



Project:	Application of AASB 18 and AASB 107 by Superannuation Entities and Not-for-profit Entities	Meeting:	AASB May 2026 (M220)
Topic:	Superannuation entities	Agenda Item:	3.2
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		Decision-Making:	High
		Project Status:	Consider stakeholder feedback on ED 338

Objectives of this agenda item

- The objectives of this agenda paper are for the Board to:
 - consider** stakeholder feedback on proposals in [ED 338](#) regarding superannuation entities that apply AASB 1056 *Superannuation Entities*; and
 - decide** on whether to proceed with or modify these ED 338 proposals.
- The abbreviations noted in the Cover Memo apply to this paper.

Background and overview of ED 338 proposals regarding superannuation entities

- During the development of ED 338, staff undertook targeted outreach in the first half of 2025 and received questionnaire responses from nine stakeholders.¹
- Based on the feedback received, the Board decided to propose in ED 338 that superannuation entities continue to present GPFS using the presentation formats required by AASB 1056 rather than AASB 18 formats. This decision was also informed by the post-implementation review of AASB 1056 conducted in 2023-24, in which the Board concluded that AASB 1056 was operating as intended and no changes were needed.

¹ For more details on the targeted outreach, please refer to Agenda Paper [5.3](#) for the May 2025 meeting (M212), as well as Agenda Paper [3.1](#) for the July 2025 meeting (M213).

ED 338 submissions received regarding superannuation entities

- 5 Eleven comment letters included responses to the SMCs relating to superannuation entities. They are: Deloitte, Mercer, PwC, AustralianSuper, KPMG, Grant Thornton, Institute of Public Accountants, CPA Australia (CPAA), Chartered Accountants Australia and New Zealand (CAANZ), Australasian Council of Auditors-General, and BDO.
- 6 In addition, AASB staff consulted informally with the relevant regulators by way of interview, which did not yield any views inconsistent with the majority views expressed in the stakeholder submissions.
- 7 The analysis below by each SMC has been conducted for the eleven submissions that responded to SMCs.

Overview of staff recommendations

- 8 Most of the eleven respondents agreed with the ED proposals, subject to some refinements.
- 9 Staff recommend that the Board proceed as proposed in ED 338 to modify AASB 18, AASB 107, AASB 1054 and AASB 1056 for superannuation entities, to require these entities to:
 - (a) present the income statement, statement of financial position, and statement of changes in equity/reserves in accordance with AASB 1056, instead of the formats required by AASB 18;
 - (b) treat the statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation;
 - (c) continue to apply the current accounting policy choice in classifying dividends and interest cash flows in presenting the statement of cash flows;
 - (d) apply the aggregation and disaggregation requirements in AASB 18 in conjunction with the disaggregated financial information requirement in AASB 1056.32; and
 - (e) apply the management-defined performance measure disclosure requirements in AASB 18.

Structure of this paper

- 10 SMCs 3–10 of ED 338 relate to superannuation entities. The feedback on each of these SMCs is discussed in a separate section of the paper. Each section includes a summary of:
 - (a) relevant requirements in AASB 18, AASB 107 and AASB 1056 and the proposed modifications regarding superannuation entities included in ED 338 (with proposed new or revised paragraphs shaded in blue);
 - (b) the Board's rationale for proposing the modifications;
 - (c) stakeholder feedback; and
 - (d) staff recommendations.

SMC 3: Line items to be presented in primary financial statements

AASB 18 requirement and ED 338 proposal

23 Some Australian Accounting Standards require specific line items to be presented separately in the primary financial statements (for example paragraphs 75 and 103 of this Standard). An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements (see paragraph B8).

Aus23.1 Notwithstanding paragraph 23:
(a) a superannuation entity applying AASB 1056 *Superannuation Entities*; and
(b) a government applying AASB 1049 ...
is not required to judge whether to present separately a line item in the primary financial statements based on whether it is necessary for the statement to provide a useful structured summary.

...

Information presented in the primary financial statements

B8 Paragraph 23 explains that an entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even if the line item is required by Australian Accounting Standards. For example, an entity need not present a line item listed in paragraph 75 if doing so is not necessary for the statement of profit or loss to provide a useful structured summary of income and expenses, or a line item listed in paragraph 103 if doing so is not necessary for the statement of financial position to provide a useful structured summary of assets, liabilities and equity. If an entity does not present the line items listed in paragraphs 75 and 103, it shall disclose the items in the notes if the resulting information is material (see paragraph 42).

