



Project:	Not-for-Profit Private Sector Financial Reporting Framework and Conceptual Framework: Not-for-Profit Amendments	Meeting:	M211
Topic:	Project update – consider preliminary feedback on ED 334 and ED 335	Agenda Item:	6.0
		Date:	13 February 2025
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		Decision-Making:	Low
		Project Status:	ED – open for comment

Objective of this agenda item

- 1 The objective of this agenda item is for the Board to **consider** an update on its Not-for-Profit Private Sector Financial Reporting Framework (NFP FRF) and Conceptual Framework: Not-for-Profit Amendments projects, including the feedback received to date on ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* and ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*.
- 2 The Board is not requested to make any decisions on this agenda item.

Attachments

- 3 Papers for this agenda item are:
 - (a) Agenda paper 6.1 Preliminary summary of feedback on ED 334;
 - (b) Agenda paper 6.2 Preliminary summary of feedback on ED 335;
 - (c) Agenda paper 6.3 Preliminary categorisation of the ED 335 proposals; and
 - (d) Agenda paper 6.4 Research article: *Allocating charities' financial reporting requirements using tiers – Australian perspectives* (in Board-only supplementary folder)

Background

- 4 At its 5 – 6 September 2024 meeting, the Board delegated to a sub-committee the approval and finalisation of the following two Exposure Drafts:¹
 - (a) Exposure Draft ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*; and
 - (b) Exposure Draft ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*.

1 [Minutes of the 208th meeting of the AASB](#)

- 5 The Exposure Drafts (EDs) were issued in late October 2024 with a four-month consultation period ending 28 February 2025. The [Not-for-Profit Private Sector Financial Reporting Framework Project Summary](#) and the [Conceptual Framework: Not-for-Profit Amendments Project Summary](#) provide an overview of the Board's decisions in respect of the projects resulting in ED 334 and ED 335.
- 6 At this meeting, staff have collated the feedback received to 13 February 2025 on the two EDs for the Board's consideration (refer Agenda Papers 6.1 and 6.2). Staff expect to continue to receive further feedback on the EDs as the comment period has not closed at the time of preparing the agenda papers. Staff will provide a verbal update at the Board meeting of any feedback received between the date of the agenda papers and the Board meeting.
- 7 In addition, in Agenda Paper 6.3 staff have set out its proposed approach to the Board's redeliberations of ED 335, for the Board's consideration and comment. The agenda paper includes a staff analysis and preliminary categorisation of the re-deliberation effort having regard to the feedback received to date on the ED.

Project update — regulatory and other developments

- 8 Table 1 below provides an update of regulatory and other developments relevant to the projects:

Table 1: Regulatory and other updates

Regulatory/cross-cutting updates	Update
Second comprehensive review of the <i>IFRS for SMEs</i> Standard	The IASB is expected to issue the third edition of the <i>IFRS for SMEs</i> Standard in H1 of 2025. When issued, staff will consider whether there are any changes from the <i>IFRS for SMEs</i> exposure draft (on which the drafting of various sections of ED 335 was based) that are relevant to the NFP FRF project and further Board consideration.
Interactions with regulators	Staff are currently engaging with NFP regulators through individual consultative meetings to gather feedback and perspectives on the proposals in the two EDs. Staff will bring any significant insights or regulatory perspectives obtained during these discussions to the Board for consideration at a future meeting.

