



Australian Government

Australian Accounting Standards Board

# Application of AASB 18 *Presentation and Disclosure in Financial Statements* by NFP private sector entities and universities

16 April 2026





## Polling question 1

Please indicate the type of organisation you represent.





## What have we heard so far on ED 338 and ITC 56?

- **Superannuation entities:** Most respondents supported ED 338 proposals → require primary financial statements to be presented in **AASB 1056 formats** rather than AASB 18 formats & retain **accounting policy choice on dividends and interest cash flows**
- **For-profit public sector entities:** Most respondents supported ED 338 proposals → require application of AASB 18 and revised AASB 107 **without modification**
- **NFP public sector entities (excl. universities):** Most respondents supported ED 338 proposals → **accounting policy choices** on some AASB 18 requirements & on **dividends and interest cash flows** → Most respondents supported providing the **same accounting policy choices to Tier 2 GPFS**



## ED 338 Feedback regarding private NFP & universities

Topic	Stakeholder feedback
<b>Statement of profit or loss presentation</b>	<ul style="list-style-type: none"><li>• All 9 letters indicated that there is <b>no evidence</b> to support exemption from the requirement</li><li>• 5 of these indicated clarification and guidance are needed on:<ul style="list-style-type: none"><li>→ <b>Categorisation of grants and donations</b></li><li>→ <b>Specified main business activity</b></li></ul></li></ul>
<b>Management-defined performance measures (MPMs)</b>	<ul style="list-style-type: none"><li>• 7 letters indicated <b>no modification warranted</b></li><li>• 1 letter <b>explicitly recommends exemption</b> of MPM</li><li>• 1 letter noted <b>mixed views</b> and raised concerns on compliance burden &amp; auditability</li></ul>



## Today's objective

- Seek further input regarding **NFP private sector entities** and **universities**
- Focus on the application of the **statement of profit or loss categorisation** requirements, including:
  - **categorisation of grants and donations, and related investments and cash flows**
  - **specified main business activity (SMBA)**

Please complete survey or email us  
([standard@asb.gov.au](mailto:standard@asb.gov.au)) by Friday, 24 April

MPMs





## Polling questions

Q1	NFP private sector entities	} Option to <u>not</u> express a view
Q2	Universities	

The polling questions used in today's sessions are **framed differently** from the "Questions for stakeholders" in the staff paper. They are designed to facilitate discussion on a topic → assist in providing feedback to AASB through the **survey**

Feedback will be used to assess the application of AASB 18 requirements by these entities preparing Tier 1 and Tier 2 GPFS



# Income and expenses categories

**Operating =**  
All income  
and  
expenses  
not  
classified in  
other  
categories

## Investing

[AASB 18.53 & 54] Income and expenses from:

- investments in associates and JV
- cash and cash equivalents
- other assets if they generate a return individually and largely independently of the entity's other resources (e.g. investment property, debt/equity investments)

Activities outside of SMBA

## Financing

[AASB 18.59-61] Income and expenses from:

- liabilities that arise from transactions that involve only the raising of finance
- **changes in interest rates and discount unwind** from liabilities that arise from transactions that do not involve only the raising of finance [AASB 18.B54]



## Common income and expense items [p. 5 of staff paper]

<p>Operating</p> <p><b>(All income and expenses not classified in other categories)</b></p>	<ul style="list-style-type: none"><li>• Revenue from customers</li><li>• <b>Income arising from donations (incl. capital grants and donated assets)</b></li><li>• <b>Donation expense</b></li><li>• Employee related expenses</li><li>• Depreciation of property, plant and equipment</li><li>• Gain/(loss) on disposal of property, plant and equipment</li><li>• Amortisation of right-of-use assets</li></ul>
<p>Investing</p>	<ul style="list-style-type: none"><li>• <b>Interest income from cash and cash equivalents</b></li><li>• Net gains (losses) on investments</li><li>• Share of profit (losses) on investments accounted for using the equity method</li><li>• Depreciation of investment property</li><li>• Gain (loss) on disposal of investment property</li></ul>
<p>Financing</p>	<ul style="list-style-type: none"><li>• Borrowing costs</li><li>• <b>Interest expense</b></li><li>• <b>Income and expenses arising from changes in interest rates on liabilities relating to employee benefits, provisions, leases etc.</b></li></ul>



