



Cover Memo

Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	AASB February 2026 (M218)
Topic:	Conceptual Framework: Not-for-Profit Amendments – Project update and remaining aspects	Agenda Item:	5.0
		Date:	22 January 2026
Contact(s):	Evelyn Ling eling@asb.gov.au Maggie Man mman@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Finalising Standard

Objective of this agenda item

- 1 The objective of this agenda item is for the Board to:
 - (a) receive an update on its Conceptual Framework: Not-for-Profit Amendments project (this paper);
 - (b) decide the effective date of an Amending Standard (Agenda Paper 5.1); and
 - (c) consider a working draft of an Amending Standard, including the consequential amendments eventuating from its proposals (Agenda Paper 5.1).

Background to ED 334

- 2 The objective of the Board's Conceptual Framework: Not-for-Profit Amendments project is to apply the *Conceptual Framework for Financial Reporting (Conceptual Framework)* to not-for-profit (NFP) entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards. In furtherance of this objective, the Board issued [AASB Exposure Draft ED 334 Limiting the Ability of Not-for-Profit Private Sector Entities to Prepare Special Purpose Financial Statements](#) in October 2024.¹
- 3 ED 334 exposed the Board's 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. In addition, ED 334 proposed:
 - (a) the addition of several 'Aus' paragraphs to the *Conceptual Framework* so that the document is relevant to NFP entities;
 - (b) amendments to Australian Accounting Standards (via AASB 1057 *Application of Australian Accounting Standards*) so that the pronouncements will apply to more NFP entities; i.e. extend the population of NFP entities required to prepare general purpose financial statements;
 - (c) amendments to AASB 1054 *Australian Additional Disclosures* to require NFP private sector entities that are required only by their constituting document or another document to

1 Further information about the Conceptual Framework: NFP Amendments project is set out in the [Conceptual Framework: Not-for-Profit Amendments project summary](#).

- prepare financial statements that comply with Australian Accounting Standards to make certain disclosures in their special purpose financial statements, where prepared;
- (d) consequential amendments to various Australian Accounting Standards and Practice Statement 2 *Making Materiality Judgements* as a result of the proposals to extend the scope of the *Conceptual Framework* and Australian Accounting Standards; and
 - (e) transition relief for certain NFP first-time adopters of Australian Accounting Standards.
- 4 The comment period on ED 334 closed on 28 February 2025. Having regard to the feedback received, at its 1 May 2025 meeting, the Board decided to continue its Conceptual Framework: Not-for-Profit Amendments project and develop a final Standard based on ED 334. At its 3 July 2025 and 7 October 2025 meetings, the Board redeliberated the exposed proposals and made decisions on most of the key aspects of a future Standard.
- 5 Per the timetable communicated to the Board at its 7 October 2025 meeting and updated at its 20-21 November 2025 meeting,² agenda papers concerning the Conceptual Framework: Not-for-Profit Amendments project were not brought to the Board's meetings in November and December 2025. This was both to prioritise progress of the related Not-for-Profit Financial Reporting Framework project and to seek the Board's consideration of a substantially complete working draft of an Amending Standard resulting from this project at the same time as a substantially complete working draft of a Tier 3 Standard.

Summary of decisions to date

- 6 The table below summarises the Board's decisions to date from its redeliberations:

Topics	Date
Scoping of the <i>Conceptual Framework</i>	<p>The <i>Conceptual Framework</i> should apply to NFP entities that:</p> <ul style="list-style-type: none"> (i) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; (ii) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after the date a Standard containing these proposals first becomes effective; or (iii) elect to prepare general purpose financial statements.
Amendments to AASB 1057 to extend the population of NFP entities to which Australian Accounting Standards apply	<p>Australian Accounting Standards should apply to NFP entities that:</p> <ul style="list-style-type: none"> (i) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; (ii) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after the date a Standard containing these proposals first becomes effective; or (iii) elect to prepare general purpose financial statements.
NFP modifications to the <i>Conceptual Framework</i>	<p>The <i>Conceptual Framework</i> should include the proposed 'Aus' paragraphs, except that proposed paragraph Aus6.56.1 (regarding the relationship between cash flows and measurement bases) should be redrafted to improve its clarity and alignment to the related IASB-originated paragraphs.</p>
Disclosures in special purpose financial statements	<p>The special purpose financial statements of NFP private sector entities that are required only by their constituting document or another document to</p>