AusB8.1 Notwithstanding paragraph B8, consistent with paragraph Aus23.1:
(a) a superannuation entity applying AASB 1056; and
(b) a government applying AASB 1049 ...
is not required to judge whether to present separately a line item in the primary financial statements based on whether it is necessary for the statement to provide a useful structured summary.

AASB rationale for the proposal

AASB 1056.9 and AASB 1056.11 require a superannuation entity to present specific line items in the income statement and in the statement of changes in member benefits. However, under the general principle in AASB 18.23, a superannuation entity would not need to present separately a line item in those statements if the entity determines that doing so is not necessary for the statement to provide a useful structured summary.

As noted in paragraphs BC16–BC20 of ED 338, the Board observed the importance for financial statements to be comparable among superannuation funds and applying the judgement required by AASB 18.23 could potentially lead to inconsistencies. Therefore, ED 338 proposed to specify that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary.

SMC 3

Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.

Stakeholder feedback

- 11 All eleven respondents agreed with this proposal. The main reasons cited for their support included:
- (a) avoiding uncertainty and inconsistency in practice;
 - (b) general satisfaction with the existing requirements in AASB 1056; and
 - (c) preserving useful industry-specific line items.
- 12 Some of the respondents provided additional suggestions for improvement, including:
- (a) the specific references in Aus paragraphs to the statement of profit or loss and the statement of changes in members benefits are helpful – however, specific mention of the statement of financial position and statement of changes in equity could also be made for the sake of clarity;
 - (b) use of the words “a superannuation entity **should not judge** whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary” are vague – the Aus paragraph should make it clear a superannuation entity does not apply AASB 18.23.

Staff recommendations

- 13 Staff recommend that the Board:
- (a) proceed with modifying AASB 18 to specify that a superannuation entity should present all relevant line items required by AASB 1056.9 and AASB 1056.11, instead of presenting line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and
 - (a) revise the drafting of paragraphs Aus23.1 and AusB8.1 to address stakeholder feedback noted in paragraph 12(b), as well as adding relevant footnotes to the revised paragraphs, as follows:²

Aus23.1 Notwithstanding paragraph 23, a superannuation entity applying AASB 1056 *Superannuation Entities* presents all relevant line items required by that Standard in its primary financial statements.¹

2 The staff’s proposed revised drafting of these paragraphs relating to governments is discussed in Agenda Paper 3.3.

AusB8.1 Notwithstanding paragraph B8 and consistent with paragraph Aus23.1, a superannuation entity applying AASB 1056 presents all relevant line items required by that Standard in its primary financial statements.²

Footnote 1 to paragraph Aus23.1 and Footnote 2 to paragraph AusB8.1 to each say: "A superannuation entity's primary financial statements include the statement of changes in members benefits."

Questions for the Board

- Q1: Do Board members agree with the staff recommendation to proceed with modifying AASB 18 to specify that a superannuation entity should present all relevant line items required by AASB 1056.9 and AASB 1056.11, instead of presenting line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary?
- Q2: If so, do Board members agree with revising proposed paragraphs Aus23.1 and AusB8.1 regarding superannuation entities along the lines recommended by staff? If not, what do you propose instead?

SMC 4: Statement of profit or loss presentation

AASB 18 requirement and ED 338 proposal

Statement of profit or loss

46 An entity shall include all items of income and expense in a reporting period in the statement of profit or loss unless an Australian Accounting Standard requires or permits otherwise (see paragraphs 88–95 and B86).

Aus46.1 For the purposes of paragraph 46 and notwithstanding paragraph 47:

- (a) a superannuation entity applying AASB 1056 shall not classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss. A superannuation entity shall not apply paragraphs 47–66, 69(a), 69(b), 70–74 and B30–B77. A superannuation entity shall treat references in this Standard to 'operating expenses' as expenses presented in the statement of profit or loss; and
- (b) a not-for-profit public sector entity ...

