view of the author that it would be preferable to contain all the "at risk" assets in the name of the licensed entity for simplicity and to avoid all of the issues that could come from the BSA exercising its power under a deed. In this way, licensees would have a clear picture of what assets are at risk because they would all be contained in the one entity.

#### **g) Understand The Calculations**

Licensees should have a good working understanding of the calculations required in a licence application.

Of particular importance is the Current Ratio. As stated, all licensees must maintain a ratio of 1:1. Furthermore, this ratio must be achieved within the resources of the licensee; that is without a Deed of Assurance. With that in mind, licensees should understand what assets and liabilities are current so they can work to ensure this ratio is maintained not only at licence time but at all times during the year.

Similarly, understanding the NTA calculation will lead to a greater appreciation of how AATO will be affected.

#### **h) Interim Reviews**

Licensees should understand that balance sheets and therefore ratios that are based on them, the Current and NTA ratio, are not static and therefore change over time.

This means that whilst a licensee may meet the guidelines today, a change in circumstances may mean he does not tomorrow. Because of this, the author believes that all licensees should review the calculations required to maintain a licence at least quarterly. In that way, if for some reason one or more of these calculations go against the licensee, there is time to examine why and perhaps rectify the situation.

In this process, thought should also be given to comparing actual turnover to allowable turnover and planning for extra NTA to generate extra AATO.

Lastly, if it becomes clear that the licensee will outstrip AATO as reported in the last renewal before the licence is renewed, it is possible to submit an early renewal using the same

process and thereby get extra AATO. Licensees are only permitted to exceed AATO by 10% before a new application is required.

**i) Do Not Have Mixed Businesses in Licensed Entities**

Licensees should take care to structure their affairs such that the licensed entity only carries out work (turnover) from licensed activities.

The reason for this is that the BSA guidelines do not distinguish BSA turnover from other turnover. This means for example that if you operate an interior design studio with a building operation, the turn over of both businesses is counted in AATO despite the fact that you do not need a BSA licence to operate an interior design consultancy. Furthermore, this extra turnover will require further NTA.

**j) Avoid Liquidations**

The last rule or guideline offered by the author is to avoid liquidating any entity you, as a licensee, are involved with.

As a general rule, if a company you were a director of becomes insolvent and is liquidated, the BSA may disqualify you from holding a licence for a period of up to 5 years.

With such a regime, licensees should avoid liquidating entities wherever possible.

#### 4. **Conclusions**

The requirements imposed by the Queensland Building Services Authority Act 1991 contain many problems for those businesses who do not prepare themselves for what it takes to be licensed and who do not appreciate the consequences of losing their licence.

Readers should take some very simple messages from this paper and they are:

- Capitalise your business – NTA = AATO
- Maintain NTA and improve it to increase AATO
- Manage your business including the production of financial information well to identify problems early

5. **Further Reading**

- Financial Requirements For Licensing (Building Services Authority) Effective 01 July 2010
- National Business Licensing Model, Submission to COAG Skills Recognition Steering Committee. Master Builders Queensland July 2008

