



Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	M213
Topic:	Redeliberation – NFP modifications to the <i>Conceptual Framework</i>	Agenda Item:	4.2
		Date:	17 June 2025
Contact(s):	Evelyn Ling eling@asb.gov.au Maggie Man mman@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Project redeliberations

Objective of this paper

- 1 The objective of this agenda item is for the Board to **decide** how to finalise the not-for-profit (NFP)-specific modifications to the *Conceptual Framework for Financial Reporting (Conceptual Framework)* exposed in ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*.

Structure of this paper

- 2 This paper is set out as follows:
 - (a) background and reasons for bringing this paper to the Board – paragraphs 3 – 6;
 - (b) summary of the proposed Aus paragraphs – paragraph 7 and Table 1;
 - (c) staff analysis of the feedback received: proposed Aus paragraphs – paragraph 9 – 11 (including Table 2);
 - (d) staff analysis of the feedback received: address of more complex issues affecting NFP entities – paragraph 12 – 16; and
 - (e) Appendix A: Extract from ED 334 – Amendments to the *Conceptual Framework*.

Background and reasons for bringing this paper to the Board

- 3 ED 334 exposed proposals to extend the application of the *Conceptual Framework* to more NFP private and public sector entities. The proposals would bring a majority of Australian entities under the aegis of the same conceptual framework document for guiding the development of accounting policies.
- 4 At its 1 May 2025 meeting, the Board considered a summary of the feedback received on the Exposure Draft.¹ Having regard to that feedback, the Board decided to continue its Conceptual Framework: Not-for-Profit Amendments project and develop a final Standard based on ED 334.²
- 5 In ED 334, the Board proposed NFP modifications to the *Conceptual Framework* in the form of ‘Aus’ paragraphs so that the document is suitable for use by NFP entities. In accordance with the *AASB Not-for-Profit Entity Standard-Setting Framework*, a NFP modification might be appropriate to address NFP application issues resulting from terminology differences and current practice issues, differences in the accountability or regulatory framework, governance or financial

1 Refer [Agenda Paper 3.2](#) of the 1 May 2025 AASB meeting

2 Refer Agenda Paper 2.2 for draft minutes of the 1 May 2025 AASB meeting

management differences or alignment with other financial frameworks. Further, an IASB treatment may be modified where the prevalence and magnitude of NFP-specific transactions, circumstances or events would result in a failure to reflect economic reality if the IASB treatment was applied. This paper analyses the stakeholder feedback received about the Board's proposed NFP modifications, and seeks a Board decision as to how to finalise the exposed guidance.³

- 6 In addition, this paper analyses the stakeholder feedback on the Board's decision to not add a project to its work program to further develop the *Conceptual Framework* with respect to the identification of users of financial statements and to the emphasis given to stewardship/accountability or other more significant or complex conceptual issues affecting NFP entities.

Summary of the proposed Aus paragraphs

- 7 ED 334 proposed inserting 16 Aus paragraphs into the *Conceptual Framework*, to provide NFP-specific commentary or counterbalance to the document. Five of these paragraphs are consistent to Aus paragraphs forming part of the *Framework for the Preparation and Presentation of Financial Statements*. The remaining paragraphs were proposed on reassessment of the extent to which NFP-specific commentary is needed in the *Conceptual Framework* for a balanced coverage of all sectors or to recognise that additional NFP guidance is required for matters included in the *Conceptual Framework* but not the *Framework for the Preparation and Presentation of Financial Statements*
- 8 The text of the proposed paragraphs to make NFP modifications to the *Conceptual Framework* and the Board's rationale for each amendment proposed is included in the Appendix to this paper.

3 This paper does not discuss the proposed amendments to the *Conceptual Framework* to extend its application to more NFP entities and supersede the *Framework for the Preparation and Presentation of Financial Statements* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*. Those proposals are the subject of Agenda Paper 5.1.

Staff analysis of the feedback received: proposed Aus paragraphs

- 9 As noted in Agenda Paper 3.2 of the Board’s 1 May 2025 meeting, almost all stakeholders who commented on the proposed NFP modifications to the *Conceptual Framework* agreed with the proposed amendments, many of which without comment.⁴ Notwithstanding their support for the proposals, a few stakeholders identified aspects of concern about the proposed amendments. Staff have analysed the concerns raised in Table 2 below:

Table 2: Analysis of feedback received – the proposed Aus paragraphs

Feedback	Staff analysis and recommendation
<i>Concerns about the adequacy of the proposed guidance</i>	
<p>Several stakeholders (3)⁵ were concerned that the guidance about the users of the financial statements was not sufficient. These stakeholders considered that:</p> <ul style="list-style-type: none"> the amendments do not provide necessary clarity about who the users of the financial statements of a NFP entity are, nor explain how the proposals will meet their needs; and volunteers and regulators should also be specifically identified as users of NFP entity financial statements 	<p>In ED 334 Specific Matter for Comment 3 and paragraphs BC51-BC52, the Board indicated that while it is aware that some stakeholders contend that the users of general purpose financial reports of NFP entities should be more broadly regarded, the AASB is not intending to update the guidance regarding users (beyond the reference to donors) for the foreseeable future. Paragraph BC54 also noted that the Board “...is not seeking, and in general does not intend to address, feedback received on this Exposure Draft on the sufficiency or appropriateness of the identified set of users in a conceptual framework for NFP entities”.</p> <p>The Board made these decisions having regard to:</p> <ul style="list-style-type: none"> the benefits of having the <i>Conceptual Framework</i> supersede the <i>Framework for the Preparation and Presentation of Financial Statements</i> for NFP entities as soon as possible; financial reporting developments that could advance thinking on this aspect in the medium term; its work program priorities and resourcing constraints; and the comparatively limited feedback received to a question in AASB Discussion Paper <i>Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)</i> on the appropriateness of the set of primary users of the general purpose financial reports of an NFP entity identified in the <i>Framework for the Preparation and Presentation of Financial Statements</i>; the majority of which responded affirmatively. <p>Staff think that the stakeholder concerns raised do not provide new compelling evidence that should cause the Board to review its position. In staff’s view, the matters raised are consistent to those already considered by the Board in</p>

⁴ Between 13 – 18 stakeholders responded to Specific Matter for Comments SMC 2 and SMC 3. In the main, the feedback received was from the formal written submissions.