AASB 1056 requirement and ED 338 proposal

Income statement

- 9 The income statement shall include line items that present, when applicable, the following amounts for the period:
- (a) income, in aggregate or subclassified, subject to paragraph 10;
 - (b) expenses, in aggregate or subclassified, subject to paragraph 10;
 - (c) net benefits allocated to *defined contribution member* accounts;
 - (d) the net change in *defined benefit member* liabilities;
 - (e) net result, subject to paragraph 10; and
 - (f) income tax expense or benefit attributable to net result.
- 10 When a superannuation entity acts in the capacity of an insurer in respect of defined contribution members, the income statement or notes to the financial statements shall

separately present insurance premiums, claim expenses, reinsurance expenses, reinsurance recoveries, and the net result from insurance activities.

10A Consistent with paragraph Aus46.1(a) of AASB 18, a superannuation entity shall not classify income and expenses into the categories set out in paragraph 47 of AASB 18 nor present the subtotals set out in paragraphs 69(a) and 69(b) of AASB 18.

Disclosure

...

Nature of income and expense items

22 A superannuation entity shall disclose information that provides users with a basis for understanding the nature and amounts of income and expenses.

22A A superannuation entity shall treat references to ‘operating expenses’ in AASB 18 as expenses presented in its income statement, and not apply paragraphs 78 and B80–B82 of AASB 18.

AASB rationale for the proposal

AASB 18.47 requires an entity to classify income and expenses into specific categories. In paragraphs BC21–BC23 of ED 338, the Board noted that those categories are unlikely to provide additional information to users of a superannuation entity’s GPFS. This is because:

- (a) users of GPFS might not understand the differences in the definitions of the income statement categories compared to the definitions in AASB 107 for operating, investing and financial activities; and
- (b) under AASB 1056, the income statement currently could be regarded as including ‘operating and investing’ activities and the statement of changes in member benefits could be regarded as including member-related ‘financing activities’.

ED 338 proposed requiring superannuation entities to not classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss, and treat references in AASB 18 to ‘operating expenses’ as expenses presented in the statement of profit or loss.

SMC 4

Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

Stakeholder feedback

- 14 All eleven respondents, other than one ACAG jurisdiction, agreed with this proposal. The main reasons cited for their support included:
- (a) the three-way classification between operating, investing and financing is not relevant or helpful in a superannuation entity context; and
 - (b) most, if not all items, would likely be categorised as operating under AASB 18 in any case because superannuation entities invest as their main activity and financing would be immaterial.

- 15 One ACAG jurisdiction disagreed on the basis that they think the presentation for the four main primary statements should be consistent across all reporting entities.
- 16 BDO considers that paragraph Aus46.1 should be paragraph Aus47.1 to follow the requirements for the five specific income and expense categories.

Staff recommendations

- 17 Staff recommend that the Board:
- (a) proceed with the proposed modifications – adding paragraph Aus46.1(a) to AASB 18 and paragraphs 10A and 22A to AASB 1056; and
 - (b) present paragraph Aus46.1 as paragraph Aus47.1.

Question for the Board

Q3: Do Board members agree with the staff recommendation? If not, what do you propose instead?

SMC 5: Presentation of expenses

AASB 18 requirement and ED 338 proposal

Presentation and disclosure of expenses classified in the operating category

78 In the operating category of the statement of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of these characteristics (see paragraphs B80–B85):

- (a) the nature of expenses; or
- (b) the function of the expenses within the entity.

Aus78.1 Notwithstanding paragraph 78:

- (a) a superannuation entity applying AASB 1056 classifies and presents expenses in accordance with AASB 1056 and shall not apply paragraphs 78 or B80–B82; and
- (b) ...

AASB rationale for the proposal

AASB 18.78 requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of expenses; or the function of the expenses within the entity.

AASB 1056.22 requires a superannuation entity to disclose information to provide users with a basis for understanding the **nature** of expenses. As noted in paragraphs BC24–BC27 of ED 338, the Board noted stakeholder feedback that presenting expenses by nature is considered the most useful presentation, and that it would be important for superannuation entity members to be able to compare between superannuation plans. Therefore, ED 338 proposed requiring a

superannuation entity to classify and present expenses in accordance with AASB 1056 and should not apply paragraphs AASB 18.78 or B80–B82.