Research update

- 9 Wen et al. (2025)² (Agenda Paper 6.4) investigated the adequacy of the current financial reporting requirements applying to charities through interviews with eight preparers of NFP entity financial statements. The research findings were that:
 - (a) stakeholders (i.e. members, beneficiaries or clients) may seek further information about both performance aspects and financial aspects, and are interested in the comparability of financial reports when using financial reports to benchmark charities against others and as a tool to demonstrate accountability;
 - (b) current accounting standards are challenging for small to medium-sized charities to apply (e.g. accounting for leases and revenue are complex). The preparers' responses support the Board's proposal that different accounting requirements may be appropriate for certain NFP entities;
 - (c) certain disclosures and extensive reporting may not necessarily add 'value' to the financial statements. The findings suggest that preparers consider the disclosures relating to right-of-use leased assets are confusing to stakeholders, being difficult to understand; and
 - (d) most preparers prefer the Australian Charities and Not-for-profits Commission (ACNC) tiered approach to an entity's reporting obligations, but held differing views on the

2 Wen, H., Gilchrist, D., Agrawal, P. and Bayne, L. (2025) 'Allocating charities' financial reporting requirements using tiers – Australian perspectives', *Accounting & Finance*, (00):1–25, [doi:10.1111/acfi.13397](https://doi.org/10.1111/acfi.13397)

thresholds applied to determine those obligations. Existing research indicates that revenue as a sole criterion could lead to inconsistent entity size determination due to the volatile nature of revenue. Nevertheless, preparers prefer using the revenue criterion as a metric to size determination for its simplicity. The researchers suggest that a multi-criteria approach would be beneficial in remedying the volatility of using revenue criterion solely to determine an entity's size, provided it does not introduce undue complexity.

- 10 Staff consider the research findings support the Board's proposals exposed in the draft Tier 3 Standard (ED 335), which seeks to respond to the stakeholder concern that existing accounting standards are too complex for small to medium-sized charities preparing general purpose financial statements.

Project timeline and milestones

- 11 As stated in paragraph 5, the comment period for ED 334 and ED 335 is open until 28 February 2025. Staff will prepare an updated summary and an analysis of the feedback on ED 334 and ED 335, staff's recommendations for next steps and a detailed project timeline for the Board to consider at a future Board meeting (expected May 2025).
- 12 The following table provides an expected joint timeline for the NFP FRF and Conceptual Framework: Not-for-Profit Amendments projects. The project timeline is informed by the following:
 - (a) the time and effort for the preparation of the staff analysis for the Board's redeliberations of its decisions reflected in the EDs;
 - (b) depending on stakeholders' feedback on the EDs, further deliberations by the Board on the direction of certain topics (particularly where stakeholders raise fresh issues or insights) and the potential re-exposure of proposals;
 - (c) time needed for any significant re-drafting of the draft Standards;
 - (d) whether the Board might decide to align the timing of issue of any final proposals regarding its Conceptual Framework: Not-for-Profit Amendments project with that of any final proposals arising from its NFP FRF project, consistent with its previous decision to align the timing of the issue of ED 334 and ED 335; and
 - (e) a Policy Impact Analysis (PIA) will need to be prepared with respect to the Board's final proposals. The impact of the Board's proposals to extend the population of general purpose financial report preparers as part of its Conceptual Framework: Not-for-Profit Amendments project is expected to be ameliorated by its NFP FRF project proposals. Therefore, the timing of significant decisions regarding that project will inform the PIA.
- 13 Staff expect the Board redeliberations to be significantly advanced by the end of Q4 2025, noting that the timeline is contingent on the factors above. At this time, staff anticipate that the issue of final pronouncements would be in Q1 of 2026.
- 14 Staff will assess and develop further details on the project milestones once the Board decides its next steps. Staff will continue to actively consider and make any necessary updates to the project timelines at each Board meeting.

MEETING	PROJECT MILESTONES
MAY 2025	Board to consider feedback and decide on the next steps for: <ul style="list-style-type: none"> • the NFP FRF project; and • the Conceptual Framework: Not-for-Profit Amendments project.
Q2 – Q4 2025	<ul style="list-style-type: none"> • Board to redeliberate the ED proposals • Conduct and complete a PIA for submission to the Office of Impact Analysis
Q4 2025 – Q1 2026	Draft and issue final pronouncements

Question to Board members

Do Board members have any comments on the project timeline presented in paragraph 14 above, or any other matters noted in this agenda paper?