Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Not-for-Profit Private Sector Financial Reporting Framework**	**Meeting:**	M213
Topic:	**Categorisation of the ED 335 proposals**	**Agenda Item:**	4.2
		Date:	15 April 2025
Contact(s):	Maggie Man mman@aasb.gov.au Jim Paul jpaul@aasb.gov.au Evelyn Ling eling@aasb.gov.au	**Project Priority:** **Decision-Making:** **Project Status:**	High High Project redeliberations

Objectives of this paper

1 The objective of this staff paper is for the Board to **consider** the staff's categorisation of the topics in ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* and **decide** which categories warrant more significant redeliberation efforts.

Background and reasons for bringing this paper to the Board

2 ED 335 was issued in October 2024 with a 4-month comment period closing on 28 February 2025. The exposure draft contained the Board's proposals for a Tier 3 Standard with simplified reporting requirements suitable for use by smaller not-for-profit (NFP) private sector entities. As detailed in Agenda Paper 4.3, staff conducted five virtual and in-person outreach sessions and staff attended other externally organised meetings where the Board's proposals were discussed. 12 survey responses and 18 written submissions were received directly to ED 335 and three written submissions to ED 334 containing feedback relevant to ED 335.

3 As mentioned in Agenda Paper 6.3 at the March 2025 meeting, staff proposed to adopt a similar categorisation approach to the Board's redeliberations of ED 335 whereby 'Category A' matters are addressed in a batch and more time is given to considering 'Category B' matters as outlined in paragraph 5 below. At that meeting, staff presented its preliminary categorisation of the topics/proposals based on the preliminary feedback up to 13 February 2025.

4 Staff developed this paper taking into account all feedback received on ED 335. Since the Board has already considered some of the preliminary categorisation, staff added the fourth column to reflect whether the preliminary categorisation presented previously at the March 2025 Board meeting has changed based on all the feedback received.

Categorisation of the ED 335 proposals for the purposes of future Board redeliberations

5 As per Agenda Paper 6.3 at the 6-7 March 2025 Board meeting, staff categorised the proposals/topics as either Category A or Category B:

(a) Category A (minor issues): Topics are included in this category where the feedback received to date suggests that the proposals are uncontentious; and

(b) Category B (significant issues): Topics are included in this category where the feedback received to date informs of further points for consideration such that it is unclear whether the Board proposals will be finalised in the manner exposed. While many stakeholders may have agreed with the Board's proposed Tier 3 reporting requirement, mixed views or substantive concerns were expressed on one or more particular aspects of the proposals.

6 The initial eight questions of ED 335 comprise a concise survey approved by the Board for inclusion in that ED at its September 2024 Board meeting. The concise survey focused on the approach to developing Tier 3 reporting requirements, significant simplifications, and the overall usefulness of financial statements if prepared in accordance with the Board's proposals. Agenda Paper 4.1 at this meeting will consider the feedback received on some of the specific matters for comment (SMCs) and general matters for comment with the staff analysis and recommendation for the Board's consideration whether to proceed with the NFP FRF project. Consequently, the staff's categorisation of topics for the extent of Board redeliberation efforts focuses primarily on the SMCs for questions 9 to 39, which address the proposed Tier 3 reporting requirements for each section of the draft Tier 3 Standard, and the amendments to other Australian Accounting Standards (SMC 40).

7 Table 1 below provides a summary of the stakeholder feedback for each topic discussed in Agenda Paper 4.3 and staff's categorisation of the topic noted in paragraph 5 above. The following terms have been applied in Table 1 to describe the proportion of the respondents who commented on a particular question or topic. The percentage calculations are determined only for those who responded to the question.

Term	**Extent of response among respondents**
Almost all	All except a very small minority (90% or over)
Most	A large majority, with more than a few exceptions (71%-89%)
Many	A small majority or large minority (31%-70%)
Some	A small minority, but more than a few (11%-30%)
Few	A very small minority (10% or less)

Table 1 High-level summary of feedback received on SMC 9 – SMC 38 for ED 335 and staff's analysis and categorisation of the topic