## What have we heard so far?

- Concerned that AASB 18 categorisation might **obscure** charitable-based performance
- There is ambiguity for categorising grants and bequests under paragraphs 53 and 54 of AASB 18
- Concerned that GPFs preparers may default to a “principal activities = operating” mindset, rather than **operating as a default category** required by AASB 18

But overall, so far **no evidence** has emerged to support exempting from the requirement to categorise income and expenses into the operating, investing, and financing categories



# AASB 18.53 and 54

## The investing category

- 53 Except as required by paragraphs 55–58 for an entity that has a specified main business activity, an entity shall classify in the **investing category** income and expenses specified in paragraph 54 **from:**
- (a) investments in associates, joint ventures and unconsolidated subsidiaries (see paragraphs B43–B44);
  - (b) cash and cash equivalents; and
  - (c) other assets if they generate a return individually and largely independently of the entity's other resources (see paragraphs B45–B49).
- 54 The income and expenses from the assets identified in paragraph 53 that an entity shall classify in the investing category comprise the amounts included in the statement of profit or loss for (see paragraph B47):
- (a) the income generated by the assets;
  - (b) the income and expenses that arise from the initial and subsequent measurement of the assets, including on derecognition of the assets; and
  - (c) the incremental expenses directly attributable to the acquisition and disposal of the assets – for example, transaction costs and costs to sell the assets.



# AASB 18.53 and 54 (donated assets and capital grants)

## Tentative staff view

Income from **initial recognition** of donated assets & from the unwinding of a liability relating to capital grants = **operating** [p.6-7 of staff paper] → not income from:

- investments in associates, joint ventures or unconsolidated subsidiaries (AASB 18.53(a));
- cash and cash equivalents → AASB 18.53(b) refers to income **from** cash and cash equivalents, not the receipt of cash or a cash equivalent itself;
- assets that generate a return individually and largely independently of the entity's other resources → AASB 18.53(c) refers to income **from** such assets, not the receipt of the asset itself



## Donated assets classification

**Tentative staff view:** Income classification **on receipt** of donated asset is **operating** regardless of whether the donated asset comes with a stipulation that it must be used as an investment and only the investment earnings can be used for operating purposes

Donated asset received	Subsequent classification of related income/expenses
Cash and cash equivalents	Interests – <b>investing</b>
Shares	Gains/losses – <b>investing</b>
Investment property	Depreciation, gains/losses on disposal – <b>investing</b>
Property, plant and equipment	Depreciation, gains/losses on disposal – <b>operating</b>



# Comments regarding donated non-cash assets & capital grants

As mentioned in p. 7 of the staff paper, stakeholders commented:

- income from **initial recognition of donated non-cash assets & from the unwinding of a liability relating to capital grants** may be considered **non-recurrent** transactions → be classified as investing and **excluded** from the “operating profit” subtotal → provide a clearer indication of an NFP entity’s underlying operating performance
- in contrast, some other stakeholders are against classifying such income as investing because some universities and large charities might regularly receive donated non-cash assets and capital grants

**Tentative staff view:** **No conceptual reasons** why income from donated non-cash assets and capital grants should be classified differently from other donations (as operating) → Recurrent vs non-recurrent is not a principle in AASB 18 in PL categorisation



## Poll 2 [Q4 in staff paper]: Income from donated assets & capital grants

Assume no SMBA, what would be most appropriate?

Recognise income from **initial recognition** of donated **non-cash** assets & from the unwinding of a liability relating to capital grants in:

- a) Operating category;
- b) Investing category; or
- c) Financing category?





# Comments regarding earnings from donated assets

**Generally**, stakeholders support AASB 18 requirement to classify investment earnings as **investing**

As mentioned in p. 7 of the staff paper, a few stakeholders commented in the last roundtable:

- investment earnings from donated assets that **will be/required to be used for charitable purposes** → more appropriate to classified as **operating** (departure from AASB 18), as charitable expenses are operating

**Tentative staff view:** **No conceptual basis** for departing from AASB 18 as for-profit entities might also use investment earnings to fund operating expenses



### Poll 3 [Q5 in staff paper]: Earnings from donated assets

Assume no SMBA, what would be most appropriate?