SMC 5

Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

Stakeholder feedback

18 All eleven respondents agreed with this proposal. The main reason cited for their support was that the existing AASB 1056 requirements provide the most useful presentation of expenses in a superannuation entity context, consistent with the views gathered from targeted outreach and noted in paragraph BC25 of ED 338.

Staff recommendation

19 Staff recommend that the Board proceed with the proposed modification – adding paragraph Aus78.1(a) to AASB 18.

Question for the Board

Q4: Do Board members agree with the staff recommendation? If not, what do you propose instead?

SMC 6: Cash flow classification – dividends received and interest paid and received

AASB 107 requirements and ED 338 proposals

Definitions

6 The following terms are used in this Standard with the meanings specified:

...

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents and the receipt of interest and dividends as described in paragraphs 34A–34D.

...

Aus6.1 Notwithstanding paragraph 6, in respect to superannuation entities applying AASB 1056 *Superannuation Entities* and not-for-profit public sector entities that elect to classify the receipt of interest and dividends as operating activities in accordance with paragraph Aus34D.1, investing activities do not include the receipt of interest and dividends as described in paragraphs 34A–34D.

...

Interest and dividends

31 Cash flows from interest and dividends received and paid shall each be presented separately. Each shall be classified in a consistent manner from period to period applying paragraphs 32, 33A and 34A–34D.

- 32 The total amount of interest paid during a period is included in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with AASB 123 *Borrowing Costs*.
- 33 [Deleted]
- 33A An entity shall classify dividends paid as cash flows from financing activities.
- 34 [Deleted]
- 34A An entity, other than those entities described in paragraph 34B, shall classify:
- (a) interest paid (as described in paragraph 32) as cash flows from financing activities.
 - (b) interest and dividends received as cash flows from investing activities.
- 34B An entity that invests in assets or provides financing to customers as a main business activity (as determined applying paragraphs B30–B41 of AASB 18) shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how – applying AASB 18 – it classifies dividend income, interest income and interest expenses in the statement of profit or loss. An entity shall classify the total of each of these cash flows in a single category in the statement of cash flows (that is, either as operating, investing or financing activities).
- 34C In applying paragraph 34B, if an entity classifies the total of each of dividend income, interest income and interest expenses in a single category of the statement of profit or loss, the entity shall classify the total of each of dividends received, interest received and interest paid as cash flows arising from the associated activity in the statement of cash flows. For example, if an entity classifies all its interest expenses in the financing category of the statement of profit or loss, the entity would classify all its interest paid as cash flows from financing activities.
- 34D In applying AASB 18, an entity may be required to classify each of dividend income, interest income and interest expenses in more than one category of the statement of profit or loss. In such a case, in applying paragraph 34B the entity shall make an accounting policy choice to classify the related cash flows in one of the associated activities in the statement of cash flows. For example, if an entity classifies interest expenses in the operating category and the financing category of the statement of profit or loss, the entity would classify all its interest paid in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities.
- Aus34D.1 Notwithstanding paragraphs 34A–34D, a superannuation entity and a not-for-profit public sector entity are permitted to classify interest paid and received and dividends received as cash flows from operating activities.

AASB rationale for the proposal

As noted in paragraphs BC28–BC32 of ED 338, under AASB 107.34B of the revised AASB 107 (i.e. the version of AASB 107 incorporating AASB 18 amendments), a superannuation entity would be required to classify dividends received and interest paid and received into a single category for each item, and classify cash flows in the same category as the income statement or make an accounting policy choice if associated income and expenses are recognised in more than one income statement category.

The Board’s proposals to not require a superannuation entity to classify income and expenses into the AASB 18 income statement categories means AASB 107.34B would not provide a basis for superannuation entities to classify these items in the statement of cash flows. Accordingly, ED 338 proposed adding paragraph Aus34D.1 to AASB 107 to retain the current accounting policy choice to permit a superannuation entity to continue electing to classify these cash flows as operating cash flows.

The Board also proposed adding paragraph Aus6.1 to AASB 107 to specify that, in respect to superannuation entities (and NFP public sector entities) that elect to classify the receipt of interest and dividends as operating activities, investing cash flows do not include the receipt of interest and dividends as described in paragraphs 34A–34D of the revised AASB 107.

