Australian Government
Australian Accounting Standards Board

Cover Memo

Project:	Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities	**Meeting:**	AASB August 2026 (M222)
Topic:	Pre-ballot draft amending Standard	**Agenda Item:**	4.0
		Date:	12 August 2026
Contact(s):	Patricia Au pau@aasb.gov.au Angus Thomson athomson@aasb.gov.au Claire Thomson cthomson@aasb.gov.au	**Project Priority:** **Decision-Making:** **Project Status:**	High High Finalising Standard

Objective of this agenda item

1 The objectives of this agenda item are for the Board to:

(a) **consider** a pre-ballot draft of AASB 2026-X *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities* and *Operating Cash Flow Reconciliation;*

(b) **consider** the accompanying Explanatory Statement;

(c) **provide** feedback on any amendments required to those documents; and

(d) if satisfied with the draft, subject to any amendments agreed during the meeting, **vote** to make the Standard.

Attachments

Agenda Paper 4.1	Pre-ballot draft of AASB 2026-X *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*
Agenda Paper 4.2	Draft Explanatory Statement

How Board decisions have been reflected in the draft amending Standard

2 At its May and June 2026 meetings, the Board considered feedback received on ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* and decided to proceed with developing the amending Standard. The Appendix to this Cover Memo provides hyperlinks to the relevant Board papers considered by the Board in reaching those decisions.

3 The amending Standard would amend the following Standards with respect to Tier 1 general purpose financial statements (GPFS):

(a) AASB 18 *Presentation and Disclosure in Financial Statements*;

(b) AASB 107 *Statement of Cash Flows*;

(c) AASB 1039 *Concise Financial Reports*;

(d) AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;

(e) AASB 1054 *Australian Additional Disclosures*; and

(f) AASB 1056 *Superannuation Entities*.

4 To assist the Board's consideration of the pre-ballot draft amending Standard (Agenda Paper 4.1), the following table summarises the Board's decisions and notes the corresponding paragraphs in the draft Standard and Basis for Conclusions where those decisions have been reflected.

Board decision	**New or amended paragraphs in the amending Standard**	**Basis for Conclusions paragraph(s)**
Decisions specific to superannuation entities		
Require a superannuation entity to present in its primary financial statements all relevant line items required by AASB 1056, as applicable, instead of applying AASB 18.23.	AASB 18: Aus23.1, Aus47.1 and AusB8.1 AASB 1056: 10A	BC13–BC20
Require a superannuation entity to classify and present expenses in accordance with AASB 1056 instead of applying the requirements in AASB18.78 and B80–B82.	AASB 18: Aus78.1	BC21–BC24
Retain the existing accounting policy choice for superannuation entities to classify dividends received and interest paid and received as operating cash flows.	AASB 107: Aus6.1 and Aus34D.1	BC25–BC29
Require a superannuation entity to treat its statement of changes in member benefits, including comparative information, as a primary financial statement for the purposes of applying AASB 18.	AASB 1056: 12A	BC30–BC31
Apply the aggregation and disaggregation requirements in AASB 18 to superannuation entities, in the context of the specific disaggregation requirements in AASB 1056.	N/A	BC32–BC37
Have the management-defined performance measure (MPM) disclosure requirements in AASB 18 apply to superannuation entities without modification.	N/A	BC38

Board decision	New or amended paragraphs in the amending Standard	Basis for Conclusions paragraph(s)
Decisions specific to application guidance relevant to all NFP entities preparing Tier 1 GPFS		
Clarify how certain AASB 18 principles should be applied in an NFP entity context, including: (a) to require an NFP entity to consider the common information needs of users of GPFS of NFP entities as described in the *Conceptual Framework for Financial Reporting*; and (b) to require an NFP entity applying AASB 18.78 to consider what line items provide the most useful information to users of financial statements about the entity's "operations or principal activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80.	AASB 18: Aus9.1, AusB5.1 and AusB80.1	BC39–BC42
Decisions specific to NFP public sector entities that are not higher education providers		
Permit NFP public sector entities that are not higher education providers to elect not to classify income and expenses into the operating, investing and financing categories in the statement of profit or loss.	AASB 18: Aus47.2	BC47–BC50
Permit NFP public sector entities that are not higher education providers to classify and present expenses by either nature or function, consistent with the current requirements in AASB 101 *Presentation of Financial Statements*, instead of applying the AASB 18 requirements for determining how to use the characteristics of nature and function.	AASB 18: Aus78.2	BC51–BC57
Clarify that the relevant disclosure requirements for expenses classified by function apply irrespective of whether an entity elects to classify expenses applying AASB 18.78.	N/A	BC57
Permit NFP public sector entities that are not higher education providers not to identify and disclose information about MPMs.	AASB 18: Aus123.1	BC58–BC61
Retain the existing accounting policy choice for NFP public sector entities that are not higher education providers to classify dividends received and interest paid and received as operating cash flows.	AASB 107: Aus6.1 and Aus34D.1	BC62–BC67
The aggregation and disaggregation principles in AASB 18 apply without modification.	N/A	BC68–BC72
Require governments to present all relevant line items required by AASB 1049 in the primary financial statements of the GPFS of Whole of Government and General Government Sector (GGS), instead of applying AASB 18.23.	AASB 18: Aus23.2 and AusB8.2	BC73–BC77

