



# Conceptual Framework: Not-for-Profit Amendments

## Project summary

The objective of this project is to apply the *Conceptual Framework for Financial Reporting* to not-for-profit entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards.

To satisfy its objective, the AASB intends to extend the application of the *Conceptual Framework for Financial Reporting* to all not-for-profit entities and make limited not-for-profit modifications to the document.

ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* exposes the AASB's proposals relating to this project. As part of extending the application of the *Conceptual Framework* to all not-for-profit entities, ED 334 proposes the supersede of Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* and amends the applicability of Australian Accounting Standards (via amending AASB 1057 *Application of Australian Accounting Standards*) to include more not-for-profit entities. More not-for-profit entities will be required to prepare general purpose financial statements if ED 334 proposals are finalised as drafted.

## Project contacts

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**Project priority:**  
**High**

## Issued documents

ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* (October 2024)

## Project status

Redeliberation of ED 334 proposals

## Other

- Approved project plan
- *Conceptual Framework for Financial Reporting*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*
- Discussion Paper *Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)* (September 2022)
- Consultation Paper ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* (May 2018)

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

**Issued documents****Project status****Other**

- For-Profit Phase 2: Adopt RCF and Remove SPFS for Certain For-Profit Private Sector Entities project summary
- Not-for-Profit Private Sector Financial Reporting Framework project summary
- ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* (October 2024)
- Key Facts: Proposals to require more not-for-profit entities to prepare GPFS, and for simpler Tier 3 GPFS requirements

**AASB outreach**

- ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* (October 2024)
- AASB webcast on ED 334 and ED 335 proposals
- AASB Discussion Paper *Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)* (September 2022)

**Board deliberations**

- AASB Action Alert Update and AASB Board papers

**AASB communications**

- AASB News (31 October 2024)
- AASB Staff FAQ: Replacing the reporting entity concept and removing the option for special purpose financial statements (October 2018)

**Latest project news**

Date	News
2 May 2025	<a href="#">May 2025 Action Alert</a> At its May 2025 meeting, the AASB decided to continue the project and begin redeliberations on the proposals in ED 334.
12 March 2025	<a href="#">March 2025 Action Alert</a> At its March 2025 meeting, the AASB received an update of the preliminary feedback received on ED 334.
30 October 2024	<a href="#">AASB News Developing a Simpler Reporting Framework for NFP Entities in Australia – Exposure Drafts Released for Feedback</a> ED 334 and ED 335 are issued for comment by 28 February 2025.
10 September 2024	<a href="#">September 2024 Action Alert</a> At its September 2024 meeting, the AASB reviewed a draft Exposure Draft and, amongst other matters, made decisions regarding disclosures to require in the special purpose financial statements of not-for-profit private sector entities.
12 June 2024	<a href="#">June 2024 Action Alert</a>

## Latest project news

	At its June 2024 meeting, amongst other matters, the AASB made decisions pertaining to a scope exemption and transitional provisions.
<b>13 March 2024</b>	<a href="#">March 2024 Action Alert</a> At its March 2024 meeting, amongst other matters, the AASB directed staff to continue developing an exposure draft of its proposals.
<b>15 September 2023</b>	<a href="#">September 2023 Action Alert</a> At its September 2023 meeting and as part of its discussions on its Not-for-Profit Private Sector Financial Reporting Framework project, the AASB made decisions relevant to a revised conceptual framework for not-for-profit entities.
<b>8 August 2023</b>	<a href="#">Agenda Paper 3.1 of the AASB August 2023 meeting</a> signalled the AASB staff intention to bring analysis and recommendations regarding not-for-profit modifications to the <i>Conceptual Framework for Financial Reporting</i> and SAC 1 <i>Definition of the Reporting Entity</i> to future AASB meetings.
<b>5 May 2023</b>	<a href="#">May 2023 Action Alert</a> At its April 2021 meeting and as part of its discussions on its Not-for-Profit Private Sector Financial Reporting Framework project, the AASB made decisions relevant to a revised conceptual framework for not-for-profit entities.
<b>27 September 2022</b>	The AASB issues <a href="#">Discussion Paper Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)</a> . The Discussion Paper sought feedback on certain aspects that have implications for the Board's Conceptual Framework: Not-for-Profit Amendments project.
<b>22 April 2021</b>	<a href="#">April 2021 Action Alert</a> At its April 2021 meeting and as part of its discussions on its Not-for-Profit Private Sector Financial Reporting Framework project, the AASB made decisions affecting the timing of a revised conceptual framework for not-for-profit entities.
<b>18 September 2020</b>	<a href="#">September 2020 Action Alert</a> At its September 2020 meeting, the AASB made decisions on not-for-profit modifications to make to the <i>Conceptual Framework for Financial Reporting</i> as part of Stage 1 of its project.
<b>12 June 2020</b>	<a href="#">June 2020 Action Alert</a> At its June 2020 meeting, the AASB approved a project plan for its Conceptual Framework: Not-for-Profit Amendments project.
<b>March 2020</b>	The AASB issues AASB 2020-2 <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i> . The Standard extends the applicability of Australian Accounting Standards to a broader set of for-profit private sector entities, through amending the <i>Conceptual Framework for Financial Reporting</i> (May 2019) and Australian Accounting Standards.
<b>May 2019</b>	The AASB issues the <i>Conceptual Framework for Financial Reporting</i> and AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i> , applicable to for-profit private sector entities that have public accountability and are required by legislation to comply with