## Appendix 1 - Table 1 - Financial Requirements for Licensing

**TABLE 1 – FINANCIAL REQUIREMENTS FOR LICENSING**

Effective From	CRITERIA	SC1 Declaration	SC2 Declaration		CATEGORY 1	CATEGORY 2	CATEGORY 3	CATEGORY 4	CATEGORY 5	CATEGORY 6	CATEGORY 7	CATEGORY 8
	<b>Allowable Annual Turnover (AATO)<sup>1</sup></b>	Up to \$100,000	Up to \$300,000	Min (a) Max (b)	\$300,001 - \$600,000	\$600,001 - \$3,000,000	\$3,000,001 - \$12,000,000	\$12,000,001 - \$30,000,000	\$30,000,001 - \$60,000,000	\$60,000,001 - \$120,000,000	\$120,000,001 - \$240,000,000	>\$240M NTA x 16.67
<b>1 July 2006</b>	<b>Net Tangible Assets (NTA)<sup>3</sup></b>	\$6,000	\$18,000	Min (c) Max (d)	\$18,001 <sup>2</sup> - \$36,000	\$36,001 - \$156,000	\$156,001 - \$480,000	\$480,001 - \$825,000	\$825,001 - \$1,380,000	\$1,380,001 - \$4,800,000	\$4,800,001 - \$14,400,000	>\$14.4M
<b>1 July 2007</b>	<b>Net Tangible Assets (NTA)<sup>3</sup></b>	\$6,000	\$18,000	Min (c) Max (d)	\$18,001 <sup>2</sup> - \$36,000	\$36,001 - \$156,000	\$156,001 - \$480,000	\$480,001 - \$900,000	\$900,001 - \$1,620,000	\$1,620,001 - \$4,800,000	\$4,800,001 - \$14,400,000	>\$14.4M
<b>1 July 2008</b>	<b>Net Tangible Assets (NTA)<sup>3</sup></b>	\$6,000	\$18,000	Min (c) Max (d)	\$18,001 <sup>2</sup> - \$36,000	\$36,001 - \$156,000	\$156,001 - \$480,000	\$480,001 - \$975,000	\$975,001 - \$1,800,000	\$1,800,001 - \$4,800,000	\$4,800,001 - \$14,400,000	>\$14.4M
<b>1 July 2009</b>	<b>Net Tangible Assets (NTA)<sup>3</sup></b>	\$6,000	\$18,000	Min (c) Max (d)	\$18,001 <sup>2</sup> - \$36,000	\$36,001 - \$156,000	\$156,001 - \$480,000	\$480,001 - \$1,050,000	\$1,050,001 - \$1,980,000	\$1,980,001 - \$4,800,000	\$4,800,001 - \$14,400,000	>\$14.4M
<b>1 July 2010</b>	<b>Net Tangible Assets (NTA)<sup>3</sup></b>	\$6,000	\$18,000	Min (c) Max (d)	\$18,001 <sup>2</sup> - \$36,000	\$36,001 - \$156,000	\$156,001 - \$480,000	\$480,001 - \$1,125,000	\$1,125,001 - \$2,220,000	\$2,220,001 - \$4,800,000	\$4,800,001 - \$14,400,000	>\$14.4M
<b>1 July 2011</b>	<b>Net Tangible Assets (NTA)<sup>3</sup></b>	\$6,000	\$18,000	Min (c) Max (d)	\$18,001 <sup>2</sup> - \$36,000	\$36,001 - \$156,000	\$156,001 - \$480,000	\$480,001 - \$1,200,000	\$1,200,001 - \$2,400,000	\$2,400,001 - \$4,800,000	\$4,800,001 - \$14,400,000	>\$14.4M
	<b>Prescribed Form (Refer Section 2.5)</b>	Attachment 5	Attachment 6		Attachment 1	Attachment 1	Attachment 1	Attachment 2, 3 or 4	Attachment 2, 3 or 4	Attachment 2, 3 or 4	Attachment 2, 3 or 4	Attachment 2, 3 or 4

**Notes:**

1. Formula for deriving level of allowable annual turnover between minimum and maximum NTA values expressed within categories 1 to 7:  $AATO = \{[(Licensee's\ NTA - c) / (d - c)] \times (b - a)\} + a$ . The calculation is **not** applied to SC1 and SC2 in determining AATO.
2. The amount of \$18,001 shall be the minimum NTA requirement in Category 1.
3. Net Tangible Assets = Entity's Assets – Entity's Liabilities – Intangible Assets. Intangible Assets include goodwill, patents, intellectual property, etc.
4. Licensees must be able to produce internal management accounts at the intervals prescribed. Refer to Section 2.4 – Financial Monitoring Requirements.

Queensland Building Services Authority Act 1991
Approved Form 1 - Version 6
Attachment 1 - Financial Requirements for Licensing
INDEPENDENT REVIEW REPORT
(FOR TURNOVER CATEGORIES 1-3 ONLY)

TO: Building Services Authority (BSA)

.....(Name and BSA licence number of client)

Scope

I, .....(name) of .....(address or firm name)
being an independent qualified person by virtue of .....(qualification)
and being a holder of a public practising certificate state that I have reviewed the financial information of
.....(name of Client) ('the Client') for the year ended
.....(date). The Client or where the Client is a company, its directors, are responsible for
the financial information. I have performed the review of the financial information against the financial criteria set
out below in order to state whether, on the basis of the procedures described, anything has come to my
attention that would indicate that the financial information in relation to those criteria is not presented fairly, in
accordance with all applicable Australian Accounting Standards, other mandatory professional reporting
requirements and the Financial Requirements for Licensing of the Building Services Authority.

This Independent Review Report has been prepared for distribution to the Client and the Building Services
Authority, for the purpose of reporting on Financial Requirements for Licensing. I disclaim any assumption of
responsibility for any reliance on this Independent Review Report or on the financial information to which it
relates to any person other than the Client and the Building Services Authority.