² Agenda Paper 10.0 of the 20-21 November 2025 AASB meeting

Topics	Date
	prepare financial statements that comply with Australian Accounting Standards should include the proposed specified AASB 1054 disclosures.
Transition provisions	<p>NFP entities that are preparing general purpose financial statements for the first time and which prepare financial statements that comply with Tier 2 Australian Accounting Standards – Simplified Disclosures should have access to the proposed optional relief from:</p> <ul style="list-style-type: none"> (i) distinguishing the correction of errors from changes in accounting policy; (ii) presenting comparative information not previously disclosed in the notes to the financial statements; and (iii) restating comparative information, <p>regardless of whether or not that entity early adopts the amendments before their effective date. As proposed, an NFP entity transitioning from preparing unconsolidated Tier 2-compliant general purpose financial statements to preparing consolidated Tier 2-compliant general purpose financial statements may apply AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>.</p> <p>No specific transitional provisions will be developed for NFP entities that are preparing general purpose financial statements for the first time and which prepare financial statements that comply with Tier 1 Australian Accounting Standards.</p>

Environment update

7 Since September 2025, the International Non-Profit Accounting Standard (INPAS) has been issued. Staff note the following from our review of the conceptual framework aspects of the INPAS:³

- (a) Members of the public are identified as being primary users of general purpose financial statements of non-profit organisations (NPO).

This differs from the NFP-modifications set out in Agenda Paper 5.1, which consistent with the *Framework for the Preparation and Presentation of Financial Statements*, do not identify members of the public as a group of primary users of the general purpose financial statements of an NFP entity; and

- (b) An economic resource is described as a right that has the potential to produce economic benefits or to provide services and goods in accordance with the NPO's objectives. Economic benefits are identified as relating to cash inflows or reduction in cash outflows, while the capacity to provide services and goods that contribute to achieving the NPO's objectives is described as service potential, which does not necessarily generate net cash inflows. Consequently, the INPAS relatedly references both economic benefits and service potential in guidance about other aspects of a conceptual framework.

This differs slightly to the positioning of the NFP-modifications set out in Agenda Paper 5.1, which carry forward the positioning of the *Framework for the Preparation and Presentation of Financial Statements*, and which describe the notion of service potential a way of producing economic benefits rather than as a separate right.

As the Board does not have a policy on harmonisation with INPAS, and noting the mostly supportive stakeholder feedback received regarding the NFP-modifications to the *Conceptual*

Framework set out in ED 334, staff have not proposed any amendments in Agenda Paper 5.1 for either of these aspects.

- 8 Further developments related to this project and the associated Not-for-Profit Private Sector Financial Reporting Framework project are detailed in Agenda Paper 4.0.

Project timeline

- 9 The project timeline set out below has regard to the Board's work on its associated Not-for-Profit Private Sector Financial Reporting Framework project (refer Agenda Paper 4.0) and the Board's decision at the exposure draft stage to align the issue of the consultative documents and effective dates of any final pronouncements resulting from these Board projects.
- 10 Many of the remaining aspects of the Board's Conceptual Framework: Not-for-Profit Amendments project will be actioned in conjunction with the remaining aspects of Not-for-Profit Private Sector Financial Reporting Framework project. As such, the proposed timeline is included also in Agenda Paper 4.0; presented together with the proposed timeline for progress of the Board's Not-for-Profit Private Sector Financial Reporting Framework project for ease of Board member consideration.

Topics	Date
Redeliberation: Effective date	February 2026 meeting (this meeting)
Consider a working draft of an Amending Standard, including the proposed consequential amendments to other Australian Accounting Standards	
Due process review and Policy Impact Analysis ⁴	March 2026 meeting
Review of pre-ballot draft, including a Basis for Conclusions	
Review of explanatory statement	Out-of-session before the end of Q2 2026
Vote on Amending Standard	
Issue the Amending Standard	Before the end of Q2 2026

Question to Board members

- Q1 Do Board members have any questions or comments on the proposed timeline or any other matters in this paper?

⁴ Staff intend to develop a single Policy Impact Analysis (PIA) that covers both the proposed Amending Standard and the proposed Tier 3 Standard.