⁵ Law Council of Australia, Australian Institute of Company Directors and Australian Charities and Not-for-profits Commission

Feedback	Staff analysis and recommendation
	<p>forming its proposals. Further, the proposed guidance is largely consistent to that contained in the <i>Framework for the Preparation and Presentation of Financial Statement</i>, and which has been operative since 2005.</p> <p>Accordingly, staff recommend making no changes to Chapter 1 of the <i>Conceptual Framework</i> in response to these stakeholder comments.</p>
<p>A stakeholder questioned whether the <i>Conceptual Framework</i> is sufficiently reflective of the purpose of financial statements for NFP entities; in particular, whether proposed Aus1.3.1 and Aus1.16.1 were sufficiently future proofed, when considering service performance reporting</p>	<p>In ED 334 Specific Matter for Comment 3 and paragraphs BC47-BC48 and BC55-BC56, the Board indicated that while it is aware that some stakeholders:</p> <ul style="list-style-type: none"> • contend that the objective of financial reporting should be reviewed for NFP entities; and • consider that there are other types of information (e.g. service performance information) that some users of the general purpose financial reports of an NFP entity might consider to be relevant to their decision making; <p>the AASB is not intending to update the guidance in this regard for the foreseeable future.</p> <p>The Board made these decisions on consideration of:</p> <ul style="list-style-type: none"> • the benefits of having the <i>Conceptual Framework</i> supersede the <i>Framework for the Preparation and Presentation of Financial Statements</i> for NFP entities as soon as possible; • current developments that are likely to advance thinking on this aspect in the medium term; • its work program priorities and resourcing constraints; • the opportunity cost of maintaining the status quo; • the comparatively limited feedback received to a question in AASB Discussion Paper <i>Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)</i> on the appropriateness of the objective of general purpose financial reporting for NFP private sector entities depicted in the <i>Framework for the Preparation and Presentation of Financial Statements</i>; the majority of which responded affirmatively; • whether amendments to explicitly acknowledge service performance reporting might be premature if made in advance of decisions that the Board might make on its separate Service Performance Reporting project; and • whether users of for-profit entity financial reports might also consider information about the entity's service performance, or information about the entity's targets and outcomes, to be important to their decision making. <p>Noting this, staff think the comment does not provide evidence that the proposed guidance and objective of financial reporting in the <i>Conceptual Framework</i> is so inappropriate such that extending the <i>Conceptual Framework</i> at this</p>

Feedback	Staff analysis and recommendation
	<p>time to NFP entities would overall not result in financial statements that are useful to users or will not be in the best interests of the Australian economy, and should cause the Board to review its position. This is because the comment concerns the future proofing of the proposed guidance.</p> <p>Accordingly, staff recommend making no changes to Chapter 1 of the <i>Conceptual Framework</i> at this time in response to the stakeholder comment. It may be that the Board determines at a future time, following its work on sustainability reporting and service performance reporting, to undertake a limited scope project to review whether, and if so how, to acknowledge the role of other information in general purpose financial reporting.</p>
<p>A stakeholder suggested that the Chapter 2 section headed ‘The cost constraint on useful financial reporting’⁶ should also acknowledge the lack of knowledge and resources in the NFP private sector and the additional burdens that entities in this sector seem to bear in preparing financial</p>	<p>Staff think that such distinction in knowledge and resources is not specific to the sector, but rather a difference between large and small entities, whether in the for-profit or NFP sector. Similarly, the extent of an entity’s reporting obligations will also differ from industry to industry. Also, while both IFRSs and the <i>IFRS for Small and Medium-sized Entities</i> are developed under the IASB <i>Conceptual Framework for Financial Reporting</i> (and similarly Tier 1 and Tier 2 Australian Accounting Standards under the AASB <i>Conceptual Framework</i>), the content of this section of the relevant conceptual framework document is neutrally stated and does not include any guidance observing any of these distinctions. This is suggestive that such acknowledgement is not needed.</p>

6 Paragraphs 2.39 – 2.43 of the *Conceptual Framework* state as follows:

- 2.39 Cost is a pervasive constraint on the information that can be provided by financial reporting. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.
- 2.40 Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.
- 2.41 Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. An individual investor, lender or other creditor also receives benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.
- 2.42 In applying the cost constraint, the Board assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide and use that information. When applying the cost constraint in developing a proposed Standard, the Board seeks information from providers of financial information, users, auditors, academics and others about the expected nature and quantity of the benefits and costs of that Standard. In most situations, assessments are based on a combination of quantitative and qualitative information.
- 2.43 Because of the inherent subjectivity, different individuals’ assessments of the costs and benefits of reporting particular items of financial information will vary. Therefore, the Board seeks to consider costs and benefits in relation to financial reporting generally, and not just in relation to individual reporting entities. That does not mean that assessments of costs and benefits always justify the same reporting requirements for all entities. Differences may be appropriate because of different sizes of entities, different ways of raising capital (publicly or privately), different users’ needs or other factors.