My review has been conducted in accordance with Australian Auditing Standards applicable to review
engagements. A review is limited primarily to inquiries of the personnel of the Client and analytical procedures
applied to the Financial Information. These procedures do not provide all the evidence, which would be required
in an audit, thus the level of assurance provided is less than given in an audit. I have not performed an audit
and accordingly, I do not express an audit opinion.

I confirm the tests or checks I have conducted, and the evidence sighted, comply with those minimum
requirements as set out in the Financial Requirements for Licensing Review Control Sheet developed by the
Building Services Authority, and that I have applied all relevant Australian Accounting Standards and significant
accounting policies in the preparation and presentation of the Financial Information. Where such standards and
policies have not been applied, details of these are outlined below (See Note 1).

Qualification Paragraph

The Client has not met the following aspects of the Financial Requirements for Licensing:

.....
(State how the Client did not meet the Financial Requirements for Licensing.)

Statement

Based on my review of the Financial Information, which is NOT an audit, except for the effects
described in the Qualification Paragraph, nothing has come to my attention that causes me to believe
that the Client has not met the Financial Requirements for Licensing, as prescribed by the Building
Services Authority, as at and for the year ended date as stated above.

**In determining the Financial Information of the Client, I verify I have NOT included any Related Entity Loans or Investment assets in the calculations, unless otherwise stated as follows:**

(TICK BOX IF APPROPRIATE)

In determining Net Tangible Assets of the Client, I HAVE included Related Entity Loan and/or Investment asset amounts within the accounts of the Client, and I have independently verified such assets are collectible by the Client as at and for the year ended date as stated above (See Note 3).

**Financial Information:**

- Actual Annual Turnover for year of review.....
- Allowable Annual Turnover.....
- Current Ratio (please state as a ratio)..... (min 1:1)
- Net Tangible Assets of Licensee – excluding the amount of any Deeds (of at least).....
- Deed of Assurance provided to Licensee (if applicable):

Full and Correct Name(s) of each Covenantor	Amount of Deed 'Defined Amount'	Relationship to Licensee (Refer to Section 2.4.5)	Original Deed Previously Provided (Yes/No)

**I CERTIFY THAT this Independent Review Report has not been altered from the Independent Review Report applicable to Turnover Categories 1–3 contained in the Board’s policies other than by the completion of information in the spaces provided.**

**In order for me to make the above statement, attached to this Independent Review Report are the details of the calculations performed. (See Note 2). Where Deeds of Assurance have been relied upon, I have attached a verified Statement of Financial Position for each Covenantor.**

.....  
(Name of Appropriately Qualified Person)

.....  
(Signature of Appropriately Qualified Person)

.....  
(Professional Qualifications)

.....  
(Date)

.....  
(Address and Telephone number)

**PRIVACY NOTICE**

**BSA is collecting the information on this form to ascertain whether your client satisfies the financial requirements of the Queensland Building Services Board for a contractor’s licence under the *Queensland Building Services Authority Act 1991*. The information you have provided may be disclosed by BSA to another party with your client’s consent or as authorised or required by law. In addition, BSA may provide all or some of this information to a financial specialist engaged by BSA to provide expert advice as to financial matters relevant to your client’s ability to satisfy the financial requirements for a licence. For further information visit the BSA website at [www.bsa.qld.gov.au](http://www.bsa.qld.gov.au).**

- Notes:**
1. List all Australian Accounting Standards and significant accounting policies which apply to the Client, but have NOT been applied in determining the Financial Information. Any variance from the Australian Accounting Standards applicable must be approved by the Authority prior to lodgement of the Report.
  2. Individual calculations must be able to be agreed to the financial statement information.
  3. If the assessment of the Clients Net Tangible Asset position includes Related Entity Loans and/or Investments, you must indicate this by ticking the appropriate box. If you do not tick the box you are declaring you have not included any Related Entity Loans or Investments in the Clients Net Tangible Asset calculation. Refer to section 2.4.4.

**INDEPENDENT REVIEW REPORT  
(FOR TURNOVER CATEGORIES 1-3 ONLY)  
CALCULATION SHEET**

This calculation sheet must be completed and returned with the Independent Review Report (Note 2).

