

AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 242

9 October 2025

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 7 October 2025. At the meeting, the Board made key decisions in relation to:

[Conceptual Framework – Not-for-Profit Amendments](#)

[Not-for-Profit Private Sector Financial Reporting Framework \(Tier 3\)](#)

[Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities](#)

The Board also discussed the following topics:

[Post-implementation Review – IFRS 16 Leases](#)

[Climate-related Financial Disclosure](#)

[AASB Agenda Consultation](#)

Conceptual Framework – Not-for-Profit Amendments

The Board decided to no longer restrict the availability of the transitional relief applying to entities preparing financial statements that comply with Tier 2 Australian Accounting Standards – Simplified Disclosures to early adopters of an Amending Standard. The Board decided to finalise all other proposed amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* as exposed in ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*.

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Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

The Board continued the redeliberation of the proposals exposed in Exposure Draft ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*. The Board made the following decisions:

- (a) to finalise the proposals in Section 10: *Financial Instruments* as exposed, except to:
 - (i) specify that AASB 9 (or other relevant Standards) applies only to the more complex financial instruments and financial instruments not commonly held by Tier 3 entities listed in paragraph 10.3, such that the entity will be required to develop an appropriate accounting policy for other such financial instruments;
 - (ii) explicitly specify that an entity need not separately recognise and measure embedded derivatives;
 - (iii) no longer require the recognition of a commitment to provide a loan at a below-market rate;
 - (iv) amend paragraph 10.7(a) to clarify that all financial assets held to generate both income and a capital return for the entity are to be measured at fair value;
 - (v) amend paragraphs 10.12 and 10.13 to avoid the apparent inconsistency with fair value as described in Tier 1 and Tier 2 reporting requirements;
 - (vi) amend paragraph 10.16 so that the calculation of interest income and expense is not limited by the carrying amount of the financial asset or financial liability at the beginning of a period;
 - (vii) amend paragraph 10.21 to require an impairment loss to be measured as the difference between the asset's carrying amount and the estimated future cash flows receivable; and
 - (viii) amend paragraph 10.27 to clarify that separate disclosure is required of those fair value measurements that are based on a quoted price in an active market for an identical asset or liability;
- (b) to finalise the proposals in Section 20: *Revenue* as exposed, except to:
 - (i) include brief guidance that internal expectations communicated by an entity's management regarding the intended use of an asset received do not, on their own, give rise to a deferred revenue obligation if those expectations were formed and communicated after the asset has been received;
 - (ii) clarify in illustrative examples E, F and H that the 'common understanding' referred to in the examples exists regardless of whether the reporting entity has an enforceable obligation to provide the promised goods or services;

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- (iii) add an illustrative example of a charity that establishes a common understanding with donors when it raises donations for a specified appeal but also indicates that if greater funds are raised than needed for the intended purposes, the excess funds will be redirected to an alternative charitable purpose;
 - (v) clarify in the scope paragraph that sales of assets are revenue when they arise in the course of the entity's ordinary activities;
 - (vi) replace the reference to fair value as the initial measurement requirement for debtors with a reference to transaction price in paragraph 20.5; and
 - (vii) clarify that if a pledge has been made to the entity and is probable to result in an inflow of economic benefits, the disclosure requirements for contingent assets in paragraph 19.15 would apply to the pledge;
- (c) to finalise the proposals in Section 28: *Related Party Disclosures* as exposed;
- (d) to finalise the proposals in Section 29: *Transition to Tier 3 General Purpose Financial Statements* as exposed, except to:
 - (i) remove the option in paragraph 29.4 to grandfather the application of Tier 1 or Tier 2 accounting policies for any or all assets or liabilities existing on the date of transition to the Tier 3 Standard;
 - (ii) add an explanation that the date of transition will be the same date, regardless of whether Section 9 or Section 29 is applied, unless a Tier 3 NFP entity transitioning via Section 29 elects to present full comparative information in accordance with the Tier 3 Standard;
 - (iii) add a specific exemption for a parent entity first-time adopter of the Tier 3 Standard that elects to prepare consolidated financial statements and applies Section 29 may elect to apply Section 17 *Entity Combinations* on a prospective basis to entity combinations that occurred before the date of transition to the Tier 3 Standard;
 - (iv) extend the optional relief for entities selecting Section 9 on transitioning to the Tier 3 reporting requirements to apply a modified retrospective approach to correcting prior period errors, with the exemption available only on transition to the Tier 3 Standard; and
 - (v) extend the scope of the transitional provisions in para. 29.11(e) so that an entity may elect to present changes in the fair value of its investments in notable relationship entities and investments in associates and joint ventures in other comprehensive income at the date of transition to the Tier 3 Standard; and
- (e) to finalise the proposed amendments to AASB 1053 and AASB 1057 *Application of Australian Accounting Standards* as exposed.