Feedback	Staff analysis and recommendation
statements. Such guidance would support the introduction of Tier 3 reporting requirements	<p>Staff also reviewed the International Non-Profit Accounting Guidance (INPAG) Exposure Draft (Part 1) and the IPSASB's conceptual framework document to see if these standard-setters considered such guidance to be relevant to include in a conceptual framework. Neither of those documents include commentary that certain entities might find preparing financial statements to be of more challenge compared to entities in another sector.</p> <p>Accordingly, staff recommend making no changes to Chapter 2 of the <i>Conceptual Framework</i> in response to the stakeholder comment.</p>
A stakeholder (survey respondent) disagreed with the proposed amendments, considering that these proposals would place an unnecessary additional burden on accountants and CEOs by requiring them to prepare more detailed financial information	<p>The <i>Conceptual Framework</i> contains no requirements. Therefore, staff disagree that these proposals will impose a further burden on preparers.</p> <p>Accordingly, staff recommend making no changes to the proposed Aus paragraphs to be included in the <i>Conceptual Framework</i> in response to the stakeholder comment.</p>
A stakeholder considered the drafting to be in some cases unnecessarily verbose and difficult to navigate, and recommended the Board simplify and rephrase the proposed amendments. ⁷	<p>On reflection of the proposed amendments, other than with regards to paragraph Aus6.56.1 (refer the last row of this Table), staff consider that there are not many, if any, opportunities for further rephrase or simplification of the proposed Aus paragraphs.</p> <p>In many cases, the wording of the proposed Aus paragraphs was chosen to align with that of the related IASB text and/ or to be consistent to the text presently included in the <i>Framework for the Preparation and Presentation of Financial Statements</i>. Staff think that this premise continues to best facilitate understanding of the proposed Aus paragraphs. However, staff will further review the proposed wording as part of the drafting of a final Standard, and bring to the Board at that time any potential editorial improvements.</p>
Editorial/drafting comments	
A stakeholder questioned whether paragraph Aus4.25.1 regarding agent/ principal relationships is necessary or	An earlier draft version of the paragraph considered by the Board included an example of an agent/ principal relationship in a NFP setting. However, paragraph Aus4.25.1 was revised to its ED 334 form on review of the revised IPSASB conceptual framework document. The IPSASB conceptual framework document provides guidance on agent/ principal relationships consistent to that of the IASB <i>Conceptual Framework for Financial Reporting</i> , other than the

⁷ For example, by amending the first sentence of paragraph Aus2.41.1 to read "... reporting financial information that is relevant and faithfully represents what it purports to represent the transaction similarly helps users to make decisions with more confidence and make more confident and informed decisions. ..."

Feedback	Staff analysis and recommendation
offers sufficient added context that would be beneficial to NFP entities	<p>limited guidance proposed in paragraph Aus4.25.1 that acknowledges that NFP entities might have different transactions to for-profit entities.</p> <p>Noting that the IPSASB considered that it was not necessary for further guidance to be included in this regard, for this reason, staff recommend not making any changes to – or excluding – proposed paragraph Aus4.25.1 to address the stakeholder concern.</p>
A stakeholder questioned whether the term ‘margin’ in paragraph Aus6.41.1 should be replaced with ‘operating surplus’ as the stakeholder considers this latter term to be more widely understood and used within the charity sector	<p>Paragraph Aus6.41.1 uses the term ‘margin’ in alignment with associated [IFRS] paragraph 6.41. In several instances, ‘margin’ is also used in these paragraphs more narrowly than as a reference to the gross/ net profit of the entity. Staff also think that ‘margin’ is a term that is generally understood and used.</p> <p>Consequently, staff recommend not making any changes to proposed paragraph Aus6.41.1 in response to the stakeholder comment (i.e. do not replace the term ‘margin’ with ‘operating surplus’).</p>
<p>A stakeholder questioned whether paragraph Aus6.56.1 should be redrafted to better align with the intent posed in SMC 2(c)(ii), as the proposed text implies that a measurement method other than historical cost or current cost may provide relevant information.</p> <p>Another stakeholder recommended that paragraph Aus6.56.1 be split into two paragraphs to enhance the clarity of its messages</p>	<p>Specific Matter for Comment SMC 2(c)(ii) notes that paragraph Aus6.56.1 was included to clarify that the selection of an appropriate measurement basis for non-financial assets held by a NFP entity for their service potential rather than their potential to generate cash inflows is not necessarily informed by how those cash inflows are generated.</p> <p>On further consideration of proposed paragraph Aus6.56.1 in light of these stakeholder comments and the stakeholder encouragement to simplify and rephrase amendments, staff think that the paragraph could be redrafted to be clearer and better aligned to paragraphs 6.55 and 6.56 – this might include splitting paragraph Aus6.56.1 into two paragraphs. For example, on reflection, staff think that the wording could be improved to avoid suggesting that non-financial assets that produce cash flows indirectly have activities, or to acknowledge that historical cost or current cost may not provide the most relevant information (rather than no relevant information).</p> <p>Consequently, staff recommend redrafting proposed paragraph Aus6.56.1 in response to these stakeholder comments. If Board members agree with the staff recommendation to redraft paragraph Aus6.56.1, staff propose to bring draft wording in this regard to a future Board meeting as part of the Board’s consideration of a draft final Standard (expected November 2025).</p>

- 10 **Staff recommendation.** The objective of the Board’s Conceptual Framework: Not-for-Profit Amendments project is to apply the *Conceptual Framework* to NFP entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards. Noting that these amendments are a key component to achieving the project objective, and having regard to the staff analysis in

Table 2 of the stakeholder concerns raised and the majority support otherwise for these Board proposals, staff recommend that the Board finalise the NFP modifications to the *Conceptual Framework* exposed in ED 334 (refer Appendix A), except for the redrafting of paragraph Aus6.56.1.

- 11 Notwithstanding the staff recommendation, as noted in Table 2, staff propose to review the drafting of the amendments subsequent to incorporating any amendments necessary to reflect all the Board's decisions regarding an Amending Standard. Staff will bring any proposed changes in this regard to a future meeting as part of the Board's consideration of a draft Amending Standard (expected November 2025).

Question to Board members

- Q1 Do Board members agree with the staff recommendation in paragraph 10 above for the Board to finalise the NFP modifications to the *Conceptual Framework* (Aus paragraphs) exposed in ED 334 (refer Appendix A), except for the redrafting of paragraph Aus6.56.1?
If not, what do Board members suggest?