Board decision	New or amended paragraphs in the amending Standard	Basis for Conclusions paragraph(s)
Decisions specific to for-profit public sector entities		
The requirements in AASB 18 and revised AASB 107 apply without modification.	N/A	BC78–BC81
Decisions specific to NFP private sector entities and higher education providers		
The requirements in AASB 18 and the revised AASB 107 apply without modification, other than the NFP-specific application guidance relevant to all NFP entities. Develop a further Exposure Draft to consider additional guidance on applying the income and expense categorisation requirements in AASB 18 to NFP private sector entities and higher education providers, including whether, and in what circumstances, those entities might be regarded as investing in assets or providing financing to customers as a specified main business activity.	N/A	BC82–BC90
Decisions specific to the starting point to use for operating cash flow reconciliation and labelling of subtotals		
Require entities, other than superannuation entities and NFP public sector entities applying the relief in AASB 18.Aus47.2, to use the operating profit or loss subtotal as the starting point when reconciling operating cash flows. Require superannuation entities and NFP public sector entities applying the relief in AASB 18.Aus47.2 that do not present an operating profit or loss subtotal to use the profit or loss total as the starting point when reconciling operating cash flows.	AASB 107: Aus20.1 and Aus20.2 AASB 1039: 21 AASB 1054: 16	BC91–BC94
Permit superannuation entities and NFP public sector entities applying the relief in AASB 18.Aus47.2 to use a label for a total or subtotal defined in AASB 18 that differs from its defined meaning, provided the label faithfully represents the amounts included in the total or subtotal.	AASB 18: Aus11.1	BC95
Decisions relating to amendments to AASB 1049 in response to the FRC's independent Post-implementation Review of AASB 1049		
Make editorial amendments to AASB 1049 to align terminology with recent Australian Accounting Standards.	AASB 1049: 14(f), 14(g) and 31(a)(iii)	BC102
There is no basis for removing the requirement to prepare a statement of changes in equity in whole of government or GGS financial statements.	N/A	BC103
Clarify that key fiscal aggregates required by AASB 1049 do not meet the definition of MPMs in AASB 18.	N/A	BC61 and BC104

Board decision	New or amended paragraphs in the amending Standard	Basis for Conclusions paragraph(s)
Address other matters raised in the PIR of AASB 1049 through future PIRs and future consideration of updates to the ABS GFS Manual.	N/A	BC96–BC108
Decisions relating to the effective date of AASB 18 and the amending Standard		
Retain the existing requirement for superannuation entities and NFP entities to apply AASB 18 for annual reporting periods beginning on or after 1 January 2028, with earlier application permitted.	N/A	BC109–BC113

Questions for the Board

Q1: Do Board members have any comments on the draft amending Standard presented as Agenda Paper 4.1?

Q2: Do Board members have any comments on the draft Explanatory Statement presented as Agenda Paper 4.2?

Q3: Subject to any amendments agreed at this meeting, if appropriate, do Board members vote in favour of making AASB 2026-X *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*?

Appendix: Relevant papers considered by the Board

This appendix provides hyperlinks to the agenda papers considered by the Board at its May and June 2026 meetings regarding stakeholder feedback on the ED 338 proposals.

May 2026

Cover Memo (Agenda Paper 3.0)

Project background (Agenda Paper 3.1)

Superannuation entities (Agenda Paper 3.2)

NFP public sector entities (excluding Universities) (Agenda Paper 3.3)

NFP private sector entities and Universities (Agenda Paper3.4)

For-profit public sector entities (Agenda Paper 3.5)

Comment letters received on ED 338 (Agenda Paper 3.6)

Notes of the 18 February 2026 virtual roundtable (Agenda Paper 3.7)

Notes of the 27 February 2026 virtual roundtable (Agenda Paper 3.8)

Notes of the 16 April 2026 virtual roundtable (Agenda Paper 3.9)

Consultation document and comment letters received from additional consultation (Agenda Paper 3.10)

Collation of survey responses (Agenda Paper 3.11)

June 2026

Cover Memo (Agenda Paper 8.0)

Operating cash flow reconciliation with respect to for-profit entities preparing Tier 1 GPFS (Agenda Paper 8.1)

NFP guidance regarding users of GPFS (Agenda Paper 8.2)

Editorial amendments to AASB 1049 (Agenda Paper 8.3)

General Matters for Comment (Agenda Paper 8.4)

Effective date (Agenda Paper 8.5)

Sweep issues (Agenda Paper 8.6)

Next steps and proposed timelines (Agenda Paper 8.7)