### Net Tangible Assets

Total Assets =  
Total Liabilities =  
Intangible Assets =

NTA = Total Assets – Total Liabilities – Intangible Assets  
=

### Current Ratio

Current Assets =  
Current Liabilities =

Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$   
= \_\_\_\_\_  
= :

#### PRIVACY NOTICE

BSA is collecting the information on this form to ascertain whether your client satisfies the financial requirements of the Queensland Building Services Board for a contractor's licence under the *Queensland Building Services Authority Act 1991*. The information you have provided may be disclosed by BSA to another party with your client's consent or as authorised or required by law. In addition, BSA may provide all or some of this information to a financial specialist engaged by BSA to provide expert advice as to financial matters relevant to your client's ability to satisfy the financial requirements for a licence. For further information visit the BSA website at [www.bsa.qld.gov.au](http://www.bsa.qld.gov.au).



Queensland Building Services Authority Act 1991  
**Approved Form 2 – Version 5**  
 Attachment 2 - Financial Requirements for Licensing

**AUDIT REPORT**  
**(FOR TURNOVER CATEGORIES 4 to 8)**

**TO:** Building Services Authority (BSA)  
 .....(Name & BSA Licence Number of Client)

**Scope**

We have audited the financial statements of ..... (name of Client) ('the Client') for the year ended ..... as required by the *Corporations Act 2001*.

We have also audited the Financial Information for that year as set out below. The members of the ..... (governing body) of the Client are responsible for the Financial Information. We have conducted an independent audit of the Financial Information of the Client in order to express an opinion on it to the Client and the Building Services Authority.

The Financial Information has been prepared as required by the Financial Requirements for Licensing of the Building Services Authority. We disclaim any assumption of responsibility for any reliance on this Audit Report or on the Financial Information to any person other than the Client and the Building Services Authority or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the information included in the Financial Information. These procedures have been undertaken to form an opinion whether, in all material respects, the Financial Information is presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements, the Financial Requirements for Licensing of the Building Services Authority and whether the Client meets these requirements.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

**In my opinion the Financial Information set out below has been presented fairly and the Client has met the Financial Requirements for Licensing, as prescribed by the Building Services Authority, as at and for the year ended as stated above.**

**In determining the Financial Information of the Client, I verify I have NOT included any Related Entity Loans or Investment assets in the calculations, unless otherwise stated as follows:** (TICK BOX IF APPROPRIATE)

In determining Net Tangible Assets of the Client, I HAVE included Related Entity Loan and/or Investment asset amounts within the accounts of the Client, and I have independently verified such assets are collectible by the Client as at and for the year ended date as stated above (See Note 2).

**Financial Information:**

- Actual Annual Turnover for period of Review.....
- Allowable Annual Turnover.....
- Current Ratio (please state as a ratio)..... (min 1:1)
- Net Tangible Assets of Licensee – excluding the amount of any Deeds (of at least).....
- Deed of Assurance provided to Licensee (if applicable):

Full and Correct Name(s) of each Covenantor	Amount of Deed 'Defined Amount'	Relationship to Licensee (Refer to Section 2.4.5)	Original Deed Previously Provided (Yes/No)

In order for me to form the above opinion –

- (a) attached to this Audit Report are the details of the calculations performed; and
- (b) the Financial Information and the attached calculations have been extracted from the audited report of the Client for the year ended.....(date). The audit opinion which I formed the report was not subject to any adverse qualification or comment. A copy of the signed audited financial statements and independent audit opinion is attached hereto.
- (c) Where Deeds of Assurance have been relied upon, I have attached a verified Statement of Financial Position for each Covenantor.

.....  
 (Name of Auditor)

.....  
 (Signature of Auditor)

.....  
 (Registered Company Auditor Number)

.....  
 (Date)

.....  
 (Address and Telephone number)

**Please Note:** Any reservation, shortcoming, non-compliance or other problem with the figures or qualification including any limitation of scope is to be included in a separate paragraph titled 'Qualification'.

**PRIVACY NOTICE**

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**Notes:**

1. Individual calculations should be able to be agreed to the financial statement information.
2. If the assessment of the Clients Net Tangible Asset position includes Related Entity Loans and/or Investments, you must indicate this by ticking the appropriate box. If you do not tick the box you are declaring you have not included any Related Entity Loans or Investments in the Clients Net Tangible Asset calculation. Refer to section 2.4.4.

## AUDIT REPORT (FOR TURNOVER CATEGORIES 4-8) CALCULATION SHEET

This calculation sheet must be completed and returned with the Audit Report and audited financial statements.

### Net Tangible Assets

Total Assets =  
Total Liabilities =  
Intangible Assets =

NTA = Total Assets – Total Liabilities – Intangible Assets  
=

### Current Ratio

Current Assets =  
Current Liabilities =

Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$   
= \_\_\_\_\_  
= :

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