Staff analysis of feedback – address of more complex issues affecting NFP entities

- 12 As part of ED 334, stakeholders were accorded the opportunity to comment on the Board's decision not to add a project to its work program to further develop the *Conceptual Framework* for NFP issues beyond the NFP amendments proposed. This project was originally intended to address the more complex conceptual issues that might have otherwise delayed the finalisation of the current Board project.
- 13 The feedback from ED 334 is that almost all stakeholders responding to this Board decision agreed with the AASB's decision to no longer undertake a project that would consider the more significant and complex conceptual issues affecting NFP entities. Notwithstanding their support, some stakeholders questioned the breadth of the proposed NFP-specific amendments (refer Table 2 above) or suggested the Board 'test' their proposal as part of its next agenda consultation.
- 14 A few stakeholders disagreed with the proposal, considering that:
 - (a) resources should be allocated to considering the more significant and complex conceptual issues affecting NFP entities in the near future; and
 - (b) a project should proceed if it would provide more clarity to the preparers of Tier 3-compliant general purpose financial statements.
- 15 Given the largely supportive feedback received and the absence of any strong pushback against the Board's decision, staff recommend that the Board finalise amendments to the *Conceptual Framework* without delay for address of any potential further NFP issues. Staff additionally note that proceeding with the Board decision to no longer undertake a project that would consider the more significant and complex conceptual issues affecting NFP entities does not mean that the Board will never add such a project to its work program; but merely that it is not a further project for inclusion in its active work program as previously mooted.
- 16 In addition, staff note that, as suggested by some stakeholders, the Board might want to seek feedback on the possible development of an NFP-specific conceptual framework as part of its next agenda consultation. Staff think that this would be an appropriate manner of responding to the stakeholders who disagreed with the Board decision, as doing so does not commit the Board to a project but would give sight to the relative priority stakeholders would place on such a project. However, this will be a matter for the Board's consideration as part of its future Agenda Consultation project.

Question to Board members

- Q2 Do Board members agree with the staff recommendation in paragraph 15 above for the Board finalise the NFP modifications to the *Conceptual Framework* (Aus paragraphs) exposed in ED 334 without delay for address of any potential further NFP issues?
- If not, what do Board members suggest?

APPENDIX A: Extracts from ED 334 – Amendments to the *Conceptual Framework*

The following extracts from ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* set out the exposed amendments to the *Conceptual Framework for Financial Reporting* and the Board's rationale for each NFP amendment proposed.

Underlining, striking out and other typographical material was used to identify some of the amendments to a pronouncement, in order to make the amendments more understandable. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Note, the amendments set out in paragraph 5 are not the subject of this agenda paper, but have been included here only for completeness.

Amendments to the *Conceptual Framework for Financial Reporting*

- 5 Paragraph Aus1.1 is amended and paragraph Aus1.2A is added as follows. Paragraphs Aus1.2 and Aus1.3 are not amended but have been included for ease of reference:

Aus1.1 ~~This~~ The *Conceptual Framework for Financial Reporting (Conceptual Framework)* applies to:

- (a) for-profit private sector entities and not-for-profit entities that are required by legislation to comply with either Australian Accounting Standards or accounting standards;
- (b) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) _____ for a for-profit private sector entity – 1 July 2021; and
 - (ii) _____ for a not-for-profit entity – [date]; and
- (c) other ~~for-profit~~ entities (private or public sector) that elect to prepare general purpose financial statements.

Aus1.2 This *Conceptual Framework* applies to periods beginning on or after 1 July 2021. Earlier application is permitted if at the same time an entity also applies the amendments made by AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* and AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

Aus1.2A AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* amended paragraph Aus1.1 and the Appendix and added 'Aus' paragraphs. An entity shall apply these amendments from [date]. Earlier application by not-for-profit entities is permitted if at the same time the entity also applies all the other amendments made by AASB 20XX-X.

Aus1.3 When applicable, this *Conceptual Framework* supersedes:

- (a) the *Framework for the Preparation and Presentation of Financial Statements* (July 2004); and
 - (b) Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* (August 1990);
- except as otherwise required by Australian Accounting Standards.

- 6 Paragraph AusSP1.5.1 is added after paragraph SP1.5 as follows. Paragraph SP1.5 is not amended but has been included for ease of reference:

SP1.5 The *Conceptual Framework* contributes to the stated mission of the Board, including developing Standards that bring transparency, accountability and efficiency to financial markets in Australia. The Board's work serves the public interest by fostering trust, growth and long-term financial stability in the Australian economy. The *Conceptual Framework* provides the foundation for Standards that:

- (a) contribute to transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.

- (b) strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. Standards based on the *Conceptual Framework* provide information needed to hold management to account. As a source of globally comparable information, those Standards are also of vital importance to regulators around the world.
- (c) contribute to economic efficiency by helping investors to identify opportunities and risks across the world, thus improving capital allocation. For businesses, the use of a single, trusted accounting language derived from Standards based on the *Conceptual Framework* lowers the cost of capital and reduces international reporting costs.

AusSP1.5.1 In respect of not-for-profit entities, the *Conceptual Framework* also contributes to the stated mission of the Board, including developing Standards that bring transparency and accountability of those entities to their resource providers and beneficiaries, and efficiency to the allocation of scarce resources to not-for-profit entities in Australia. The *Conceptual Framework* also, in respect of not-for-profit entities, provides the foundation for Standards that:

- (a) strengthen accountability by reducing the information gap between the providers of resources and the people to whom they have entrusted those resources. Standards based on the *Conceptual Framework* contribute to providing information needed to hold management to account.
- (b) contribute to better deployment of scarce resources by helping resource providers and beneficiaries to compare the efficiency and effectiveness of service delivery by different entities, and the capacity of entities to provide services in the future, thus assisting the allocation of resources and the identification of future resource needs.

7 Paragraphs Aus1.2.1 and Aus1.3.1 are added as follows. Paragraphs 1.2 and 1.3 are not amended but have been included for ease of reference. Footnotes to the text are not reproduced:

Objective, usefulness and limitations of general purpose financial reporting

1.2 The objective of general purpose financial reporting¹ is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.² Those decisions involve decisions about:

- (a) buying, selling or holding equity and debt instruments;
- (b) providing or settling loans and other forms of credit; or
- (c) exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources.

Aus1.2.1 Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). Such users may make resource allocation decisions in relation to not-for-profit entities that differ from those identified in paragraph 1.2. For example, donors and other funders decide whether to commit resources to an entity, taxpayers decide who should represent them in government, recipients decide whether they can continue to rely on the provision of goods and services from the entity or whether to seek alternative suppliers, and parliaments decide, on behalf of constituents, whether to support particular programmes for delivery by an entity. In relation to not-for-profit entities, where pertinent, all references in the *Conceptual Framework* to 'existing and potential investors, lenders and other creditors' (and related terms) should be read as a reference to this broader range of users.