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
Q9) Section 1: Objective, Scope and Application	Most stakeholders agreed with the Board's proposals for the list of scoped-out topics and to require application of the Tier 2 requirements for those topics. However, some stakeholders disagreed with requiring entities to apply AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 141 *Agriculture,* and AASB 9 *Financial Instruments* and other applicable Australian Accounting Standards for complex financial instruments. They suggested the Board either develop simplified accounting requirements for these topics within the draft Standard or allow entities to develop their own accounting policies using the hierarchy approach outlined in Section 9 of the draft Standard. A few stakeholders preferred the draft Standard to be entirely self-contained, eliminating the need to apply Tier 2 requirements for 'scoped out' topics. One stakeholder also suggested including a summarised Conceptual Framework within the draft Standard. These stakeholders believe entities should apply the hierarchy approach to develop their own accounting policies for any transactions, other events or conditions not explicitly addressed in the draft Standard.	As stated in para. BC17 of ED 335, the Board previously considered that a stand-alone Standard containing Tier 3 reporting requirements cannot address the whole breadth of transactions, other events and conditions addressed by Tier 1 or Tier 2 Australian Accounting Standards (AAS). Including such extensive coverage would unnecessarily complicate the Tier 3 Standard with requirements irrelevant to many Tier 3 entities. As explained in para. BC18, the types of transactions, other events and conditions scoped out, for which entities would apply the Tier 2 requirements, would either be uncommon for Tier 3 entities or complex transactions warranting the application of requirements specified by existing AAS. Nevertheless, staff recognise the desire expressed by some stakeholders for a complete self-contained Standard. Given this feedback and the Board's focus on cost/benefit considerations in developing the Tier 3 Standard, as well as the aim to maintain simplicity, staff suggest that these proposals may need further examination during the Board's redeliberation process.	Category B	
Q10) Section 2: Financial Statement Presentation	Almost all stakeholders agreed with the Board's proposals for the components of financial statements to align with Tier 2 requirements. However, some stakeholders disagreed with requiring a statement of changes in equity (including where the statement of income and retained earnings could be presented) as it has less relevance to NFP entities. These stakeholders suggested that the information typically provided in the statement of changes in equity or details about reserves could instead be disclosed in the statement of financial position or notes thereto. Another stakeholder considered the presentation choices (such as a one- or two-statement approach in presenting a statement of profit or loss and other comprehensive income) increase the need for judgment and suggested the most used presentation method be the default method. Additionally, one stakeholder disagreed with requiring the financial statements to be presented in Australian dollars (AUD), proposing instead that presentation in AUD as a rebuttable	As stated in para. BC37 – BC39 of ED 335, the Board previously considered stakeholder concerns about the relevance of a statement of changes in equity. Some stakeholders consider that this statement might not be relevant for many Tier 3 entities as the only movement in equity for the reporting period would be profit or loss, and the information could be disclosed in the notes to the financial statements. However, the Board considered that a statement of changes in equity might help users assess the integrity of the financial statements and provide important information about the effects of changes in an entity's reserves (if any) in addition to adjustments to equity resulting from changes in accounting policies or corrections of errors. The Board's proposal to allow the presentation of a statement of income and retained earnings in certain circumstances already offers flexibility to provide an alternative to preparing a statement of changes in equity. Nevertheless, staff recognise the desire expressed by some stakeholders to simplify the presentation of the statement of changes in equity. Given the Board's overarching cost/benefit considerations, staff think it may be worth investigating whether an alternative presentation approach is to require a statement of income and retained	Category A	Category B

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	presumption, recognising some NFP entities operate internationally.	earnings as a rebuttable presumption unless the statement of changes in equity provides more useful information to users. Staff's analysis of the implications for the Board's redeliberation effort of the stakeholder's disagreement with presenting all Tier 3 financial statements in AUD is provided within the analysis of feedback on SMC 35 regarding Section 26: *Foreign Currency Translation*.		
Q11) Section 2: Statement of Changes in Equity	Most stakeholders agreed with the Board's proposal that the statement of changes in equity is required only under certain conditions. However, a few stakeholders disagreed with permitting the alternative approach (consistent with disagreeing with the requirement for a statement of changes in equity altogether).	As per staff considerations for SMC 10, given the recommendation of some stakeholders not to require a statement of changes in equity, staff think the Board should reconsider the proposed requirement to present that statement, including whether to specify the alternative approach of requiring a statement of income and retained earnings as a rebuttable presumption, to reduce the judgement needed to determine how to present changes in equity.	Category A	Category B
Q12) Sections 3 – 7: Presentation and Disclosure Requirements	Most stakeholders agreed with the Board's detailed proposals for presentation and disclosure requirements in Sections 3 – 7. However, a few stakeholders noted that the language expressed in Sections 3 – 7 could be expressed better and shortened, and provided various drafting/editorial suggestions. They also encouraged the Board to review the Tier 3 requirements with the finalisation of the revised IFRS for SMEs, and IFR4NPO Standard.	As stated in para. BC32 of ED 335, the Board decided to base the Tier 3 requirements for presentation and disclosure in financial statements on AASB 1060 as the starting point, with further simplifications. Despite receiving generally supportive feedback on the ED's proposals, having regard to the feedback, the Board may want to consider whether the drafting of these (and potentially other) sections should diverge from the text of AASB 1060, in advance of the forthcoming post-implementation review of AASB 1060.	Category B	
Q13) Sections 3 – 7: Guidance on presenting analysis of expenses	Most stakeholders generally found the existing guidance on presenting expenses by nature or function to be useful, as no negative feedback was received on this topic. However, some stakeholders suggested that the Tier 3 Standard should consider allowing a mixed approach for the analysis of expenses. They noted that AASB 18 *Presentation and Disclosure in Financial Statements* permits entities to present operating expenses by nature, by function, or using a mixed approach—whichever provides the most useful and structured summary of expenses. This flexibility, they argued, could also benefit Tier 3 entities.	Staff think any comprehensive changes to presentation and disclosure requirements to align with AASB 18 should not be implemented for Tier 3 NFP entities at least until the Board evaluates the impacts of adoption of AASB 18 for Tier 2 entities. However, staff think the Board should consider further whether its Tier 3 proposals should be modified to allow the analysis of expenses to be presented using a mixed approach.	Category B	
Q14) Section 8: Notable Relationships and Consolidated and Separate Financial Statements	Most stakeholders agreed with the Board's proposals, noting that control may not always be clear in the NFP space compared with for-profit entities, and a few stakeholders considered the proposals could lead to information that's easier for both preparers and users to understand. However, some stakeholders disagreed, raising concerns that the proposed option not to consolidate might:	As per para. BC48, the Board decided to allow an accounting policy choice to present consolidated financial statements. This decision was based on the expectation that few Tier 3 entities would be parent entities, and that disclosing key information about notable relationships could provide useful information to users without requiring an assessment of whether control exists.	Category B	