SMC 6

Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

Stakeholder feedback

- 20 Ten of the eleven respondents agreed with this proposal. The main reason cited for their support included that superannuation entities had appropriately applied the choice of classification in the past.
- 21 One ACAG jurisdiction disagreed on the basis that they think the presentation for the four main primary statements should be consistent across all reporting entities.
- 22 One stakeholder (KPMG) prefers mandating the classification of dividends and interest received as operating cash flows on the basis that this is consistent with well-established practice and is the most relevant classification in a superannuation context.

Staff recommendation

- 23 In respect to the suggestion by the stakeholder noted in paragraph 22, at its July 2025 meeting (M213), when developing ED 338, the Board considered whether to require superannuation entities to classify dividends received and interest paid and received as operating cash flows, rather than providing an accounting policy choice. The Board noted that the IASB is undertaking a project on statement of cash flows and related matters, which could lead to further changes to the cash flow statements of financial institutions; therefore, it would be prudent to maintain the status quo and not to specify in an Australian Accounting Standard that a superannuation entity must classify these cash flow items as operating cash flows.³
- 24 Staff recommend that the Board proceed with the proposed modifications – adding paragraphs Aus6.1 and Aus34D.1 to AASB 107 to retain the current accounting policy choice.

Question for the Board

Q5: Do Board members agree with the staff recommendation? If not, what do you propose instead?

SMC 7: Operating cash flow reconciliation

AASB 107 requirements and ED 338 proposal

Reporting cash flows from operating activities

- 18 An entity shall report cash flows from operating activities using either:
- (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or

³ [Agenda Paper 3.1](#) for the July 2025 AASB meeting.

- (b) the indirect method, whereby operating profit or loss is adjusted for:
 - (i) the effects of transactions of a non-cash nature;
 - (ii) any deferrals or accruals of past or future operating cash receipts or payments;
 - (iii) income or expenses classified in the operating category in the statement of profit or loss for which the associated cash flows are classified as cash flows from either investing or financing activities; and
 - (iv) cash flows from operating activities for which the associated income or expenses are not classified in the operating category of the statement of profit or loss.

...

20 Under the indirect method, the net cash flow from operating activities is determined by adjusting operating profit or loss for the effects of:

- (a) changes during the period in inventories and operating receivables and payables;
- (b) non-cash items such as depreciation, provisions and unrealised foreign currency gains and losses classified in the operating category;
- (c) income or expenses classified in the operating category in the statement of profit or loss for which the cash effects are investing or financing cash flows; and
- (d) operating cash flows, such as income tax (in accordance with paragraph 35), for which the corresponding income or expenses are not classified in the operating category in the statement of profit or loss.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses classified in the operating category in the statement of profit or loss, the changes during the period in inventories and operating receivables and payables and any other operating cash flows for which the corresponding income or expenses are not classified in the operating category.

...

Aus20.2 For the purposes of paragraphs 18(b) and 20, and to comply with paragraph 16(b) of AASB 1054 Australian Additional Disclosures, a superannuation entity applying AASB 1056, or a not-for-profit public sector entity, that is not required to present operating profit or loss subtotal in the statement of profit or loss as set out in paragraph 69(a) of AASB 18, when reconciling cash flows from operating activities, shall adjust its profit or loss presented in its statement of profit or loss for:

- (a) the effects of transactions of a non-cash nature, such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses;
- (b) any deferrals or accruals of past or future operating cash receipts or payments, including changes during the period in inventories and operating receivables and payables; and
- (c) items of income or expense associated with investing or financing cash flows.

Proposed amendments to AASB 1054

Reconciliation of Net Operating Cash Flow to Profit (Loss)

16 When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to ~~profit~~ (loss):

- (a) the operating profit or loss subtotal in the statement of profit or loss, when the entity presents that subtotal in the statement of profit or loss in accordance with paragraph 69(a) of AASB 18; or
- (b) the profit or loss total reported in the statement of profit or loss, when the entity does not present the operating profit or loss subtotal in the statement of profit or loss.

AASB rationale for the proposal

As noted in paragraphs BC33–BC34 of ED 338, consistent with the Board’s proposals to require a superannuation entity not to present the ‘operating profit or loss’ subtotal in its income statement, ED 338 proposed to specify that when reconciling cash flows from operating activities, a superannuation entity shall adjust its ‘profit or loss’ total.

