EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE
2006-2007 BUDGET ESTIMATES HEARING

Outcome: 2
Output Group: 2.4 – Funding for Higher Education

DEST Question No. E075_07

Senator Wong provided in writing.

Question:

What are DEST's current liquidity benchmarks for Australian universities?
When was this benchmarked established? Has it been revised, if so when?
In 2005 how many universities across Australia did not meet DEST's liquidity benchmarks?

Answer:

Liquidity Benchmarks

DEST measures liquidity with the current ratio (the ratio of current assets to current liabilities) and the number of weeks of income to which cash and investments are equal (the number of weeks of income that is available as cash or cash equivalents). The measures of liquidity are part of a group of measures of financial performance. No single measure can be used to judge overall financial performance.

The current ratio benchmark has been used since 1997. The benchmark for the number of weeks of income to which cash and investments are equal was adopted in 2005 for the 2004 Financial Statements analysis.

The Department defines a current ratio of less than 0.75 as high risk. Four universities reported a ratio less than this in 2005.

The Department defines less than 4 weeks of income to which cash and investments are equal as high risk. One university reported less than 4 weeks of income to which cash and investments are equal in 2005.

The 2005 financial statements indicate that no university was at high-risk against both these liquidity benchmarks.

The 2005 audited financial statements for Batchelor Institute of Indigenous Tertiary Education are not yet available to enable a measure of its liquidity.

The liquidity measures are point-in-time. Liquidity may vary over the course of a year. A particular risk value does not necessarily indicate an underlying problem, or imply that a potential risk is not being managed effectively.