<table>
<tr><th>Topics</th><th>Overview of feedback received</th><th>Staff analysis of the redeliberation effort</th><th>Category presented in AP 6.3 at the March 2025 Board meeting</th><th>Category after considering all feedback received</th></tr>
<tr><td></td><td>obscure the financial information about the economic group, especially for certain sectors, such as indigenous corporations with associated trusts and controlled entities, which may face increased risks due to loss of information;
cause a lack of transparency for funding providers where some funders may provide excess funds to individual entities since they lack the economic group information. The procedure for consolidation is not complex once the entity determines whether the power criterion has been met; and
contradict the direction taken by the Board regarding Tier 2 requirements for ultimate Australian parent entities in the for-profit sector.
Additionally, some stakeholders that agreed with the proposals provided editorial suggestions/comments of clarification in respect of:
the requirement to measure all investments in notable relationship entities as a single class;
potential confusion arising from the use of the term “separate financial statements” in Section 8. This term is used to describe the financial statements of an individual entity that elected not to present consolidated financial statements, as well as those that a parent presents in addition to consolidated financial statements;
whether cross-referencing Appendix E: NFP Implementation Guidance in AASB 10 Consolidated Financial Statements may be helpful; and
making the choice whether to present consolidated financial statements an ‘accounting policy choice’ would make changing the choice from year to year too difficult.</td><td>However, feedback has indicated that some proposed requirements in this section may not be clearly written. Additionally, staff have identified further opportunities to improve the clarity of the proposed requirements through drafting revisions.

Given that these proposals represent a major difference from other reporting Tiers, staff believe the Board should reconsider whether and how the structure of this section can be better presented. This reconsideration would aim to enhance clarity and ensure consistent understanding and application of the requirements by Tier 3 entities.</td><td></td><td></td></tr>
<tr><td>Q15) Section 9: Accounting Policies, Estimates and Errors</td><td>Many stakeholders, primarily preparers, agreed with the Board’s proposals. However, some stakeholders, mainly auditors and advisors, raised concerns about the proposals to neither require nor permit corrections of prior period errors to be made to comparative information presented for prior periods. These concerns, similar to feedback previously received on the DP, include:</td><td>Staff note that in developing the proposed requirement to require prior period errors to be accounted for on a modified retrospective basis, the Board had already taken many of the concerns raised into account. However, given the mixed feedback received and the strong preference expressed by many stakeholders to allow the correction of prior period errors, staff believe the Board's redeliberation of its Section 9 proposals may need to be more comprehensive, including an evaluation of potential alternative approaches.</td><td colspan="2">Category B</td></tr>
</table>

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	• potential for auditors to include an emphasis of matter paragraph highlighting that comparative information contained an error that was not corrected; • some preparers already correct comparative period information as part of good governance and should be allowed to continue. These preparers were not concerned about the costs of 're-opening' the prior period financial information; and • potential increased cost of educating staff about inconsistencies with existing Tier 1/Tier 2 requirements; and • little to no cost savings or simplification benefit if corrections require quantification as an opening adjustment, and disclosure of the error's nature is required. Some stakeholders suggested allowing voluntarily retrospective correction of material errors as an alternative approach. One stakeholder suggested that the hierarchy approach should require consideration of Tier 1/Tier 2 requirements first rather than considering the Tier 3 requirements dealing with the same or similar transaction, other event or condition.			
Q16) Section 10: Financial Instruments – list of basic financial instruments	Most stakeholders agreed with the Board's proposed list in Section 10 of financial assets and financial liabilities arising from basic financial instruments or financial instruments identified as commonly held by Tier 3 entities. However, some stakeholders argued for the inclusion of certain financial instruments classified in ED 335 as complex or uncommon. Additionally, stakeholders expressed mixed views about the decision not to make the list of basic or commonly held financial instruments exhaustive. Some noted that doing so might unnecessarily require entities to apply AASB 9 for financial instruments that are highly similar but not explicitly included in the list of basic or commonly held financial instruments.	Staff think that it is unlikely that any significant redeliberation of the existing financial instruments identified as basic or commonly held financial instruments will be required. However, staff think the Board may want to reconsider whether the Tier 3 Standard is intended to apply only to the identified basic or commonly held financial instruments, or also to complex or uncommon financial instruments, as some stakeholders have expressed again the desire for the Standard to be self-contained (see also the feedback on SMC 17). As such, staff have categorised this topic as Category B.		Category B
Q17) Section 10: Financial Instruments – list of complex financial instruments	Most stakeholders agreed with the Board's proposals for the composition of the example list of financial assets and financial liabilities arising from financial instruments identified as complex or less commonly held by Tier 3 entities in Section 10. However, a few stakeholders noted that financial guarantees, commitments to provide a loan at a below-market interest rate	As noted in BC65, the Board proposed including a list of basic or commonly held financial instruments and requiring Tier 2 requirements for more complex or uncommon financial instruments. This approach was chosen as the simplest way to provide clarity for smaller NFP entities, given the expected limited complexity and range of financial instruments typically held by entities applying this Standard. However, given the desire by some stakeholders for an entirely self-contained Standard and the complexities of applying AASB 9, staff think the Board's complex or		Category B

