



Meeting Notes

Event:	Virtual roundtable discussion on how the presentation and classification principles in AASB 18 apply to income recognised under AASB 1058
Time:	16 April 2026 from 1 p.m. to 3 p.m. AEST

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Attendance

- For most of the roundtable there were approximately 50 participants.
- At all times there were at least 48 participants in the roundtable.
- Numbers peaked at around 55 participants early in the roundtable.
- Not all attendees participated in answering polling questions.

NFP representatives at the roundtable

Polling question 1: Please indicate the type of organisation you represent.

Organisations represented:	
Financial statement preparer	19
Auditor	4
Users of financial statements	2
Professional services firm	2
Regulator/policymakers	2
Academic	3
Other	5
Total	37

- Those who identified themselves as 'Other' specified that they represented the following type of entity: professional accounting body (2), social services (1), audit committee member (1) and NSWPF (1).

Income from donated assets and capital grants

Polling question 2: Assume no specified main business activities (SMBA), what would be most appropriate?

Recognise income from initial recognition of donated non-cash assets and from the unwinding of a liability relating to capital grants in:

	NFP private	Universities
Operating category	21	22
Investing category	4	5
No comment	7	3
Total number of responses	32	30

Summary of discussion

Regarding the desire to distinguish income and expenses from non-recurrent transactions (such as donated assets and capital grants) from recurrent transactions:

- A participant from a professional services firm expressed mixed views. They supported allowing an accounting policy choice (similar to the public sector), noting that strict sector neutrality adds little given existing differences between NFPs and IFRS.
 - If a policy choice is not permitted, they suggested illustrative examples showing useful subtotals (e.g. results from principal activities, or separation of recurring and non-recurring grants).
 - While acknowledging feedback from other stakeholders indicates that operating, investing and financing categories improve information, they cautioned that further splits (such as recurring vs non-recurring operating income) could be confusing. If such distinctions are important to users, it may be better to rethink the underlying categorisation.
 - Poll results showed divided views, suggesting no single solution will suit all.
 - Overall, they proposed flexible subtotals within operating activities to better highlight recurring performance and reduce volatility from donations and grants.
- A participant from a professional accounting body had not yet formed a final view but noted that AASB 18 aim to improve clarity. They highlighted the difficulty of classifying non-recurring and restricted donations and questioned whether operating classification adequately conveys their nature. They considered that further disaggregation could improve clarity and were tentatively inclined to classify such items as operating, subject to member feedback.
- Another professional services participant supported distinguishing recurring and non-recurring income using subtotals within the operating category, rather than through investing. They questioned the relevance of recurring/non-recurring distinctions for investing activities, noting that investing activities—like cash, investments in joint ventures, associates, and independent assets—do not naturally lend themselves to such classifications.
- A public sector auditor suggested that income from donated assets recognised at initial recognition under AASB 1058 could be classified as investing. They recommended that the Board clarify or amend the standard for consistency and noted that for-profit entities may classify some grant income as investing.

- Further concerns were raised about the application of paragraph 54, particularly for capital grants. Participants noted confusion between “initial recognition” and “initial measurement” and observed that IFRS 18 was not designed with NFPs in mind.
 - They suggested amending the wording to refer to both recognition and measurement to better align with AASB 1058, and again recommended allowing an accounting policy choice.
 - They also cautioned against mandating specific subtotals, favouring guidance instead, and highlighted the risk of misleading outcomes for NFPs that receive large up-front funding.
- A financial statement preparer argued that non-recurring items should be kept separate from normal operating results to improve transparency. Rather than adding more subtotals, they suggested clear disclosures to explain recurring versus non-recurring items.
- An auditor warned that attempts to label unusual or non-recurring items have historically been problematic. If additional subtotals are permitted, these should be clearly linked to existing standards, with clear disclosure requirements. They questioned whether there is a real problem with the current approach (where all income is operating) and cautioned against unnecessary complexity, particularly for comparability, reconciliation and audit purposes.
- An academic argued that while donations often relate to operating activities, capital grants are inherently investing in nature and should be treated separately. They emphasised focusing on what the entity must do to obtain the grant (e.g. build an asset versus deliver services) and warned that including capital grants in operating results can distort performance and mislead users.

Earnings from donated assets

Polling question 3: Assume no SMBA, which of the following would be the most appropriate approach?

	NFP private	Universities
(a) Per AASB 18 unmodified, investment earnings to be categorised as investing and donation expense as operating	9	8
(b) Donation income, investment earnings and donation expense to be shown as a separate category in the PL and offsetting each other, and include this category within the “operating profit” subtotal	7	5
(c) Donation income, investment earnings and donation expense to be shown as a separate category in the PL and offsetting each other, and include this category outside the “operating profit” subtotal	0	1
(d) Other approach (please specify)	1	1
No comment	7	5
Total number of responses	21	20

Summary of discussion

- A participant from a professional services firm questioned the need for complicated workarounds regarding investment earnings. They suggested that if the investment earnings are insignificant, it makes more sense to classify them simply as investing activities. However, in cases where an NFP receives a large donation and investments become its main asset, the activity should be considered operating since it becomes the organisation's SMBA.