SMC 7

Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

Stakeholder feedback

- 25 Ten of the eleven respondents agreed with this proposal in line with their responses on SMC 4.
- 26 One ACAG jurisdiction disagreed on the basis that they think the presentation for the four main primary statements should be consistent across all reporting entities.
- 27 One of the respondents [Mercer] agreeing with the proposals suggested changes to the wording in proposed paragraph Aus20.2 of AASB 107 to cater for the superannuation entity context – in particular to make the following changes (see strikethrough text):
- ... a superannuation entity applying AASB 1056, or a not-for-profit public sector entity, that is not required to present operating profit or loss subtotal in the statement of profit or loss as set out in paragraph 69(a) of AASB 18, when reconciling cash flows from operating activities, shall adjust its profit or loss presented in its statement of profit or loss for:
- (a) the effects of transactions of a non-cash nature, such as depreciation, provisions, deferred taxes, unrealised ~~foreign currency~~ gains and losses;
 - (b) any deferrals or accruals of past or future operating cash receipts or payments, including changes during the period in ~~inventories and~~ operating receivables and payables; and
 - (c) items of income or expense associated with investing or financing cash flows.
- 28 Although these suggested deletions would probably be suitable for both superannuation entities and not-for-profit public sector entities, the proposed wording in paragraph Aus20.2 reflects the wording in paragraph 20 of AASB 107. Accordingly, staff suggest not making the suggested deletions.

Staff recommendation

- 29 Staff recommend that the Board proceed with the proposed modifications – adding paragraph Aus20.2 to AASB 107 and paragraph 16(b) to AASB 1054 regarding superannuation entities.⁴

Question for the Board

Q6: Do Board members agree with the staff recommendation? If not, what do you propose instead?

SMC 8: Statement of changes in member benefits

AASB 1056 requirements and ED 338 proposal

Statement of changes in member benefits

- 11 A statement of changes in member benefits shall present opening and closing balances for member liabilities and, when applicable, include the following line items for the period:
- (a) employer contributions;
 - (b) member contributions;
 - (c) taxes on contributions;
 - (d) benefits transferred into the entity from other superannuation entities;
 - (e) benefits to members or their beneficiaries;
 - (f) insurance premiums charged to defined contribution member accounts;
 - (g) net benefits allocated to defined contribution member accounts;
 - (h) net changes to defined benefit member accrued benefits; and
 - (i) amounts allocated to members from reserves.
- 12 Current tax and deferred tax shall be charged or credited directly to member liabilities and presented in the statement of changes in member benefits when the tax relates to items that are credited or charged, in the same or a different period, directly to member liabilities.
- 12A A superannuation entity shall treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation.

AASB rationale for the proposal

As noted in paragraphs BC35–BC36 of ED 338, during the targeted outreach the Board received feedback from a stakeholder questioning whether the statement of changes in member benefits should be treated in the same way as other primary financial statements. For clarity, ED 338 proposed adding paragraph 12A to AASB 1056 to specify that a superannuation entity should treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18.

SMC 8

Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.

4 Feedback on these proposed paragraphs regarding not-for-profit public sector entities is discussed in Agneda Paper 3.3.

Stakeholder feedback

- 30 Ten of the eleven respondents agreed with this proposal without reservation. The main reason cited for their support is the crucial role of the statement of changes in member benefits in superannuation entity financial reporting and that the comparative information, labelling, and aggregation and disaggregation requirements in AASB 18 should be readily applicable to this statement.
- 31 One respondent [Mercer] supports the proposal but also wants the particular requirements of AASB 18 applicable to the statement of changes in member benefits specifically identified, potentially in AASB 1056 or in AASB 18.
- 32 Staff note that the proposed paragraph 12A, while not exhaustive, already indicates the specific requirements of AASB 18 relevant to the statement of changes in member benefits.

12A A superannuation entity shall treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18, **including comparative information, labelling, and aggregation and disaggregation.**

Staff recommendation

- 33 Staff recommend that the Board proceed with the proposed modifications – adding paragraph 12A to AASB 1056 (as proposed).

Question for the Board

Q7: Do Board members agree with the staff recommendation? If not, what do you propose instead?

