

Explanatory Statement

Accounting Standard AASB 2026-X *Amendments to Australian Accounting Standards – Tier 2 Classification and Presentation*

[Month] 2026



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2026-X

This Standard makes amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020), AASB 18 *Presentation and Disclosure in Financial Statements* (June 2024) and AASB 108 *Basis of Preparation of Financial Statements* (August 2015) to align the presentation requirements in AASB 1060 for Tier 2 entities with those in AASB 18 for Tier 1 entities, and to provide not-for-profit public sector entities preparing Tier 2 general purpose financial statements (GPFS) the same presentation reliefs that are provided to not-for-profit public sector entities preparing Tier 1 GPFS.

Main Features of AASB 2026-X

AASB 18 *Presentation and Disclosure in Financial Statements* will replace AASB 101 *Presentation of Financial Statements* for reporting periods beginning on or after:

- (a) 1 January 2027 – for for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*); and
- (b) 1 January 2028 – for not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities applying AASB 1056.

AASB 18 introduces new requirements regarding the presentation of the primary financial statements, in particular the statement of profit or loss. These requirements differ significantly from those currently included in AASB 1060.

This Standard amends AASB 1060 to require a Tier 2 entity to present its financial statements in the same manner as Tier 1 entities. It achieves this by replacing or updating the presentation requirements in AASB 1060 with those from AASB 18, as necessary. However, the following two concessions have been retained for Tier 2 entities:

- (a) not having to present a third statement of financial position when the entity has applied an accounting policy retrospectively, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements; and
- (b) the option to present a statement of income and retained earnings in place of a separate statement of comprehensive income and a statement of changes in equity under certain circumstances.

This Standard further makes amendments to AASB 1060 to:

- (a) include relocated or replaced application guidance in a new Appendix B, and refer to this guidance in the main body of the Standard in the same way as in AASB 18;
- (b) the presentation requirements for the statement of cash flows;
- (c) delete certain paragraphs corresponding to paragraphs that were moved from AASB 101 to AASB 108 by AASB 18;
- (d) specify the requirements applicable to not-for-profit public sector entities in presenting the statement of profit or loss; and
- (e) permit 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 in the statement of 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.

Application Date

This Standard applies to annual periods beginning on or after 1 July 2030. Earlier application is permitted.

Marked-up Text

This Standard incorporates marked-up text to clearly identify some of 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

In September 2025, the AASB issued Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*, which was open for comment to 22 January 2026. In Section 2 of ITC 56, the AASB noted that AASB 18 *Presentation and Disclosure in Financial Statements* is introducing new presentation and disclosure requirements for primary financial statements for annual reporting periods beginning on or after 1 January 2027 (1 January 2028 for not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities applying AASB 1056 *Superannuation Entities*). The AASB asked whether AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* should be updated to align the presentation requirements with the AASB 18 requirements and, if so, what approach the AASB should take to incorporate those requirements.

Feedback received from stakeholders through 14 submissions on ITC 56, at roundtable events held in November 2025 and through other outreach generally supported consistent presentation requirements for the primary financial statements of Tier 1 and Tier 2 entities. They further encouraged the AASB to prioritise the necessary amendments to AASB 1060 to ensure Tier 2 entities could apply the new presentation requirements at the same time as Tier 1 entities.

The AASB agreed to fast-track the alignment of AASB 1060's classification and presentation requirements with those in AASB 18 and issued Exposure Draft ED 341 *Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18* in June 2026, which was open for comment to 24 August 2026. ED 341 covered only the amendments needed to maintain consistency of the classification and presentation requirements. The AASB received ten comment letters and 11 survey submissions in response to ED 341. The AASB also conducted a virtual roundtable in July 2026 that involved more than 60 attendees. After considering the feedback, the AASB decided to:

- (a) issue AASB 2026-X to finalise the ED 341 proposals largely as exposed; and
- (b) undertake further work to seek stakeholder feedback on whether they have any concerns related to the costs and benefits of classifying income and expenses into the three new categories (operating, investing and financing) under AASB 18, for both Tier 1 and Tier 2 NFP entities.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB 2026-X as the new requirements are not onerous for Tier 2 entities preparing financial statements under AASB 1060 and do not have material competition impacts or substantial impacts on people, businesses or community organisations.

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 sunset 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 sunset because a more stringent review process than sunset 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 sunset 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 – Tier 2 Classification and Presentation

Overview of the Accounting Standard

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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*.