## Latest project news

	Australian Accounting Standards. Other for-profit entities may voluntarily elect to apply the pronouncements.
<b>February 2019</b>	<a href="#">February 2019 Action Alert</a> At its February 2019 meeting, the AASB reconfirmed its decision to progress the for-profit project in advance of the NFP project to improve the financial reporting framework.
<b>September 2018</b>	<a href="#">September 2018 Action Alert</a> At its September 2018 meeting, the AASB decided to address improvement of the not-for-profit financial reporting framework, including adoption of the IASB's revised conceptual framework document for not-for-profit entities, as a separate project.
<b>May 2018</b>	The AASB issues Consultation Paper ITC 39 <i>Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems</i> .
<b>December 2017</b>	The AASB considered how to approach incorporating a revised IASB <i>Conceptual Framework for Financial Reporting</i> into the Australian accounting framework.

## AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
<b>May 2025</b>	The Board considered the feedback received on Exposure Draft ED 334 <i>Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements</i> . The Board decided to continue the project and begin redeliberations on the proposals in ED 334. No specific decisions were made.
<b>March 2025</b>	The Board received an update on the projects, including a preliminary summary of the feedback received to date from outreach activities on AASB ED 334 <i>Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements</i> and ED 335 <i>General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities</i> . ED 334 incorporates proposed amendments to the <i>Conceptual Framework for Financial Reporting</i> to add limited Australian guidance for NFP entities. No decisions were made.
<b>September 2024</b>	<p>The Board reviewed a draft ED on extending the application of the <i>Conceptual Framework for Financial Reporting</i> to certain NFP entities and limiting their ability to prepare special purpose financial statements. The Board made the following key decisions regarding the proposals to be included in the ED:</p> <ul style="list-style-type: none"> <li>(a) to amend the application clauses of Australian Accounting Standards to extend the scope of the Standards to NFP entities that will be within the scope of the <i>Conceptual Framework for Financial Reporting</i>;</li> <li>(b) with respect to NFP entities, to amend AASB 1054 <i>Australian Additional Disclosures</i> to require only NFP private sector entities that are required only by a constituting document or other document to prepare financial statements that comply with Australian Accounting Standards to disclose the following information in special purpose financial statements, where prepared:               <ul style="list-style-type: none"> <li>(i) the entity is an NFP entity;</li> <li>(ii) the financial statements are special purpose financial statements and the basis on which they have been prepared; and</li> </ul> </li> </ul>

- (iii) information to help users understand the extent to which the financial statements are consistent with the recognition and measurement requirements set out in Australian Accounting Standards, including information about material accounting policies and changes in those policies; and
- (c) to extend paragraph 20A of AASB 1053 *Application of Tiers of Australian Accounting Standards* so that NFP entities that currently do not present consolidated financial statements in their Tier 2 general purpose financial statements on the basis that neither the parent nor the group is a “reporting entity” will be able to apply either AASB 1 *First-time Adoption of Australian Accounting Standards* or Tier 2 reporting requirements directly using the requirements in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in presenting their first consolidated financial statements in their Tier 2 GPFS.

The Board decided the ED will have a comment period of at least 120 days and delegated the finalisation and approval of the ED to a sub-committee.