1.3 The decisions described in paragraph 1.2 depend on the returns that existing and potential investors, lenders and other creditors expect, for example, dividends, principal and interest payments or market price increases. Investors', lenders' and other creditors' expectations about returns depend on their assessment of the amount, timing and uncertainty of (the prospects for) future net cash inflows to the entity and on their assessment of management's stewardship of the entity's economic resources. Existing and potential investors, lenders and other creditors need information to help them make those assessments.

Aus1.3.1 In respect of not-for-profit entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with the ability of the entity to achieve its objectives (whether financial or non-financial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows and management's stewardship of the entity's economic resources (see also paragraph Aus1.18.1). Users will, for example, be interested in the capability of the entity's resources to provide goods and services in the future. Accordingly, in relation to not-for-profit entities, where pertinent, references in this *Conceptual Framework* to 'assessing prospects for future net cash inflows to the

entity’, ‘assessing prospects for how future cash flows will be distributed among those with a claim against the reporting entity’ and ‘assessing management’s stewardship of the entity’s economic resources’ (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in this paragraph.

- 8 Paragraphs Aus1.15.1, Aus1.16.1, Aus1.18.1 and a footnote are added as follows. Paragraphs 1.15, 1.16 and 1.18 are not amended but have been included for ease of reference:

Changes in economic resources and claims

- 1.15 Changes in a reporting entity’s economic resources and claims result from that entity’s financial performance (see paragraphs 1.17–1.20) and from other events or transactions such as issuing debt or equity instruments (see paragraph 1.21). To properly assess both the prospects for future net cash inflows to the reporting entity and management’s stewardship of the entity’s economic resources, users need to be able to identify those two types of changes.

Aus1.15.1 In respect of not-for-profit entities, transactions in equity instruments and distributions to investors typically do not occur (however, exceptions may occur, such as where a not-for-profit entity controls a for-profit subsidiary with equity instruments, possibly including non-controlling equity interests, that generates surpluses to subsidise the service-delivery activities of that not-for-profit parent entity).⁶

⁶ See paragraph Aus4.67.1, which refers to the typical absence of defined equity interests in not-for-profit entities and states that each reference to an ‘equity claim’ in this *Conceptual Framework* should, in relation to not-for-profit entities, be read as a reference to a residual interest in the entity.

- 1.16 Information about a reporting entity’s financial performance helps users to understand the return that the entity has produced on its economic resources. Information about the return the entity has produced can help users to assess management’s stewardship of the entity’s economic resources. Information about the variability and components of that return is also important, especially in assessing the uncertainty of future cash flows. Information about a reporting entity’s past financial performance and how its management discharged its stewardship responsibilities is usually helpful in predicting the entity’s future returns on its economic resources.

Aus1.16.1 In respect of a not-for-profit entity, information about its past financial performance and how its management discharged its stewardship responsibilities is usually helpful for predicting:

- (a) the volume and cost of future services; and
- (b) the sustainability of future service delivery through managing the resources needed to deliver those services, and through recovering the cost of those future services from taxes, appropriations, donations and other income.

...

Financial performance reflected by accrual accounting

...

- 1.18 Information about a reporting entity’s financial performance during a period, reflected by changes in its economic resources and claims other than by obtaining additional resources directly from investors and creditors (see paragraph 1.21), is useful in assessing the entity’s past and future ability to generate net cash inflows. That information indicates the extent to which the reporting entity has increased its available economic resources, and thus its capacity for generating net cash inflows through its operations rather than by obtaining additional resources directly from investors and creditors. Information about a reporting entity’s financial performance during a period can also help users to assess management’s stewardship of the entity’s economic resources.

Aus1.18.1 In respect of not-for-profit entities, information useful for assessing an entity’s past and future ability to generate net cash inflows through its operations and management’s stewardship of the entity’s economic resources is, in turn, useful for assessing whether income from taxpayers, donors and other sources was sufficient, and is likely to remain sufficient, to meet the cost of a given volume and quality of goods and services the entity provides. These assessments are in addition to others mentioned in paragraph Aus1.16.1.

- 9 Paragraph Aus2.41.1 is added as follows. Paragraphs 2.39–2.41 are not amended but have been included for ease of reference:

The cost constraint on useful financial reporting

- 2.39 Cost is a pervasive constraint on the information that can be provided by financial reporting. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.
- 2.40 Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form

of reduced returns. Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.

- 2.41 Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. An individual investor, lender or other creditor also receives benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.

Aus2.41.1 In respect of not-for-profit entities, reporting financial information that is relevant and faithfully represents what it purports to represent similarly helps users to make decisions with more confidence and make more informed decisions. Information that helps users understand how management has discharged its responsibilities results in more efficient allocation of scarce resources to not-for-profit entities throughout the economy.

- 10 Paragraphs Aus4.4.1, Aus4.16.1, Aus4.16.2, Aus4.25.1 and Aus4.67.1 are added as follows. Paragraphs 4.3, 4.4, 4.16, 4.25 and 4.67 are not amended but have been included for ease of reference:

Definition of an asset

- 4.3 An asset is a present economic resource controlled by the entity as a result of past events.

- 4.4 An economic resource is a right that has the potential to produce economic benefits.

Aus4.4.1 In respect of not-for-profit entities in the public or private sector, in pursuing their objectives, goods and services are provided that have the capacity to satisfy human wants and needs. Assets provide a means for entities to achieve their objectives. The potential to produce economic benefits is the essence of assets and is synonymous with the notion of service potential, and is used in the *Conceptual Framework* as a reference also to service potential. The potential to produce economic benefits can be described as the scarce capacity to provide benefits to the entities that use them in pursuing their objectives, and is common to all assets irrespective of their physical or other form.

...

Potential to produce economic benefits

...

- 4.16 An economic resource could produce economic benefits for an entity by entitling or enabling it to do, for example, one or more of the following:

- (a) receive contractual cash flows or another economic resource;
- (b) exchange economic resources with another party on favourable terms;
- (c) produce cash inflows or avoid cash outflows by, for example:
 - (i) using the economic resource either individually or in combination with other economic resources to produce goods or provide services;
 - (ii) using the economic resource to enhance the value of other economic resources;
or
 - (iii) leasing the economic resource to another party;
- (d) receive cash or other economic resources by selling the economic resource; or
- (e) extinguish liabilities by transferring the economic resource.