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	and other acquired equity instruments may be common for certain NFP entities, including smaller entities. Additionally, a few stakeholders considered requiring smaller NFP entities to apply AASB 9 for complex financial instruments would impose unnecessary complexity. They suggested a simpler approach, proposing that all financial instruments not classified as basic or commonly held to be measured at fair value, aligning with existing Tier 3 requirements for certain financial instruments. However, other stakeholders argued that including such a requirement in the Tier 3 Standard would be inadequate without providing detailed guidance on its application (e.g. how to measure the fair value of an unlisted convertible note). They noted that adding this guidance would increase the length and complexity of the Tier 3 Standard.	uncommon financial instrument proposals may require more investigation as part of the Board redeliberation process, including: (1) to explore whether the basic financial instruments list should be extended; and (2) to review whether stakeholder concerns about directing entities to AASB 9 should – or can – be ameliorated.		
Q18) Section 10: Financial Instruments – recognition, measurement and disclosure requirements	Most stakeholders agreed with the Board's proposed requirements in Section 10 for the recognition, measurement and disclosure of financial instruments except that a few stakeholders, as well as providing some editorial suggestions, disagreed with some aspects of the proposals including: • the irrevocable election to measure changes in fair value through other comprehensive income for financial assets acquired or originated by an entity to generate both income and a capital return should be: ○ made on an individual financial instrument basis rather than by class of asset basis; or ○ an accounting policy choice, since entities can change their investment portfolio. • requiring fair value for certain financial instruments (e.g. unlisted equity instruments or financial assets acquired or originated by the entity to generate income and a capital return) can create non-proportionate costs when there is no active market and suggested including an exception to fair value measurement; and • expensing transaction costs when incurred; they preferred such costs be recognised as an asset/liability subject to amortisation.	Despite receiving supportive feedback to date on the ED proposals, staff have identified certain aspects of the proposals for which staff, on reflection, think the drafting could be extended to avoid possible interpretation issues. In addition, staff note a review of the proposed requirements may be warranted depending on the Board's decisions on the treatment of complex financial instruments.	Category B	

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
Q19) Section 11: Fair Value Measurement	All stakeholders agreed not to diverge from the known fair value concept, but a few stakeholders suggested guidance to be added to, or removed from, the final Standard as follows: • additional guidance on fair valuing heritage assets; • removing guidance on the prohibition of adjusting the market price for transaction costs and on transport costs (unless further guidance is provided on when these costs may be relevant); and • additional guidance on the application of the cost approach and the concept of economic obsolescence for non-financial assets held by Tier 3 entities. Only one stakeholder disagreed in principle with any proposed requirements of Section 11; they disagreed with the proposal in para. 11.7 that an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that it is highly probable a different use by market participants would maximise the value of the asset. They stated this contradicts recent changes to AASB 13 for the public sector specifying current use should be the default rather than needing to consider market participants' potential use of the asset.	Based on the feedback, staff think some redeliberations are needed to consider whether further simplifications in the form of removing guidance on whether to consider transaction costs and transport costs when assessing an asset's fair value while balancing stakeholders' desire not to diverge from known fair value concepts in AASB 13. In addition, staff think consideration should be given to whether the simplified guidance in para. 11.7 reflects faithfully the NFP public sector guidance on the rebuttable presumption that a non-financial asset's current use is its highest and best use.	Category A	**Category B**
Q20) Section 12: Inventories	Almost all stakeholders agreed with the Board's proposed requirements in Section 12 for the recognition, measurement and disclosure of inventories. However, a few stakeholders disagreed with allowing an accounting policy choice to initially measure donated inventories at cost or current replacement cost (CRC) and preferred that CRC or fair value be required unless impracticable. In addition, a few stakeholders suggested further clarification and/or illustrative examples to be provided, including: • whether the accounting policy choice for donated inventory is available for each separate donation; • allowing entities to choose the broader fair value measurement basis rather than CRC as in the public sector, it may be challenging to apply CRC in some circumstances. Illustrative examples of estimating and applying CRC would be useful;	The Board previously considered INPAG's approach to initial inventory measurement in Agenda Paper 4.2 at its March 2024 Board meeting but rejected the approach because there will still be a requirement for entities to measure the fair value of donated inventory at the time the assets are used or distributed. Given the feedback seems to relate more to providing further guidance or examples rather than considering whether further simplifications can be provided, staff do not think it is likely any significant redeliberation of the proposals will be required.	Category A	

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	• examples of what is meant by service potential, physical obsolescence and economic obsolescence; and • impairment requirements for inventories may need to be reviewed. One of those stakeholders also noted that the Standard does not directly reference the term 'net realisable value' and would prefer that the Tier 3 Standard maintains language consistent with terms already established in practice. They also suggested considering for the Tier 3 requirements the exceptions for the recognition and initial measurement of inventories developed by INPAG.			
Q21) Section 13: Investments in Associates and Joint Arrangements	Almost all stakeholders generally agreed with the Board's proposals in Section 13, with only one stakeholder (auditor) commenting that the breadth of measurement policy choices adds complexity and might make comparability of financial statements difficult and add cost to auditors. Some stakeholders that agreed considered further simplification and guidance or clarification is needed, including for: • the interaction of Section 8 proposals with Section 13 and the relevance of Section 13 for entities that elect not to present consolidated financial statements and whether some repositioning of requirements may improve the readability of Section 8 and Section 13. If Section 13 applies to those entities that elect not to present consolidated financial statements, then they disagree with allowing the equity method to measure investment in associates and joint ventures. While another stakeholder considers the equity method should be applied, which aligns with their disagreement with the accounting policy choice not to present consolidated financial statements; • with respect to the equity method, further simplifications could be considered, such as: ○ removing the requirement to eliminate unrealised profits or losses from upstream and downstream transactions to the extent of the investor's ownership	Based on the feedback, staff think some redeliberations are needed to consider whether further simplifications could be included in the equity method. Given the interaction of the requirements in Section 8 being categorised as Category B, staff think the Board should also consider whether restructuring is also needed in Section 13 jointly with consideration of Section 8.	Category A	**Category B**