- a) Per **AASB 18 unmodified**, investment earnings to be categorised as investing and donation expense as operating;
- b) Donation income, investment earnings and donation expense to be shown as a separate category in the PL and offsetting each other, and include this category **within** the “operating profit” subtotal;
- c) Donation income, investment earnings and donation expense to be shown as a separate category in the PL and offsetting each other, and include this category **outside** the “operating profit” subtotal; or
- d) Other approach (please specify).





## Assume no SMBA:

Operating	<ul style="list-style-type: none"><li>• Income arising from donations (incl. capital grants and donated assets)</li><li>• Donation expense</li></ul>
Investing	<ul style="list-style-type: none"><li>• <b>Interest income from cash and cash equivalents</b></li><li>• Net gains (losses) on investments</li></ul>
Financing	<ul style="list-style-type: none"><li>• <b>Interest expense</b></li><li>• <b>Income and expenses arising from changes in interest rates on liabilities relating to employee benefits, provisions, leases etc.</b></li></ul>

### Poll 4 [Q3 in staff paper]: Separating items relating to liabilities

Any significant concerns about categorising **interest income and expenses** relating to liabilities arising from transactions that do not involve only the raising of finance (e.g., lease interest expense) as **financing**, while classifying the related **non-interest income and expenses** (e.g., amortisation of the right-of-use asset) as **operating**?

### Poll 5 [Q1 & Q2 in staff paper]: Specific items

Other than the matters discussed in Polls 2-4, any significant concerns about categorising items specified in AASB 18.53-54 as investing and items specified in AASB 18.59-61 as financing? For example, the classification of **interest income and interest expense**.



## Entities with SMBA

- 49 To classify income and expenses in the operating, investing and financing categories, an entity shall assess whether it has a **specified main business activity** – that is a main business activity of (see paragraphs B30–B41):
- (a) investing in particular types of assets, referred to hereafter as investing in assets (see paragraph 53);  
or
  - (b) providing financing to customers.
- 50 Applying paragraphs 55–58 and 65–66, an entity with a specified main business activity classifies in the **operating category** some income and expenses that would have been classified in the investing or financing category if the activity were not a main business activity.



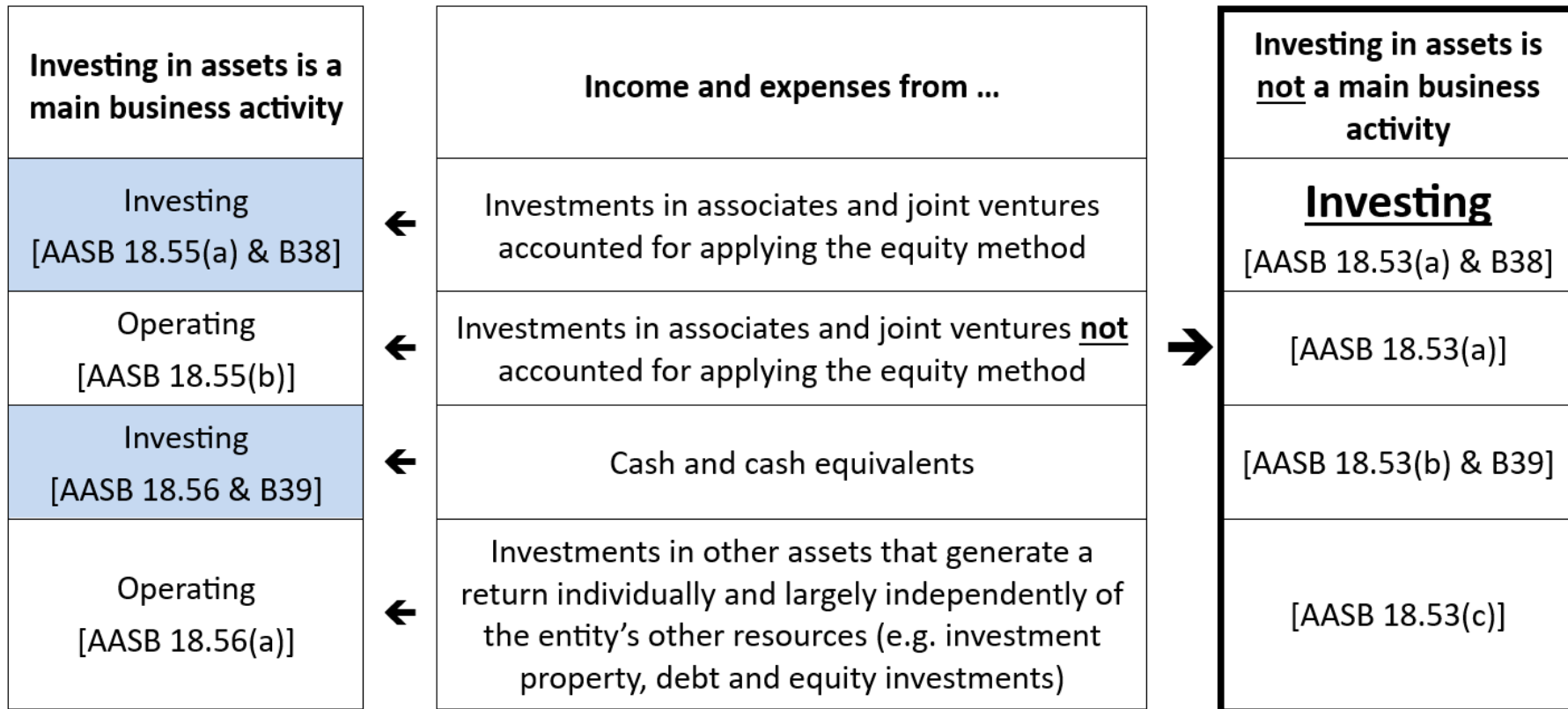
## Determining whether an entity has an SMBA