Aus4.16.1 In respect of not-for-profit entities, whether in the public or private sector, the potential to produce economic benefits is also used to provide goods and services in accordance with the entities' objectives. However, since the entities do not have the generation of profit as a primary objective, the provision of goods and services might not result in cash inflows to the entities, because the recipients of the goods and services might not transfer cash or other benefits to the entities in exchange.

Aus4.16.2 In respect of not-for-profit entities, the fact that they do not charge, or do not charge fully, their beneficiaries or customers for the goods and services they provide does not deprive those outputs of utility or value; nor does it preclude the entities from benefiting from the assets used to provide the goods and services. For example, assets such as monuments, museums, cathedrals and historical treasures provide needed or desired services to beneficiaries, typically at little or no direct cost to the beneficiaries. These assets benefit the entities by enabling them to meet their objectives of providing needed services to beneficiaries.

...

Control

...

- 4.25 Sometimes one party (a principal) engages another party (an agent) to act on behalf of, and for the benefit of, the principal. For example, a principal may engage an agent to arrange sales of goods controlled by the principal. If an agent has custody of an economic resource controlled by the principal, that economic resource is not an asset of the agent. Furthermore, if the agent has an obligation to transfer to a third party an economic resource controlled by the principal, that obligation is not a liability of the agent, because the economic resource that would be transferred is the principal's economic resource, not the agent's.

Aus4.25.1 In respect of not-for-profit entities, rather than to arrange sales of goods, a principal might engage an agent to arrange the distribution of goods controlled by the principal to eligible beneficiaries.

...

Definition of equity

...

- 4.67 Business activities are often undertaken by entities such as sole proprietorships, partnerships, trusts or various types of government business undertakings. The legal and regulatory frameworks for such entities are often different from frameworks that apply to corporate entities. For example, there may be few, if any, restrictions on the distribution to holders of equity claims against such entities. Nevertheless, the definition of equity in paragraph 4.63 of the *Conceptual Framework* applies to all reporting entities.

Aus4.67.1 In respect of not-for-profit entities, residual interests in the entity's assets are not necessarily held in the form of equity claims. In a not-for-profit entity in the private sector, there is typically an absence of defined financial interests of an ownership group conveying entitlement to the rights described in paragraph 4.65. However, some party or parties would be entitled to any assets remaining after the liabilities have been satisfied. In the case of not-for-profit entities in the public sector, it is normally the community, through its elected representatives in government, that holds the ultimate residual interest. Each reference to an 'equity claim' in this *Conceptual Framework* should, in relation to not-for-profit entities, be read as a reference to a residual interest in the entity, whether held as an equity claim or otherwise.

- 11 Paragraphs Aus6.30.1 and Aus6.41.1 are added as follows. Paragraphs 6.30 and 6.41 are not amended but have been included for ease of reference:

Historical cost

...

- 6.30 Information about the cost of assets sold or consumed, including goods and services consumed immediately (see paragraph 4.8), and about the consideration received, may have predictive value. That information can be used as an input in predicting future margins from the future sale of goods (including goods not currently held by the entity) and services and hence to assess the entity's prospects for future net cash inflows. To assess an entity's prospects for future cash flows, users of financial statements often focus on the entity's prospects for generating future margins over many periods, not just on its prospects for generating margins from goods already held. Income and expenses measured at historical cost may also have confirmatory value because they may provide feedback to users of financial statements about their previous predictions of cash flows or of margins. Information about the cost of assets sold or consumed may also help in an assessment of how efficiently and effectively the entity's management has discharged its responsibilities to use the entity's economic resources.

Aus6.30.1 The cost of assets sold or consumed by a not-for-profit entity may have predictive value because that cost is useful as an input in predicting the cost of goods or services to be provided to customers and beneficiaries in the future (including through sales) in pursuing its not-for-profit objectives, and the extent to which that cost will be recovered from future income.

...

Current cost

...

- 6.41 Like historical cost, current cost provides information about the cost of an asset consumed or about income from the fulfilment of liabilities. That information can be used to derive current margins and can be used as an input in predicting future margins. Unlike historical cost, current cost reflects prices prevailing at the time of consumption or fulfilment. When price changes are significant, margins

based on current cost may be more useful for predicting future margins than margins based on historical cost.

Aus6.41.1 For not-for-profit entities, using current cost to measure the cost of an asset consumed or income from the fulfilment of liabilities provides information that can also be used to derive current margins and be used as an input in predicting future margins; however, margins might be assessed at a higher level of aggregation of income and expenses within the entity than is the case for for-profit entities. For example, when the cost of goods and services provided to customers and beneficiaries is recovered from sales revenues and financial support in the form of rates, taxes, appropriations or donations, margins on the cost of goods and services provided might be assessed at a whole-of-entity level. In addition, for not-for-profit entities, using current cost to measure the cost of an asset consumed or income from the fulfilment of liabilities provides information that can be used as input in predicting the cost of goods and services provided to customers and beneficiaries in the future, which is useful information in its own right (not just as an input to predicted margins). When price changes are significant, using current cost to measure the cost of an asset consumed or income from the fulfilment of liabilities may be more useful for predicting the cost of goods and services provided in the future (and, consequently, future margins) than measures of those items based on historical cost.

- 12 Paragraph Aus6.56.1 is added as follows. Paragraphs 6.54–6.56 and 6.57 are not amended but have been included for ease of reference:

Contribution to future cash flows

- 6.54 As noted in paragraph 1.14, some economic resources produce cash flows directly; in other cases, economic resources are used in combination to produce cash flows indirectly. How economic resources are used, and hence how assets and liabilities produce cash flows, depends in part on the nature of the business activities conducted by the entity.
- 6.55 When a business activity of an entity involves the use of several economic resources that produce cash flows indirectly, by being used in combination to produce and market goods or services to customers, historical cost or current cost is likely to provide relevant information about that activity. For example, property, plant and equipment is typically used in combination with an entity's other economic resources. Similarly, inventory typically cannot be sold to a customer, except by making extensive use of the entity's other economic resources (for example, in production and marketing activities). Paragraphs 6.24–6.31 and 6.40–6.42 explain how measuring such assets at historical cost or current cost can provide relevant information that can be used to derive margins achieved during the period.
- 6.56 For assets and liabilities that produce cash flows directly, such as assets that can be sold independently and without a significant economic penalty (for example, without significant business disruption), the measurement basis that provides the most relevant information is likely to be a current value that incorporates current estimates of the amount, timing and uncertainty of the future cash flows.