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	interest, as the IASB is proposing similar simplification in ED 333 *Equity Method of Accounting*; and ○ requiring transaction cost to be expensed instead of being included in the initial recording of the consideration paid for the equity investment in an associate or a joint venture; and • joint operations through a separate vehicle, unless the exclusion of the guidance is intentional.			
Q22) Section 14: Investment Property and Section 15: Property, Plant and Equipment	Almost all stakeholders generally agreed with the Board's proposals for Section 14 and Section 15. However, a few stakeholders considered investment property is not a commonly held asset of smaller NFP entities and should instead be removed from the Tier 3 Standard. Two stakeholders disagreed with allowing an accounting choice to initially measure donated investment property and property, plant and equipment (PPE) at cost and preferred the fair value method be required unless impracticable. Some stakeholders that generally agreed with the proposals disagreed with certain aspects or considered further clarification needed for: • Land and buildings to be classified as a single class to align with Tier 2 requirements rather than classifying them separately; • Limiting the review of depreciation rates and useful lives to the limited circumstances listed when there can be many other reasons why they can change for PPE; • What constitutes an NFP entity's dependence on donations of PPE warranting disclosure of that information; and • Whether Section 15 applies to investment property for which entities have chosen the cost basis, suggested clarifications in the scope paragraph, and possible improvements to cross-referencing of disclosure requirements	As per para. BC 108 – BC 111 of ED 335, the Board previously considered stakeholder feedback that not requiring the fair value of donated non-financial assets would result in the omission of important information relating to philanthropy especially if the reporting of such amounts is required by the ATO for certain charities. However, the Board ultimately decided its proposals in the ED that obtaining fair value is difficult and costly for smaller NFP entities (as supported by some stakeholder feedback on SMC 23) and its proposal is balanced with disclosures that would provide information to users about these assets and consistent with its decisions to simplify lease accounting (i.e. not requiring Tier 3 entities to recognise right-of-use assets). The Board also previously considered whether to scope out investment property in the Tier 3 Standard but ultimately decided its proposals in the ED to continue to include addressing investment property at the September 2024 Board meeting (refer to minutes). This decision was based on the reasons presented in Agenda Paper 3.1 at the September 2024 meeting including that almost all stakeholder feedback received on DP proposals to align with Tier 1/Tier 2 for the accounting of investment properties without needing to refer entities to the requirements outside the Tier 3 Standard and that some smaller NFP entities do in fact hold investment properties. Given the feedback seems to relate more to providing further guidance or examples rather than considering whether further simplifications can be provided, staff do not think it is likely any significant redeliberation of the proposals will be required.	Category A	
Q23) Sections 14,15 and 16 Cost to obtain the fair value	Stakeholders have generally indicated that determining the fair value of donated non-financial assets can be challenging and costly, particularly in relation to the resources available to the entity. However, they have acknowledged that certain assets,	As supported by stakeholder feedback, obtaining fair value measurement continues to be a costly process, potentially diminishing the available funds for NFP entities, especially for smaller NFP entities. The feedback aligns with the Board's rationale outlined in para. BC 108 – BC 111 of ED 335, which acknowledges the challenges and	*There is no categorisation on SMC 23 because it supports the analysed feedback on SMC 22*	

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
of donated non-financial assets	such as properties or vehicles, are relatively straightforward to value. These assets typically represent significant donations where the benefits of obtaining fair value are expected to outweigh the costs involved. In contrast, other assets like artworks, buildings with usage restrictions, or heritage buildings often require professional valuers to determine their fair value, adding complexity and expense to the process. However, another stakeholder has noted that smaller NFP entities are not significantly concerned with the cost of obtaining the fair value of significant donated assets, given the market values are often useful for governance reasons.	expenses smaller NFP entities face in determining fair values. Taking into account cost/benefit considerations, staff think that the proposed disclosures can sufficiently provide valuable information about these entities without imposing undue burden on NFP entities.		
Q24) Section 16: Intangible Assets	All stakeholders generally supported the Board's proposals in Section 16. However, some stakeholders suggested further simplification by removing the revaluation model from the requirements, citing the inherent complexity of such measurement and the resulting reduction in debate and engagement required with auditors regarding the appropriateness of carrying and determining intangible assets at fair value. One stakeholder also considered further simplification to require separately acquired in-process research and development to be expensed immediately, consistent with internally generally intangible asset requirements. They also suggested requiring disclosures of unrecognised intangible assets that, in management's opinion, represent material value to the reporting entity. Only a few stakeholders that generally agreed, had concerns with the following aspects: • one stakeholder preferred that donated intangible assets be measured at fair value unless impracticable; and • one other stakeholder considered limiting the useful life of indefinite-life intangible assets, such as trademarks, may not always be appropriate and preferred that management's best estimate be allowed even if it exceeds 10 years (however, two written submissions explicitly supported the Board's proposal).	As per para. BC93 of ED 335, the Board decided to simplify the requirements for intangible assets to proposed in the ED, amongst other simplifications, that the useful life of all indefinite-lived intangible assets will be assessed as finite based on management's best estimate, but not exceeding ten years. This decision was made at the June 2024 Board meeting (refer to meeting minutes and Agenda Paper 3.3 at the June 2024 meeting). The Board considered that requiring an annual calculation of the recoverable amount of goodwill or other indefinite-lived intangible assets is onerous for smaller NFP entities because of the expertise and cost involved. The Board also noted that the useful life of indefinite-lived intangible assets based on management's best estimate but not exceeding ten years is based on other jurisdictions with similar requirements, including the IFRS for SMEs, after considering cost-benefit reasons (refer to BC108 - BC112 of the IFRS for SMEs ED) and to help management reduce judgement in estimating useful life. As such, staff think the Board's simplification provides the ideal cost/benefit balance. However, given the feedback from other stakeholders, staff think some redeliberations are needed to consider whether further simplifications can be provided, such as removing the revaluation model or requiring/allowing the immediate expensing of cost of separately acquired in-process research and development.	Category A	**Category B**