SMC 9: Aggregation and disaggregation

ED 338 proposal and the AASB rationale for the proposal

As noted in paragraphs BC37–BC38 of ED 338, the Board is of the view that the requirements of AASB 1056 and AASB 18 with respect to aggregating and disaggregating line items and disclosures are not inconsistent and decided that no modifications are needed in this regard. Therefore, the aggregation and disaggregation requirements in AASB 18 would apply in the context of the more specific AASB 1056.32 requirement for superannuation entities.

SMC 9

Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

Stakeholder feedback

- 34 Ten of the eleven respondents agreed with this proposal without reservation. Several of these respondents comment that the disaggregation requirements in AASB 18 and AASB 1056 are not inconsistent.

- 35 One respondent [KPMG] does not support the proposal on the basis that there is no analysis of whether the disaggregation requirements in AASB 18 and AASB 1056 are compatible. They note the following possible inconsistencies:
- (a) AASB 1056 does not contain specific aggregation principles i.e. it requires a minimum level of disclosure and then further disaggregation under AASB 1056.32 where necessary to explain the risk and benefit arrangements relating to different categories of members. Where a superannuation entity has historically disaggregated information further, an entity might argue under AASB 18.41(c) that they could reaggregate these balances and reduce disclosure; and
 - (b) AASB 18 paragraphs B24–B26 introduce broader principles for labelling and describing items in the primary financial statements which are not included in AASB 1056. The illustrative statement of cash flows in AASB 1056 uses labels such as ‘other income’ and ‘other expenses’ which appear inconsistent with the more informative labelling required by AASB 18.
- 36 Staff consider that the disaggregation requirements in AASB 1056 are a specific example that might result from applying the more general disaggregation requirements in AASB 18. Staff concede that, if the AASB 1056 illustrative financial statements were being prepared today, we would avoid using the “other” label. However, we note that the line items described as “other” in the AASB 1056 illustrative financial statements are each small (probably immaterial) amounts.

Staff recommendation

- 37 Staff recommend that the Board proceed with the proposal not to make any modifications in relation to the application of the aggregation and disaggregation requirements of AASB 18.
- 38 Noting that the Board has recently completed the post-implementation review of AASB 1056 and concluded that no amendments are required, staff will note for future consideration the potential need to review the use of line items described as “other” in the AASB 1056 illustrative financial statements, when the next opportunity arises.

Question for the Board

Q8: Do Board members agree with the staff recommendation? If not, what do you propose instead?

SMC 10: Management-defined performance measures

ED 338 proposal and the AASB rationale for the proposal

As noted in paragraphs BC39–BC40, all superannuation entity stakeholders who responded to the targeted outreach did not identify any subtotals of income and expenses a superannuation entity uses that would meet the definition of a management-defined performance measure (MPM), and the AASB 18 disclosure requirements relating to MPMs would not be onerous. Accordingly, ED 338 proposed that no modifications to the MPM disclosure requirements are necessary for superannuation entities.

SMC 10

Do you agree that no modifications are needed for superannuation entities with respect to the

MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

Stakeholder feedback

- 39 All eleven respondents agreed with this proposal. Some commented that they do not expect superannuation entities to have MPMs. Others noted that if superannuation entities do have MPMs, it would be relevant for them to apply the AASB 18 requirements.
- 40 One stakeholder [CPAA] commented that an expectation that superannuation entities will not have MPM is not a strong or principle-based rationale for the proposal. Staff agree and note that the reference in SMC 10 to “stakeholders who responded to the targeted outreach did not identify any subtotals of income and expenses a superannuation entity uses that would meet the definition of a ... MPM” could have been more clearly characterised as an observation and not a justification.

Staff recommendation

- 41 Staff recommend that the Board proceed with the proposal not to make any modifications in relation to the application of the MPM requirements of AASB 18.
- 42 Staff also recommend that the Basis for Conclusions to the Amending Standard is worded in a way that presents the fact that superannuation entities are unlikely to have MPMs as an observation, and to avoid implying that this observation constitutes a justification for having the AASB 18 MPM requirement apply.

Questions for the Board

- Q9: Do Board members agree with the staff recommendation that the AASB 18 MPM requirement applies to superannuation entities? If not, what do you propose instead?
- Q10: Do Board members agree with the staff recommendation that the fact superannuation entities are unlikely to have MPMs would be presented as an observation, but not a justification, for having the AASB 18 MPM requirement apply? If not, what do you propose instead?