Aus6.56.1 Notwithstanding paragraph 6.55, historical cost or current cost may or may not provide relevant information about the activity of non-financial assets that produce cash flows indirectly when those economic resources are held by a not-for-profit entity for its service potential rather than its potential to produce economic benefits in the form of cash inflows. Similarly, notwithstanding paragraph 6.56, a current value measurement basis may or may not provide the most relevant information about the activity of non-financial assets that produce cash flows directly when the asset is held by a not-for-profit entity primarily for its service potential rather than its potential to produce economic benefits in the form of cash inflows.

- 6.57 When a business activity of an entity involves managing financial assets and financial liabilities with the objective of collecting contractual cash flows, amortised cost may provide relevant information that can be used to derive the margin between the interest earned on the assets and the interest incurred on the liabilities. However, in assessing whether amortised cost will provide useful information, it is also necessary to consider the characteristics of the financial asset or financial liability. Amortised cost is unlikely to provide relevant information about cash flows that depend on factors other than principal and interest.

- 13 The Appendix is amended as follows:

The following defined terms are extracted or derived from the relevant paragraphs of the Conceptual Framework for Financial Reporting.

...

economic resource	A right that has the potential to produce economic benefits.	CF.4.4
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	<u>A right that has the potential to produce economic benefits (including a right to service potential).</u>	<u>CF.Aus4.4.1</u>
...		
equity claim	A claim on the residual interest in the assets of the entity after deducting all its liabilities.	CF.4.64
	<u>A residual interest in the entity, whether held as an equity claim or otherwise.</u>	<u>CF.Aus4.67.1</u>
...		
primary users (of general purpose financial reports)	Existing and potential investors, lenders and other creditors.	CF.1.2
	<u>Existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament).</u>	<u>CF.Aus1.2.1</u>
...		

Basis for Conclusions

...

BC44 In accordance with the *AASB Not-for-Profit Entity Standard-Setting Framework*, an NFP modification might be appropriate to address NFP application issues resulting from terminology differences and current practice issues, differences in the accountability or regulatory framework, governance or financial management differences or alignment with other financial frameworks. Further, an IASB treatment may be modified where the prevalence and magnitude of NFP-specific transactions, circumstances or events would result in a failure to reflect economic reality if the IASB treatment was applied. Table 1 below describes the Board's rationale for each paragraph this Exposure Draft proposes to add to the *Conceptual Framework*. In the main, the proposed NFP modifications are to address NFP-specific matters or provide NFP-specific context to the document.

Table 1: Proposed not-for-profit modifications to the *Conceptual Framework*

Proposed paragraph	Purpose of the new paragraph	Rationale for the new paragraph
AusSP1.5.1	To explain that the <i>Conceptual Framework</i> contributes to the stated mission of the Board with regard to NFP entities, and to describe how the pronouncement provides the foundation for Standards that strengthen accountability and contribute to economic efficiency in the NFP sector	Proposed paragraph AusSP1.5.1 provides a counterbalance to the commentary in paragraph SP1.5, which is targeted at the private sector.
Aus1.2.1	To clarify that users of financial information about an NFP entity may differ from those of a for-profit entity, and to identify the users	Other than an amendment to acknowledge that 'donors' might not adequately describe other contributors funding an NFP entity, and some re-ordering of the identified users, proposed paragraph Aus1.2.1 replicates paragraph AusOB2.1 of the <i>Framework for the Preparation and Presentation of Financial Statements</i> . The paragraph provides relevant NFP-specific commentary corresponding to paragraph 1.2 of the <i>Conceptual Framework</i> .

Proposed paragraph	Purpose of the new paragraph	Rationale for the new paragraph
Aus1.3.1	To clarify that users of the financial statements of an NFP entity are concerned with the ability of the entity to achieve its objectives, rather than primarily in a financial return	<p>Proposed paragraph Aus1.3.1 replicates paragraph AusOB3.1 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>, amended to:</p> <ul style="list-style-type: none"> (a) refer also to ‘stewardship’, to mirror the reference to ‘stewardship’ in paragraph 1.3 of the <i>Conceptual Framework</i>; and (b) refer also to “assessing prospects for how future cash flows will be distributed among those with a claim against the reporting entity”, to provide an NFP context to the fourth sentence in paragraph 1.13 of the <i>Conceptual Framework</i>. <p>The paragraph provides relevant NFP-specific commentary corresponding to paragraphs 1.3 and 1.13 of the <i>Conceptual Framework</i>.</p>
Aus1.15.1	To clarify that transactions in equity instruments and distributions to investors typically do not occur in NFP entities	<p>Proposed paragraph Aus1.15.1 provides a counterbalance to the commentary in paragraphs 1.15 and 1.20 of the <i>Conceptual Framework</i> regarding transactions in equity instruments and distributions to investors. These transactions are not as relevant to NFP entities.</p> <p>Except for their references to stewardship, paragraphs 1.15 and 1.20 of the <i>Conceptual Framework</i> are the same as paragraphs OB15 and OB20 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>. However, the <i>Framework for the Preparation and Presentation of Financial Statements</i> does not include an Aus paragraph similar to proposed paragraph Aus1.15.1. The proposed paragraph reflects the Board’s reassessment of the extent to which NFP-specific commentary is needed in the <i>Conceptual Framework</i> for a balanced coverage of all sectors.</p>
Aus1.16.1	To clarify that information about an NFP entity’s past financial performance and how management discharged its stewardship responsibilities is usually helpful for predicting the volume and cost of future services and the sustainability of future service delivery	<p>Proposed paragraph Aus1.16.1 provides a counterbalance to the commentary in paragraphs 1.15–1.16 of the <i>Conceptual Framework</i> regarding references to returns on resources and future cash flows. These references are not as relevant to NFP entities.</p> <p>Except for their references to stewardship, paragraphs 1.15–1.16 of the <i>Conceptual Framework</i> are the same as paragraphs OB15 and OB16 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>. However, the <i>Framework for the Preparation and Presentation of Financial Statements</i> does not include an Aus paragraph similar to proposed paragraph Aus1.16.1. The proposed paragraph reflects the Board’s reassessment of the extent to which NFP-specific commentary is needed in the <i>Conceptual Framework</i> for a balanced coverage of all sectors.</p>
Aus1.18.1	To clarify that users of an NFP entity’s financial statements need information that helps them understand the ability of the entity to achieve its objectives	<p>The proposed paragraph provides relevant NFP-specific commentary corresponding to paragraph 1.18 of the <i>Conceptual Framework</i>.</p> <p>Proposed paragraph Aus1.18.1 includes the text of paragraph AusOB18.1 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>, augmented by the addition of a reference to stewardship to mirror the reference in paragraph 1.18 of the <i>Conceptual Framework</i> and to provide a cross-reference to the more general comments about stewardship in proposed paragraph Aus1.16.1.</p>