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**June 2024**

With respect to its project on extending the application of the *Conceptual Framework for Financial Reporting to NFP entities*, the Board decided:

- (a) not to amend paragraphs 6.55 and 6.56 of the Conceptual Framework for Financial Reporting regarding non-financial liabilities arising in conjunction with non-financial assets held primarily for their service potential for application by NFP entities;
- (b) to propose exempting from its application proposals those NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended before the effective date of the amendments;
- (c) that no additional transitional provisions, beyond those in AASB 1, are necessary to assist NFP entities currently preparing SPFS to prepare Tier 1 GPFS; and
- (d) to propose early application relief for a NFP entity currently preparing SPFS that will prepare, for the first time, Tier 2 GPFS following implementation of the Board’s proposals, with an optional exemption from:
  - (i) restating the comparative financial statements;
  - (ii) providing certain comparative note disclosures; and
  - (iii) distinguishing corrections of errors and changes in accounting policies.

The Board considered a working draft of an exposure draft and decided to retain, substantially unamended, the current approach of identifying the entities to which the *Conceptual Framework for Financial Reporting* applies and including AusCF paragraphs in various Australian Accounting Standards.

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**March 2024**

The Board discussed its approach to revising the conceptual framework for not-for-profit entities and decided to focus the project on extending the application of the *Conceptual Framework for Financial Reporting* to not-for-profit entities.

The Board decided that a revised *Conceptual Framework for Financial Reporting* would apply to both private sector and public sector not-for-profit entities and confirmed its previous decisions on the not-for-profit modifications to propose for the *Conceptual Framework for Financial Reporting*.

The Board directed staff to continue developing an exposure draft of its proposals.

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**September 2023**

The Board decided to include the following proposals or approaches in the Tier 3 Exposure Draft:

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- (e) a single Conceptual Framework should apply to not-for-profit entities reporting under any tier of Australian Accounting Standards.

**August 2023**

The Board noted the updated project timeline and decided to form a subcommittee to support the development of the Tier 3 Exposure Draft.

Extract from paragraph 12 of Agenda Paper 3.1 Staff Paper: ED development timeline:

*In conjunction with the timeline for Tier 3 Exposure Draft below, staff will bring the analysis and recommendations in relation to required amendments of related pronouncements to future meetings, such as:*

- (a) *amendments to relevant accounting standards and other pronouncements (e.g. SAC 1) to remove the ability of certain not-for-profit entities to prepare special purpose financial statements under Australian Accounting Standards; and*
- (b) *amendments to the Conceptual Framework for Financial Reporting to incorporate the necessary not-for-profit modifications based on the Framework for the Preparation and Presentation of Financial Statements and further informed by the feedback on the DP.*

**May 2023**

The Board considered a preliminary analysis of the feedback received on the Discussion Paper *Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)* and decided to proceed with the development of an Exposure Draft on:

- (a) a Tier 3 Accounting Standard with simplified accounting requirements for smaller not-for-profit private sector entities; and
- (b) removing the ability of certain not-for-profit entities to prepare special purpose financial statements under Australian Accounting Standards. ...

**April 2021**

The Board decided that a discussion paper on a possible differential financial reporting framework for not-for-profit (NFP) private sector entities will propose:

- (a) the withdrawal of SAC 1 *Definition of the Reporting Entity* for NFP private sector entities and the amendment of AASB 1053 *Application of Tiers of Australian Accounting Standards*, to remove the option for such entities to prepare special purpose financial statements; and
- (b) that, subject to due process, these steps should take effect concurrently with:
  - (i) Stage 1 of the Board's updated Revised Conceptual Framework for NFP entities – to avoid simultaneous application of two different concepts of a 'reporting entity' by the same entities; and
  - (ii) the Board's differential reporting requirements for NFP private sector entities – to make Tier 3 reporting requirements available immediately, where applicable, for those entities preparing general purpose financial statements for the first time.

In the discussion paper, the Board will also consult on the cross-cutting issues that could result in NFP modifications of its Revised Conceptual Framework, such as:

- (a) which parties should be identified as the primary users of general purpose financial reports of NFP private sector entities; and
- (b) whether the objective of general purpose financial reporting by NFP private sector entities should give greater emphasis to stewardship (or accountability).