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
Q25) Section 17: Entity Combinations	Most stakeholders generally agreed with the proposals in Section 17 but many of these stakeholders disagreed with some aspects of the Board's proposals, namely: • deeming the combination date as the beginning of the reporting period would conflict with applying faithfully the concept of control might create assurance concerns, such as the need to include operations, and potential difficulties accessing financial records, of acquirees for a period preceding the acquirer gaining control of the acquiree; • requiring the fair value of material assets and liabilities without a carrying amount recorded in accordance with Australian Accounting Standards would be onerous for acquirees as it necessitates distinguishing donated assets from fully amortised assets or those arising from transitional relief on the transition to Australian Accounting Standards via AASB 1. Additionally, this requirement appears inconsistent with existing proposals to allow donated non-financial assets to initially be measured at cost; Some stakeholders requested further guidance such as: • adding a description of 'an entity' or adding guidance for when an asset or a liability may not have been recognised in accordance with Australian Accounting Standards, or when fair value cannot be measured reliably; and • to signal that the amount included directly in equity for the difference between the carrying amount of the consideration paid and the carrying amount of the net assets recognised in the combination should be presented in a separate reserve line item rather than absorbed within other reserves such as retained earnings.	Given the stakeholders' concerns about the deemed combination date and the requirement that the fair value of material assets be recorded without a carrying amount in accordance with Australian Accounting Standards, staff think the Board will need to redeliberate those proposals, noting the potential interactions of the deemed combination date proposals with the control concept requirements in Section 8.	Category B	
Q26) Section 18: Leases	Many stakeholders generally agreed with the Board's proposals in Section 18 except stakeholders had mixed views on whether further simplifications should be provided for the recognition of lease expenses and lease income using the same pattern as the pattern of cash flows from the lease, with the result that no lease assets or lease liabilities would be recognised. In particular, those that supported recognition on a cash basis for lease payments see it as a better reflection of the transaction	While the feedback is generally supportive, staff think there may be further simplification and/or clarifications that the Board could consider in Section 18 as suggested by the stakeholder feedback.	Category B	

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	and simpler to apply. However, the opposing view is that the proposals strike the right balance between simplifying the requirements and applying the principles of accrual accounting, noting that the Board did not propose a cash basis for a wide range of other items, including general expenses. • A few stakeholders raised concerns about requiring a fixed increase in minimum lease payments to be taken into account without considering CPI increases. Some stakeholders suggested further guidance be developed on the method of separating the cost of insurance and maintenance as part of a lease and further clarification on treating upfront lease incentives that can be cash or non-cash; and • Another stakeholder similarly argued that if a multi-period lease has a rent escalation clause over its term, the expense/income recognised by the lessee/lessor should increase in each successive period spanned by the lease term, rather than being smoothed over the lease term.			
Q27) Section 19: Provisions and Contingencies	Almost all stakeholders generally agreed with the Board's proposals in Section 19 except some stakeholders considered the requirements are unclear for: • the measurement of provisions at an undiscounted amount. In contrast with the ED's proposals for employee benefit provisions, Section 19 does not specify clearly that no discounting is required. A stakeholder considered further clarification is needed. The relevant basis for conclusions should also be reviewed; and • the requirements to take into account current information about conditions existing at the end of the reporting period for measuring provisions. There is a lack of clarity about this outside large assurance providers. The current information requirement is currently interpreted by experienced preparers/advisors as including all data that is available to the entity but may not yet have been assessed for information content to produce a reliable estimate. They suggested including interpretative guidance to clarify the application of the requirement.	Given the feedback seems to relate more to providing further guidance or examples rather than considering whether further simplifications can be provided, staff do not think it is likely any significant redeliberation of the proposals will be required.	Category A	

