Draft Explanatory Statement for consideration by AASB members

Explanatory Statement

Accounting Standard AASB 2026-X

Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

[Month] 2026

Australian Government

Australian Accounting Standards Board

EXPLANATORY STATEMENT

Standards Amended by AASB 2026-X

This Standard makes amendments to several Australian Accounting Standards (as listed in paragraph 1 of the Standard) in respect to the preparation of Tier 1 general purpose financial statements, to:

(a) specify how AASB 18 *Presentation and Disclosure in Financial Statements* and related amendments to AASB 107 *Statement of Cash Flows* are to be applied by superannuation entities and not-for-profit entities;

(b) make amendments to AASB 1039 *Concise Financial Reports* and AASB 1054 *Australian Additional Disclosures* in respect of the starting point for the operating cash flow reconciliation; and

(c) make related and editorial amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Main Features of AASB 2026-X

This Standard amends the following Standards in respect to the preparation of Tier 1 general purpose financial statements:

(a) AASB 18 – to specify:

    (i) the requirements applicable to superannuation entities and not-for-profit public sector entities in presenting their statement of profit or loss and related disclosures;

    (ii) how various principles (and related terms) should be applied in a not-for-profit entity context; and

    (iii) not-for-profit public sector entities that are not higher education providers are not required to identify and disclose information about management-defined performance measures;

(b) AASB 107 – to permit superannuation entities, and not-for-profit public sector entities that are not higher education providers, to:

    (i) classify dividends received and interest paid and received as operating cash flows; and

    (ii) when presenting operating cash flows using the indirect method, to use the profit or loss total presented in the statement of profit or loss as the starting point if the entity does not present an operating profit or loss subtotal in the statement of profit or loss;

(c) AASB 1039 – to align with terminology used in AASB 18 relating to the operating cash flow reconciliation;

(d) AASB 1049 – to reflect amendments to AASB 107 and to align terminology with that used in other Australian Accounting Standards;

(e) AASB 1054 – to specify the starting point for the operating cash flow reconciliation; and

(f) AASB 1056 *Superannuation Entities* – to specify that superannuation entities are required to present their statement of profit or loss and statement of cash flows in the formats required by AASB 1056, rather than the formats set out in AASB 18 and the revised AASB 107 (i.e. the version of AASB 107 incorporating amendments made by AASB 18).

Application Date

This Standard applies to annual periods beginning on or after 1 January 2028, except that the amendments to AASB 1039 and AASB 1054 also apply to for-profit entities, other than superannuation entities applying AASB 1056, for annual periods beginning on or after 1 January 2027. Earlier application is permitted.

Marked-up Text

This Standard incorporates marked-up text to clearly identify the amendments to the Australian Accounting Standards. All amendments are incorporated using clean text into the compilations of the pronouncements when they are prepared, based on the legal commencement date of the amendments.

Consultation Prior to Issuing this Standard

When issuing AASB 18 in 2024, the AASB agreed to undertake the Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities project to determine how AASB 18 and AASB 107 should apply to superannuation entities, not-for-profit public sector entities and not-for-profit private sector entities. This is because:

(a) AASB 1056 and AASB 1049 specify presentation and disclosure requirements for superannuation entities and for whole of government and General Government Sector financial statements, respectively, and each government mandates specific financial statement formats for its public sector entities; and

(b) the AASB received only limited feedback from not-for-profit private sector entities on AASB Exposure Draft ED 298 *General Presentation and Disclosures* (January 2020), which incorporated the IASB's Exposure Draft ED/2019/7 *General Presentation and Disclosures*.

In the first half of 2025, the AASB undertook targeted outreach on the application of AASB 18 to superannuation and not-for-profit entities. The AASB obtained informal feedback from a number of superannuation industry and not-for-profit public sector and private sector representatives.

Based on that outreach, in October 2025 the AASB issued ED 338 A*pplication of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*, which was open for public comment for 120 days, to 27 February 2026. The AASB received fourteen comment letters in response to ED 338. The AASB also undertook outreach activities in February and April 2026 that collectively involved more than two hundred stakeholders. These activities included three virtual roundtables and a range of interviews with not-for-profit private sector entities, higher education providers and regulators of superannuation entities. The majority of stakeholders agreed with the ED 338 proposals. However, some stakeholders requested further clarification on how to categorise income recognised under AASB 1058 *Income of Not-for-Profit Entities* when applying AASB 18.

After considering the feedback received, the AASB decided to:

(a) issue AASB 2026-X to finalise the ED 338 proposals largely as exposed; and

(b) undertake further work to consider developing guidance on categorising income recognised under AASB 1058 and applying the specified main business activities requirements in AASB 18, to support not-for-profit private sector entities and higher education providers in applying AASB 18.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB 2026-X. This is because the amendments made by this Standard are expected to reduce, or have a neutral impact on, the financial reporting burden compared with not making the amendments. This Standard provides relief from certain requirements in AASB 18 and AASB 107 for Tier 1 general purpose financial statements prepared by superannuation entities and not-for-profit public sector entities that are not higher education providers that would permit them to continue some of their accounting policies that would otherwise be changed by AASB 18 and AASB 107, such as the starting point for preparing the operating cash flow reconciliation. The Standard also provides guidance to assist not-for-profit entities generally in applying AASB 18 where its requirements are expressed using terminology developed primarily for for-profit entities.

Legislative Features of Accounting Standards

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Copyright

This Standard, like all Accounting Standards promulgated by the AASB, is published with Commonwealth of Australia copyright. Educational, commercial and other publishers are able to request the AASB for permission to reprint all or parts of this Standard, which is given without charge.

Exemption from Sunsetting

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunsetting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Australian Accounting Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Accounting Standards are exempt from sunsetting because a more stringent review process than sunsetting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunsetting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2026-X
Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

Overview of the Accounting Standard

This Standard amends the following Standards in respect to the preparation of Tier 1 general purpose financial statements:

(a) AASB 18 *Presentation and Disclosure in Financial Statements* – to specify:

  (i) the requirements applicable to superannuation entities and not-for-profit public sector entities in presenting their statement of profit or loss and related disclosures;

  (ii) how various principles (and related terms) should be applied in a not-for-profit entity context; and

  (iii) not-for-profit public sector entities that are not higher education providers are not required to identify and disclose information about management-defined performance measures;

(b) AASB 107 *Statement of Cash Flows* – to permit superannuation entities, and not-for-profit public sector entities that are not higher education providers, to:

  (i) classify dividends received and interest paid and received as operating cash flows; and

  (ii) when presenting operating cash flows using the indirect method, to use the profit or loss total presented in the statement of profit or loss as the starting point if the entity does not present an operating profit or loss subtotal in the statement of profit or loss;

(c) AASB 1039 *Concise Financial Reports* – to align with terminology used in AASB 18 relating to the operating cash flow reconciliation;

(d) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* – to reflect amendments to AASB 107 and to align terminology with that used in other Australian Accounting Standards;

(e) AASB 1054 *Australian Additional Disclosures* – to specify the starting point for the operating cash flow reconciliation; and

(f) AASB 1056 *Superannuation Entities* – to specify that superannuation entities are required to present their statement of profit or loss and statement of cash flows in the formats required by AASB 1056, rather than the formats set out in AASB 18 and the revised AASB 107 (i.e. the version of AASB 107 incorporating amendments made by AASB 18).

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.