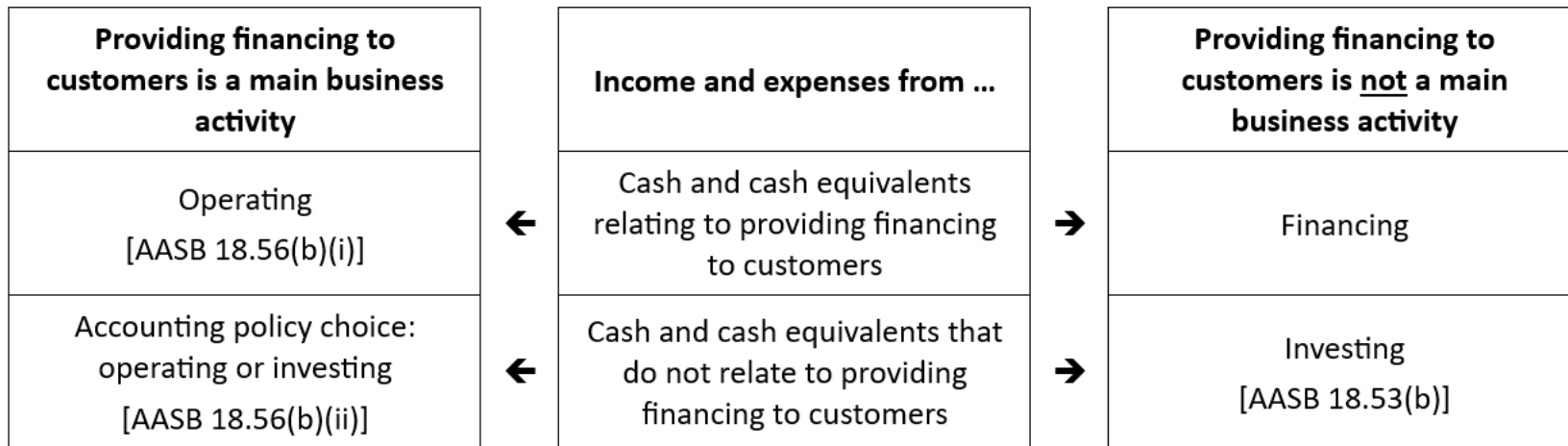
In general, investing in assets or providing financing to customers is **likely to be** a main business activity of an entity → if it uses a particular type of **subtotal** relating to investing or financing as an **important indicator of operating performance**.

Important indicators of operating performance might be subtotals that:

- Help explain operating performance externally; or
- Assess or monitor operating performance internally.