Proposed paragraph	Purpose of the new paragraph	Rationale for the new paragraph
Aus2.41.1	To delink, for NFP entities, the results of confident, more informed user decision making and more efficient functioning of capital markets and a lower cost of capital	<p>Proposed paragraph Aus2.41.1 provides a counterbalance to the commentary in paragraph 2.41 regarding capital markets and a lower cost of capital. These references are not usually relevant to NFP entities.</p> <p>Paragraph 2.41 is the same as paragraph QC37 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>. However, the <i>Framework for the Preparation and Presentation of Financial Statements</i> does not include an Aus paragraph similar to proposed paragraph Aus2.41.1. The proposed paragraph reflects the Board's reassessment of the extent to which NFP-specific commentary is needed in the <i>Conceptual Framework</i> for a balanced coverage of all sectors.</p>
Aus4.4.1	To clarify that for an NFP entity, the potential to produce economic benefits is synonymous with the notion of service potential	<p>Proposed paragraph Aus4.4.1 provides relevant NFP-specific commentary corresponding to paragraph 4.4 of the <i>Conceptual Framework</i>.</p> <p>The proposed paragraph is drawn from paragraph Aus49.1 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>, modified to be consistent with the definition of an economic resource (asset) in paragraph 4.4 of the <i>Conceptual Framework</i>.</p>
Aus4.16.1	To clarify that for an NFP entity, the provision of goods and services might not result in cash inflows to the entity	<p>Proposed paragraph Aus4.16.1 provides relevant NFP-specific commentary corresponding to paragraph 4.16 of the <i>Conceptual Framework</i>.</p> <p>The proposed paragraph is drawn from paragraph Aus54.1 of the <i>Framework for the Preparation and Presentation of Financial Statements</i>, modified to be consistent with the definition of an asset in the <i>Conceptual Framework</i>.</p>
Aus4.16.2	To clarify that for an NFP entity the absence of cash inflows does not mean that the goods or services have no utility or value, or preclude the entity from benefiting from the assets used to provide the goods and services	Proposed paragraph Aus4.16.2 replicates paragraph Aus54.2 of the <i>Framework for the Preparation and Presentation of Financial Statements</i> . It provides relevant NFP-specific commentary corresponding to paragraph 4.16 of the <i>Conceptual Framework</i> .
Aus4.25.1	To provide an NFP-specific example of an agent-principal relationship	Proposed paragraph Aus.4.25.1 provides an NFP counterbalance to paragraph 4.25 of the <i>Conceptual Framework</i> , particularly in view of the prevalence and importance of agency relationships in the NFP sector
Aus4.67.1	To explain how references in the <i>Conceptual Framework</i> to an equity claim should be interpreted because an NFP entity typically would not have equity claims on its assets	Proposed paragraph Aus4.67.1 provides NFP context to the term 'equity claim' because in the NFP sector a 'residual interest' often is not – or is not regarded as – an equity claim.
Aus6.30.1	To clarify that for an NFP entity the predictive value of historical cost information is not limited to predicting future margins	Proposed paragraph Aus6.30.1 provides NFP context to paragraph 6.30 of the <i>Conceptual Framework</i> because in the NFP sector the predictive value of historical cost for assessing future costs is not limited to predicting future margins but applies to decision making about those costs in their own right.
Aus6.41.1	To clarify that for an NFP entity the predictive value	Proposed paragraph Aus6.41.1 provides NFP context to paragraph 6.41 of the <i>Conceptual Framework</i> because in

Proposed paragraph	Purpose of the new paragraph	Rationale for the new paragraph
	of current cost information is not limited to predicting future margins	the NFP sector the predictive value of current cost for assessing future costs is not limited to predicting future margins but applies to decision making about those costs in their own right. The proposed paragraph also provides an NFP counterbalance to paragraph 6.41 by acknowledging that 'margins' might be assessed more broadly in NFP entities because cost recoveries could occur through income received at an entity-wide level.
Aus6.56.1	To signal that a different measurement basis might provide more relevant information about the activity of non-financial assets held by an NFP entity for their service potential rather than their potential to produce economic benefits in the form of cash inflows	Proposed paragraph Aus6.56.1 provides an NFP counterbalance to paragraphs 6.55 and 6.56 of the <i>Conceptual Framework</i> . These paragraphs provide guidance on the selection of a measurement basis that is based on an asset's ability to produce cash flows directly or indirectly. However, how an asset is able to produce cash flows is less relevant to the measurement of a non-financial asset of an NFP entity held primarily for its service potential.
Appendix	To add proposed Aus paragraph references to the listing of defined terms to clarify how the terms 'economic resource', 'equity claim' and 'primary users' apply in an NFP context	The additions to the listing of defined terms signal that there is an NFP context to various defined terms. This avoids confusion between the Appendix and the body of the pronouncement.