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Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities

The Board approved publishing an Exposure Draft *Operating Cash Flow Reconciliation and Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities*. The Exposure Draft will propose modifying 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:
 - (i) require superannuation entities applying AASB 1056 *Superannuation Entities* to:
 - (A) present their statement of profit or loss in the format specified in AASB 1056 instead of the format specified in AASB 18, and 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
 - (B) classify and present expenses in accordance with AASB 1056 instead of applying the requirements in AASB 18 paragraph 78 and B80–B82.
 - (ii) require Not-For-Profit (NFP) entities in the private and public sectors to:
 - (A) refer to the common information needs of users of general purpose financial reports of NFP entities described in the *Conceptual Framework for Financial Reporting* when applying AASB 18; and
 - (B) when applying AASB 18 paragraph 78, consider what line items provide the most useful information to users of financial statements about the entity's operations or main activities, instead of considering what line items provide the most useful information about the main components or drivers of the entity's profitability as set out in AASB 18 paragraph B80(a);
 - (iii) provide policy choice for NFP public sector entities, including governments applying AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, to elect to not:
 - (A) classify income and expenses into the operating, investing and financing categories;
 - (B) consider the matters set out in AASB 18 paragraphs 78 and B80–B82 regarding determining how to use the characteristics of nature and function to provide the most useful structured summary of expenses; and

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- (C) disclose information about management-defined performance measures; and
- (iv) require governments to present their financial statements in the format specified in AASB 1049, and 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;
- (b) AASB 107 *Statement of Cash Flows* – to permit superannuation entities and NFP public sector entities to:
 - (i) classify interest paid and received and dividends received as cash flows from operating activities; and
 - (ii) use the profit or loss total reported in the statement of profit or loss as the starting point for the indirect method to report operating cash flows when the operating profit or loss subtotal is not reported in the statement of profit or loss;
- (c) AASB 1039 *Concise Financial Reports* – to amend paragraph 21 to align with terminology used in AASB 18 relating to the operating cash flow reconciliation;
- (d) AASB 1049 – to amend the following paragraphs:
 - (i) 14(f) to delete redundant text relating to dividends paid and instead to explain the effect of AASB 1049 paragraph 13 on the application of the proposed accounting policy choice regarding the classification of cash flows from interest paid and received and dividends received; and
 - (ii) 14(g) and 31(a)(ii) to align with terminology used in AASB 1058 *Income of Not-for-Profit Entities* and AASB 9 *Financial Instruments*, respectively;
- (e) AASB 1054 *Australian Additional Disclosures* – to amend paragraph 16 to modify the starting point to use in preparing the operating cash flow reconciliation; and
- (f) AASB 1056 – to require a superannuation entity to:
 - (i) present its 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); and
 - (ii) treat its statement of changes in member benefits as a primary financial statement for the purposes of applying the requirements set out in AASB 18.

The Exposure Draft is expected to be published shortly, with a 120-day comment period.