[AASB 18.B34–B35]







## What have we heard so far?

- *Charities Act 2013* → to be recognised as a charity, an organisation must have **only charitable purposes** that are for the public benefit → **conceptually, can a charity have an SMBA?**
- NFPs may have multiple “main” activities (charitable purpose + funds management) → uncertainty about whether investing would constitute a SMBA **when funds are invested to support charitable activities?**
- Risk of **inconsistent classification** outcomes across similar entities

### Tentative staff view:

- **Conceptually**, if investing or financing is an important indicator of operating performance → SMBA
- There **may be benefits** for requiring NFP entities to classify such investing or financing items as operating

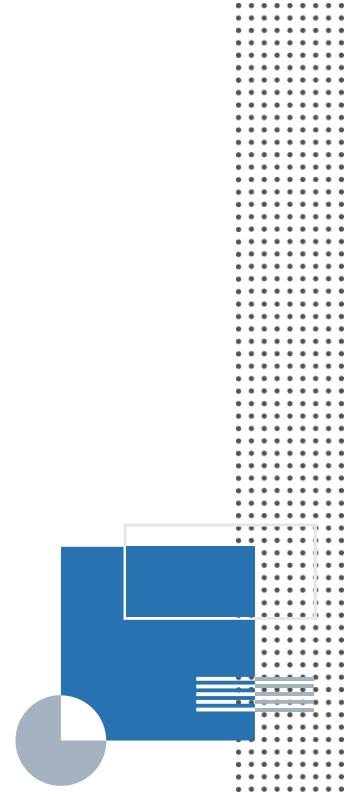


**Poll 6 [Q6 & Q7 of staff paper]** : To **promote consistent presentation** of income and expenses, which of the following approaches would be most appropriate?

Approach	Effects
(a) <b>Exempt</b> from determining whether an NFP entity has an SMBA	Remove the ability to classify investing or financing items as operating
(b) Require SMBA assessment, but <b>provide specific criteria</b> to assist an NFP entity in that assessment	Risk of inconsistent classification outcomes across similar entities, subject to how the criteria are applied
(c) Require an NFP entity to classify all income and expenses (including investment and financing items) <b>relating to their charitable purposes as operating</b>	Given that charities can only have charitable purposes, this could result in all items being classified as operating → undermining the AASB 18 categorisation requirements
(d) <b>Exempt</b> from categorising income and expenses into the operating, investing and financing categories	No change from current presentation → entities to determine relevant line items and subtotals
(e) Other approach (please specify)?	



# Dividends and interest cash flow classification





**Proposed requirement  
for NFP private &  
Universities**

## Dividend and interest cash flows

	Current classification choices in AASB 107	Department of Education Guidelines	AASB 18 requirements	ED 338 proposal for other NFP public sector entities
<b>Dividends paid</b>	Operating or financing	Operating	Financing [AASB 107.33A]	Financing
<b>Dividends received</b>	Operating or investing	Operating	Investing* [AASB 107.34A(b)]	Operating or investing
<b>Interest paid</b>	Operating or financing	Operating	Financing [AASB 107.34A(a)]	Operating or financing
<b>Interest received</b>	Operating or investing	Operating	Investing* [AASB 107.34A(b)]	Operating or investing

\*if the entity's main business activities includes investing this would be classified in operating.



## What have we heard so far? [p.11 of staff paper]

- Conceptually, aligning cash flow classifications with the corresponding categories in the statement of PL could **improve the usefulness of GPFS**
- However, if dividends and interest received are regarded as ultimately used to support an NFP entity's core objectives → it might be more appropriate to classify the related cash inflows and outflows as **operating cash flows**



## Poll 7 [Q9 of staff paper]: Dividend and interest cash flows

### What would be most appropriate?

- a) Require NFP private sector entities/universities to classify dividends and interest paid as financing and dividends and interest received as investing **in accordance with the revised AASB 107**; or
- b) Retain the current **accounting policy choice** for classifying dividends and interest cash flows as operating cash flows.





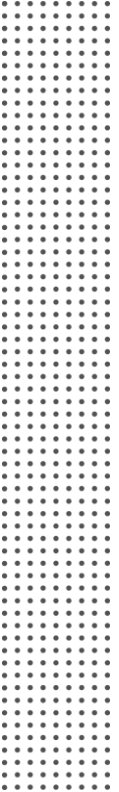
## Next steps



**Complete survey** due by Friday, 24 April; or



**Email to** [standard@asb.gov.au](mailto:standard@asb.gov.au)





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