



Project:	Application of AASB 18 and AASB 107 by Superannuation Entities and Not-for-Profit Entities	Meeting:	AASB June 2026 (M221)
Topic:	Editorial amendments to AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i>	Agenda Item:	8.3
		Date:	2 June 2026
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		Decision-Making:	High
		Project Status:	Consider ED 338 feedback

Objective of this agenda paper

- The objectives of this agenda paper are for the Board to:
 - consider** stakeholder feedback on the proposals in [ED 338](#) to make editorial amendments to AASB 1049 to align certain terminologies with recent Accounting Standards; and
 - decide** on whether to proceed with or amend these proposals.
- The abbreviations noted in the Cover Memo apply to this paper.

Background and overview of ED 338 proposals

- As outlined in paragraphs BC80–BC92 of ED 338, the Financial Reporting Council (FRC) undertook an independent post-implementation review (PIR) of AASB 1049 and AASB 1055 *Budgetary Reporting*.
- The PIR Report to the FRC included the following recommendations relating to AASB 1049:
 - no significant changes should be made to AASB 1049; and
 - consideration should be made to implementing minor changes to AASB 1049, AASB 1055 and supporting material to improve GAAP-GFS harmonisation, reduce cost or improve information for users.
- The FRC asked the AASB to consider the recommendations noted in the PIR Report. In the first half of 2025, the AASB undertook additional outreach with members of HoTARAC and ACAG-FRAC to obtain further information on the “potential improvements to AASB 1049 and AASB 1055” described in the PIR report (pages 30 and 31).

- 6 The AASB considered the PIR Report in August 2025 and decided to propose editorial amendments to the following paragraphs in AASB 1049 to better align terminologies with recent changes to Accounting Standards.¹
- (a) AASB 1049.14(f) – the explanation in AASB 1049.14(f) about the cash flow classification of dividends paid is redundant because, in accordance with AASB 107.33A, such items are required to be classified as financing cash flows. Therefore, in framing ED 338, the AASB decided to propose amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received.
 - (b) AASB 1049.14(g) – to refer to AASB 1058 *Income of Not-for-profit Entities* instead of AASB 1004 *Contributions* because AASB 1058 and AASB 15 *Revenue from Contracts with Customers* supersede the income recognition requirements previously contained in AASB 1004.
 - (c) AASB 1049.31(a)(ii) – to refer to the phrase ‘fair value through other comprehensive income’ instead of ‘available-for-sale’ to align with the terminology in the current AASB 9 *Financial Instruments*.
- 7 The ED 338 proposed editorial amendments to AASB 1049 are included in the [Appendix](#) for the Board’s reference.

Specific Matters for Comment in ED 338

- 8 ED 338 included Specific Matters for Comment (SMCs 27–28) seeking feedback from stakeholders on the proposed editorial amendments.
- SMC 27 Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.
- SMC 28 Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

Stakeholder feedback

- 9 Seven comment letters included responses to SMCs 27 and 28. They are: Deloitte, KPMG, CPA Australia (CPAA), Chartered Accountants Australia and New Zealand (CA ANZ), Australasian Council of Auditors-General (ACAG), BDO and Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC).
- 10 All seven comment letters agreed with the proposed amendments to AASB 1049. The following support was provided for the amendments.
- (a) Agreement with the reasons provided by the Board in the ED 338 Basis for Conclusions (ACAG) for proposing the amendments.

1 [AASB August 2025 Meeting Minutes \(M214\)](#).

AASB 1049.14(f)

- (b) The amendments address concerns around the interaction of AASB 18 with AASB 1049 (HoTARAC).
- (c) The amendments align with the accounting policy choice provided in proposed paragraph Aus34D.1 in AASB107 (Deloitte).
- (d) The amendments provide a technical clarification that improves consistency across standards, removes redundant references, supports alignment with GFS and budget frameworks, and reduces interpretive uncertainty for governments (KPMG, CPAA, CA ANZ and HoTARAC).

AASB 1049.14(g) and 31(a)(ii)

- (e) The amendments are uncontroversial housekeeping changes that update AASB 1049 to align with current Accounting Standards and terminology, improving clarity and internal consistency without raising public-sector-specific issues (Deloitte, CPAA, CA ANZ and HoTARAC).

Staff recommendation

- 11 Given all stakeholders agreed with the proposed editorial amendments to AASB 1049 in ED 338, staff recommend proceeding with making the amendments.

Question to Board members

Q1: Do Board members agree with the staff recommendation? If not, what do Board members suggest?

Appendix: ED 338 proposed editorial amendments to AASB 1049

ED 338 proposed the following amendments to AASB 1049.14(f)–(g) and 31(a)(ii) to align with recent Accounting Standards.

Compliance with Australian Accounting Standards and the ABS GFS Manual

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14 Examples of particular optional treatments in Australian Accounting Standards that paragraph 13 of this Standard has the effect of limiting, include:

...

(f) ~~dividends paid by entities within the PNFC sector and PFC sector that may be classified by those sectors as a financing cash flow or as a component of cash flows from operating activities under AASB 107. Because classification as a financing cash flow is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring classification of dividends paid as a financing cash flow under AASB 107, a not-for-profit public sector entity is permitted to classify interest paid as financing or operating cash flows and interest and dividends received as investing or operating cash flows. Because classification as an operating cash flow is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring classification of these items as an operating cash flow; and~~

(g) government grants accounted for by entities within the PNFC sector and PFC sector in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with paragraphs 52(b)(i) and 53 of this Standard, information about the PNFC sector and PFC sector disclosed for the whole of government is prepared in a manner consistent with the accounting policies adopted in the whole of government statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Therefore, the options in AASB 120 are not adopted and instead the principles in AASB 1058 *Income of Not-for-Profit Entities* ~~AASB 1004 *Contributions*~~ are applied.

...

Whole of government and GGS statements of comprehensive income

...

31 The following examples illustrate how the approach in paragraphs 30 and 30A applies to particular items:

(a) in both a whole of government and GGS financial reporting context, where GAAP and GFS both recognise the item in the reporting period:

...

(ii) changes in the fair value of financial instruments measured at fair value, that do not arise from undistributed interest or dividends, are classified as other economic flows, irrespective of whether the instruments are classified as 'fair value through profit or loss' or 'fair value through other comprehensive income' ~~'available for sale'~~;