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
Q28) Section 20: Revenue	Most stakeholders generally agreed with the Board's proposals in Section 20 with three stakeholders commenting that the ED proposals were adequate without further changes. However, some stakeholders expressed concerns with the requirements that further clarifications or examples are needed, such as for: • a "common understanding" versus funds that are provided for general operations, and possible confusion on the extent of detail/specifics of the common understanding needed to meet deferral requirements, could result in similar issues as those arising from the 'sufficiently specific' criteria in AASB 15. They suggested adding either further examples to provide further clarity or guidance to address some scenarios that are the subject of confusion; • whether internal expectations and decisions about the use of the funds communicated to the grantor after receipt are sufficient to establish a common understanding; • whether to include or exclude the rights to perpetual assets such as land from meeting common understanding for deferral purposes; • scope paragraphs – these need to be reviewed as the drafting appears to exclude certain sales of assets from being recognised as revenue; and • capital grants may not have been adequately dealt with. Only a few stakeholders disagreed with the proposals and expressed concerns about: • whether liabilities could exist without enforceability of the commonly understood undertaking (see para. 20.9 of the ED); • whether there might be tax consequences for the donor (e.g. an ancillary fund) if the recipient (e.g. a charity) defers revenue recognition; • possible education/transition cost to learn the new requirements, which might affect staff retention; and • some preparers have transitioned to, and are already familiar with, the existing Tier 2 requirements.	While the feedback to date is generally supportive of the proposals, in view of the concerns about clarity regarding the 'common understanding' proposal and the suggested further guidance or examples, staff think the Board's revenue proposals may require more investigation as part of the Board redeliberation process. This might include consideration of whether certain aspects of the IPSASB's finalised revenue recognition model (in IPSAS 47 *Revenue*) are substantively different from the options already considered by the Board or might complement the ED 335 proposals.	Category B	

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	Some of these stakeholders suggested either to align with Tier 1/Tier 2 requirements or suggested considering whether the IPSASB's revenue recognition model, using the binding agreement principle, would be better than the proposals.			
Q29) Section 20 – no guidance on variable consideration or significant implicit financing components	All stakeholders supported not including guidance on variable consideration or significant implicit financing components as it would add complexity to the Tier 3 requirements and accounting for them is not expected to be common practice for Tier 3 NFP entities.	Given the feedback, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Category A	
Q30) Section 21: Expenses	All stakeholders supported the proposals in Section 21 with a stakeholder noting that they would not support a cash basis for expense recognition.	Given the feedback, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Category A	
Q31) Section 22: Borrowing Costs	All stakeholders supported the proposals in Section 22 with a stakeholder noting the proposals would not impact users' understanding.	Given the feedback, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Category A	
Q32) Section 23: Impairment of Assets	Almost all stakeholders agreed with the Board's proposals in Section 23. However, stakeholders requested additional indicators of impairment and clarification of various aspects, including: • one stakeholder suggested further guidance may be needed on physical obsolescence (i.e. physical obsolescence is referenced in illustrative examples for assessing loss of service potential only); • one stakeholder suggested including legislation/policy changes as an additional indicator, given such policy changes may adversely affect market environments. Similarly, another stakeholder suggested including changes in the entity's technological, legislative or market environment as additional indicators; • one stakeholder suggested additional guidance to avoid significant losses of value of intangible assets from failing to qualify as impairment losses; and	Although the general approach of Section 23 was widely supported by stakeholders, various application issues were raised – these appear to warrant redeliberation of some detailed requirements and guidance proposed in Section 23 (including the adequacy of the requirements/guidance).	Category A	Category B

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	• one stakeholder suggested clarification of when impairments are assessed at an individual asset level or a cash-generating unit level.			
Q33) Section 24: Employee Benefits	Almost all stakeholders agreed with the Board's proposals in Section 24 but a few stakeholders indicated that not factoring future pay increases into provisions for employee benefits is not clear, even though the basis for conclusions states this.	Given the feedback relates to clarification only, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Category A	
Q34) Section 25: Income Taxes	All stakeholders agreed with the proposals in Section 25, noting that income tax would not significantly impact the majority of NFP entities, as they generally do not pay tax. Two stakeholders provided additional suggestions to enhance the proposals. One suggested considering whether additional disclosures should be required for any unused tax losses available to offset future taxable income. Another stakeholder recommended that the Standard clearly state that deferred tax assets and deferred tax liabilities are not recorded, to avoid any confusion.	Given the feedback relates to clarification and possible additional disclosures only, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Category A	
Q35) Section 26: Foreign Currency Translation	Most stakeholders generally agreed with the proposals, i.e. all except two, who disagreed with mandatorily presenting the financial statements in Australian dollars (as per the response of one of them to SMC 10). Both disagreeing stakeholders argued for a requirement to translate foreign currency amounts back to the functional currency, which may or may not be AUD, as many NFP entities operate in multiple jurisdictions. One of those disagreeing stakeholders stated that they agreed with the proposed requirement to translate the amounts back to the functional currency.	The Board developed its ED proposals on the requirements for foreign currency translation based on its proposals in the Discussion paper, where almost all stakeholders supported aligning the requirements with the New Zealand Tier 3 requirements where para. A24 of the New Zealand Tier Standard specifies that all amounts shall be presented in New Zealand dollars. However, given the feedback, the staff thinks the Board should redeliberate whether the Tier 3 Standard should include requirements or guidance on the functional currency given the concerns that some NFP entities may operate in other jurisdictions.	Category A	Category B
Q36) Section 27: Events Occurring after the Reporting Period	All stakeholders agreed with the proposals in Section 27, noting that the requirements are consistent with Tier 2 reporting requirements, and they are well understood in practice. Two stakeholders provided editorial suggestions to improve the clarity of the requirements.	Given the feedback requested clarification only, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Category A	
Q37) Section 28: Related Party Disclosures	Most stakeholders agreed with the Board's proposals in Section 28, with some acknowledging that smaller NFP entities may only have one member of key management personnel, which may lead to privacy concerns if disclosure of their compensation is required; hence, not requiring key management personnel (KMP) compensation disclosures is an exemption already	As per para. BC125, the Board decided that disclosures would not be required for donations from related parities unless evidence indicates the donations could influence the entity's activities or use of resources as these types of transactions are unlikely to influence the pursuit of the separate independent interest of the Tier 3 entity, and other jurisdictional frameworks provide a similar exemption for these types of related transactions. In addition, as a form of further simplification, the	Category A	Category B