Post-implementation Review – IFRS 16 Leases

The Board deliberated its response to the IASB's Request for Information on Post-implementation Review of IFRS 16 *Leases*. The Board decided that, in its submission letter to IASB, it will express uncertainty about whether the objectives of IFRS 16 are fully met due to high compliance costs reported by stakeholders, reduced comparability of financial reports due to a significant level of judgement required in certain areas and the continued use of pre-IFRS 16 metrics in investor communication. The Board decided to recommend the following targeted improvements aimed at simplifying the Standard and reducing the application costs:

- (a) clarify in the Standard that continuous reassessment of the lease options is not required post lease commencement. Although this explanation is included in the Basis for Conclusions in paragraph BC185, incorporating it within the Standard would enhance the clarity of the requirements. In addition, clarifying what constitutes a significant change in circumstances would help to improve the understandability of the Standard;
- (b) remove the requirement to use the interest rate implicit in the lease, as this requirement has limited practical use. That the IASB should also provide guidance addressing whether using a parent's discount rate by its subsidiary is appropriate;
- (c) simplify the accounting for subsequent changes in lease payments due to a rate or index movement by recognising these changes directly in the income statement in the period they are incurred, rather than requiring remeasurement of the lease liability. Furthermore, that the IASB provides guidance or illustrative examples explaining how to reassess whether variable payments should be treated as in substance fixed after the lease commencement date.

To enhance the comparability of financial information and reduce the diversity in practice, the Board also suggests that IASB provides clarification for the following areas:

- (a) how to apply the unit of account concept in the context of IFRS 16;
- (b) sale and leaseback transactions, specifically, application of the control criteria, assessment of whether a financing component exists, impact of subsequent asset changes on the previous sale assessment and qualification of an asset constructed by the lessee for a sale;

The Board also suggests that the IASB considers feedback from the IFRS 16 PIR on the usefulness of information about lessees' lease-related cash flows during its currently ongoing Statement of Cash Flows project.

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Climate-related Financial Disclosure

AASB S2: Implementation Update

The Board received an update on implementation support and awareness raising activities related to AASB S2 *Climate-related Disclosures* performed during April to September 2025.

Proposed Amendments to AASB S2 – Amendments to Greenhouse Gas Emissions Disclosures

The Board received an update on the proposed amendments to IFRS S2 *Climate-related Disclosures* and AASB S2 *Climate-related Disclosures* on greenhouse gas emissions disclosures. This included a summary of Australian stakeholder feedback to ED SR2 *Amendments to Greenhouse Gas Emissions Disclosures – Proposed amendments to AASB S2* and monitoring of ISSB deliberations.

Staff will bring an updated paper to the Board in November for decision-making, including due process considerations.

AASB Agenda Consultation

The Board received an update on the 2027–2031 AASB Agenda Consultation and, after considering stakeholder feedback from the Phase 1 survey, decided to refine the approach to the consultation. The upcoming Invitation to Comment (ITC) will include open-ended and exploratory questions that invite stakeholders to share what matters most to them and why, rather than responding to a predefined list of topics. The Board also considered a decision-making framework designed to support a consistent and objective assessment of stakeholder feedback gathered during the consultation.

Recently Approved Documents

Since last reported (Action Alert, 21 August 2025), the Board has approved the following Standards, Exposure Drafts or other proposal documents:

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
September 2025	ITC 56 <i>Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Private Sector Entities and Further Update of Tier 2.</i>	22 January 2026

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Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ITC 55 Post-implementation Review of AASB 16 Leases	ITC 55	closed	15 October 2025
AASB	ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Private Sector Entities and Further Update of Tier 2.	ITC 56	22 January 2026	–

AASB Board Future Meeting Dates

20–21 November 2025

Next AASB Meeting

The Board is expected to address the following agenda items:

AASB Agenda Consultation
Climate-related and Other Uncertainties in the Financial Statements (Illustrative Examples)
Climate-related Financial Disclosures
Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)
Post-implementation Review of AASB 1059 <i>Service Concession Arrangements: Grantors</i>
Service Performance Reporting