- The participant expressed a preference for maintaining the current approach under AASB 18, arguing that even for-profit organisations often have surplus investments that support their operations without separating them into different categories. They do not see a reason to start rearranging or distinguishing these items.
- A participant from a professional accounting body expressed uncertainty and reservations about options (b) and (c) in the polling question, noting that they resemble fund accounting, which is not typically practiced in Australia. They indicated that, without feedback from its members, they do not have a strong comment on these options but lean toward option (a). The participant questioned the purpose of adopting (b) or (c), suggesting that full fund accounting might be unnecessary and not aligned with current practices.

Separating items relating to liabilities

Polling question 4: Do you have any significant concerns about categorising interest income and expenses relating to liabilities arising from transactions that do not involve only the raising of finance (e.g. lease interest expense) as financing, while classifying the related non-interest income and expenses (e.g. amortisation of the right-of-use asset) as operating?

	NFP private	Universities
I have no significant concerns	14	11
I have significant concerns (please specify)	1	0
No comment	7	9
Total number of responses	22	20

Summary of discussion

- An auditor provided an example of rehabilitation provisions as a liability that often has a material discount unwind component that is disclosed in a reconciliation note (opening balance, movement, and closing balance). The movements are not split out on the income statement to show the unwinding of the discount rate, including from passage of time, changes in discount rates and other changes in assumptions. However, under AASB 18, some of those movements would be an expense in operating and the unwinding of the discount rate and impact of discount rate changes would be financing.

Specific investing and financing items

Polling question 5: Other than the matters discussed in Polls 2-4, do you have any significant concerns about categorising specific items in the investing and financing categories required by AASB 18?

	NFP private	Universities
I have no significant concerns	19	15
I have significant concerns (please specify)	0	2
No comment	6	6
Total number of responses	25	20

Summary of discussion

- No discussion.

Specified main business activities

Polling question 6: Which of the following would be the most appropriate approach?

	NFP private	Universities
(a) Exempt from determining whether an NFP entity has an SMBA	2	1
(b) Require SMBA assessment, but provide specific criteria to assist an NFP entity in that assessment	6	7
(c) Require an NFP entity to classify all income and expenses (including investment and financing items) relating to their charitable purposes as operating	2	1
(d) Exempt from categorising income and expenses into the operating, investing and financing categories	2	3
(e) Other approach (please specify)?	1	0
No comment	8	5
Total number of responses	21	17

Summary of discussion

- An auditor suggested that if an organisation has investing and financing activities, these should be categorised as such—rather than as operating activities. They also expressed some concern about using charitable purpose as a basis for sub-classification, especially since entities may have multiple charitable purposes, which could complicate classification. They also mentioned they would expect Treasury Corporations in the public sector to be regarded as having financing activities.
- A regulator/policymaker participant commented that organisations involved in micro loans or similar activities may struggle to accurately represent their operations and charitable purposes if option (a) prevails.
- A participant from a professional services firm highlighted that NFPs, such as schools and universities—especially larger universities with significant investment portfolios—face challenges because their operations and funding sources are diverse. For instance, universities may have large portfolios funded by donations and bequests, raising the question of whether managing these investments constitutes a main business activity.
 - The participant noted there is uncertainty around how to establish criteria for this classification, such as asset size or proportion of earnings, and suggests that policy choices may be necessary. They argued that earnings from investments are often used to fund operational activities, making it logical to show these as operating income. Additionally, schools may wish to separate government funding or school fees from funds earmarked for specific purposes like building works.
 - They concluded that it is difficult to apply a single solution to all NFPs due to their varied nature, and that forcing them into a uniform reporting approach is unreasonable given their differences from for-profit entities. As such, providing an accounting policy choice would be more appropriate.
- There was some general discussion among participants about what might best support NFP entities if they were to apply the AASB 18 categorisation requirements and had to determine what constitutes an SMBA, including suggestions for one or more of the following: FAQs;

Illustrative examples within an Appendix to AASB 18; or having criteria in the body of AASB 18 itself.

Dividend and interest cash flows

Polling question 7: Which of the following would be the most appropriate approach?

	NFP private	Universities
Require an entity to classify dividends and interest paid as financing and dividends and interest received as investing in accordance with the revised AASB 107	10	11
Retain the current accounting policy choice for classifying dividends and interest cash flows as operating cash flows	3	3
No comment	6	4
Total number of responses	19	18

Summary of roundtable discussion

- No discussion.