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
	provided by the ACNC in those circumstances. However, a few stakeholders disagreed or were unsure about the proposal. In particular, a few stakeholders considered KMP compensation disclosures are likely to be of interest to users of financial statements, and if entities are currently providing the information as part of their legislative requirements, then they would consider it appropriate to simply include the requirement within the Tier 3 Standard. A few stakeholders also noted that judgement might be required to determine whether a donation could influence an entity's activities or use of resources. They consider it may be simpler to require disclosure of material donations from all related parties without exception.	Board decided not to require KMP disclosures, noting that relevant legislation or regulations may still require KMP disclosures for certain Tier 3 entities. However, given the mixed feedback received and the strong preference expressed by many stakeholders to require KMP disclosures, staff believe the Board's redeliberation may need to be more comprehensive.		
Q38) Section 29: Transition to Tier 3 General Purpose Financial Statements	Most stakeholders agreed with the Board's proposals in Section 29, except some stakeholders disagreed with allowing entities the option to continue to apply all related Tier 1 or Tier 2 requirements to some or all assets or liabilities existing on the transition date. These stakeholders considered such an approach would add complexity and cause confusion for preparers and users. A few stakeholders also commented that the Section is not clearly drafted and is difficult to understand.	As per para. BC129, some stakeholders indicated that Tier 3 NFP entities may have selectively applied some AAS, such as AASB 16 *Leases* and may prefer to continue their existing accounting policies to minimise any transition cost. Additionally, the unwinding of lease assets or liabilities could significantly impact the balance of equity. However, in view of the stakeholder feedback about possible confusion for preparers and users, staff consider the Board should redeliberate whether to retain the proposal to allow continued application of Tier 1/Tier 2 requirements to some or all assets and liabilities existing on the transition date in the transitional provisions. Staff have also identified further drafting opportunities to improve the clarity of the proposed requirements.	Category B	
Q39) Appendix A: Glossary of Terms	Many stakeholders expressed general agreement with Appendix A: Glossary, approving the approach of cross-referencing definitions to the main body of the draft Standard rather than providing full definitions within the glossary itself. However, some of these supportive stakeholders noted that certain terms were missing and suggested their inclusion. Only two stakeholders disagreed with the Glossary's approach, arguing that it was not helpful to merely duplicate content from the Standard's body without providing complete definitions. These dissenting stakeholders pointed out that other Australian Accounting Standards typically include full definitions of terms rather than cross-references to the main text. Despite this minor disagreement, the consensus among stakeholders was in favour of the proposed glossary structure.	Given that the feedback generally concerns adding more definitions to the glossary, staff think that it is unlikely that any significant redeliberation of the proposals will be required.	Not presented at March 2025 meeting	Category A

Topics	Overview of feedback received	Staff analysis of the redeliberation effort	Category presented in AP 6.3 at the March 2025 Board meeting	Category after considering all feedback received
Q40) Appendix C: Amendments to other Australian Accounting Standards	All stakeholders generally agreed with the amendments to other Australian Accounting Standards, except two stakeholders provided the following suggestions for the Board to consider: • framing the definition of a Tier 3 entity as one where legislation, the constituting or other document permits application of the Tier 3 framework, to prevent larger NFP entities from adopting the Tier 3 framework until regulators/legislation introduce thresholds for Tier 3; and • an interim or transitional mechanism as amendments within AASB 1053 to specify which entities should be able to prepare Tier 3 financial statements until such time legislation/regulation specifies thresholds for Tier 3.	As noted in Agenda Paper 4.1 at this meeting, the Board had previously considered similar feedback received on its Discussion Paper where a few stakeholders advocated some interim thresholds to be included in the transitional provisions to specify which entities can prepare Tier 3 GPFS. The Board had also considered other approaches when developing the ED as outlined in Agenda Paper 3.4 at its 6-7 June 2024 Board meeting on whether it should develop some guidance such as quantitative and qualitative factors to act as 'soft boundaries' to support NFP entities when considering whether the Tier 3 Standard would be appropriate for them in case the legislation and other requirements would permit but not require them to adopt the Tier 3 Standard. However, the Board rejected providing guidance because the Board considered it may add another layer of complexity and confusion that small NFP entities may have to consider with legislative and regulatory requirements. It may also extend the time to consult on the factors. Ultimately, the Board decided to reiterate its views that, as a standard setter, its role is not to, nor does it have the ability or legislative power to, develop financial reporting thresholds in AAS as per para. BC7 (see meeting minutes of June 2024 Board meeting). At its September 2024 Board meeting, the Board also considered the definition of a Tier 3 entity as part of the amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010) and decided not to describe a Tier 3 entity as 'entities that qualify as Tier 3 entities under the relevant legislative requirements'. This is because using such a phrase or similar could prohibit valid entities from applying the Tier 3 reporting requirements unless and until those requirements are formally recognised in some manner by the relevant legislation. This will also prevent entities from early adopting the Standard if the legislation/regulation does not make the necessary changes by the time the Standard is finalised and issued, contrary to the Board's decision at its June 2024 Board meeting to permit early application of the Tier 3 Standard.	Not presented at March 2025 meeting	Category A

Question to Board members:

Do Board members agree that the categorisation in Table 1 accurately represents the extent of the Board's redeliberation efforts, as informed by the collated feedback on ED 335 outlined in Agenda Paper 4.3?