## AASB Action Alert Update, Minutes and Board Papers

<b>September 2020</b>	<p>The Board considered feedback from its Conceptual Framework Project Advisory Panel on an initial draft of amendments to its <i>Conceptual Framework for Financial Reporting</i> to enable application of the Conceptual Framework by not-for-profit entities.</p> <p>The Board reaffirmed its tentative decision to progress the project in two stages, with the scope and timing of the second stage to be determined in due course based on further research and outreach. The Board noted that the timing of applying the Conceptual Framework to not-for-profit entities will be determined by the Board's project to develop a financial reporting framework for not-for-profit private sector entities.</p> <p>To develop not-for-profit amendments to the Conceptual Framework for public consultation, the Board tentatively approved:</p> <ul style="list-style-type: none"> <li>(a) incorporating with minor changes Aus paragraphs applicable to not-for-profit entities that are in the existing <i>Framework for the Preparation and Presentation of Financial Statements</i>;</li> <li>(b) adding further amendments, most of which would respond to changes introduced in the <i>Conceptual Framework for Financial Reporting</i>;</li> <li>(c) applying the chapters on Measurement and Concepts of Capital and Capital Maintenance to not-for-profit entities, notwithstanding that they may be reviewed for further not-for-profit considerations in Stage 2 of the project; and</li> <li>(d) excluding application of paragraphs 6.55 and 6.56 of the Conceptual Framework to not-for-profit entities' non-financial assets held primarily for their service potential, on the basis that the relevance of different measurement bases to such assets does not depend on whether they produce cash flows directly or indirectly.</li> </ul> <p>The Board noted that staff will continue to analyse issues raised through further research and outreach activities and asked staff to report back to the Board during the first half of 2021.</p>
<b>June 2020</b>	<p>The Board approved the project plan to modify the AASB's <i>Conceptual Framework for Financial Reporting</i> where necessary to address not-for-profit (NFP) private and public sector considerations in order to apply the Conceptual Framework to NFP entities.</p>
<b>February 2019</b>	<p>... The Board reconfirmed its decision that it is appropriate to progress the for-profit project in advance of the NFP project to improve the financial reporting framework. ... The Board also noted ... with the effective date of the IASB Conceptual Framework, it is imperative to progress the for-profit project.</p>
<b>September 2018</b>	<p>After hearing concerns from not-for-profit (NFP) entities about the AASB's two-phase approach as proposed in ITC 39, and considering the discussions with the ACNC and other State and Territory regulators regarding recommendations in the ACNC Legislative Review report, the Board decided that the proposals in ITC 39 will apply only to for-profit entities. The Board will continue working with the ACNC and other NFP regulators to develop a separate consultation document with targeted proposals for NFP entities in due course.</p> <p>...</p> <p>While the Board's aim to replace Special Purpose Financial Statements with a simple, comparable, proportionate, transparent financial reporting framework remains unchanged, the Board recognises the journey for NFP private sector entities will be very different to that of the for-profit private sector. In this regard, the Board will continue to extensively research optimal outcomes, collaborate with regulators, and regularly consult with NFP entities to ensure a simple and fair framework and a smooth transition for NFP private sector entities. In particular, the impact of removing special purpose financial statements is</p>

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more significant, there are more options, and a longer timeframe that will need to be considered for the NFP private sector.

The removal of special purpose financial statements is expected to have little impact in the public sector. The AASB's preference is to pursue financial reporting reform in the public sector via consultation based on the AASB Discussion Paper *Improving Financial Reporting for Australian Public Sector*.

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### May 2018

The Board approved its Consultation Paper *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*. The Consultation Paper:

- (a) explains the AASB's objective, consistent with the Financial Reporting Council's strategic direction, to make the IASB's revised *Conceptual Framework for Financial Reporting* (RCF) applicable in Australia so that:
  - (i) publicly accountable for-profit entities and other entities voluntarily reporting compliance with IFRS Standards will be able to maintain compliance with IFRS Standards; and
  - (ii) all other entities will apply reporting requirements based on IFRS Standards, modified as appropriate;
- (b) describes a two-phase approach to solving the following two problems:
  - (i) the clash between the current 'reporting entity' concept in Australia and the concept as used by the IASB in the RCF; and
  - (ii) the lack of comparability, trust and transparency in financial reporting resulting from entities being able to self-assess that they are not a reporting entity and therefore preparing special purpose financial statements as they see fit; and
- (c) presents five options considered by the Board for addressing the two problems, including ... the AASB's preferred option of a two-phase implementation of the RCF.

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### December 2017

The Board decided to follow a staggered approach to adopting the revised IASB *Conceptual Framework for Financial Reporting* in Australia as follows:

- (a) stage 1 – applicable for publicly accountable for-profit private sector entities to maintain IFRS compliance; and
- (b) stage 2 – all other entities.

The Board decided to develop a consultation paper to address the difference between the definition of a 'reporting entity' in the forthcoming Conceptual Framework (which determines the boundary of what needs to be reported when an entity is required to report, e.g. consolidation) and the current definition in Australian Accounting Standards (which determines whether general purpose financial statements complying with Australian Accounting Standards is required).

As publicly accountable for-profit private sector entities are required by the Standards to prepare Tier 1 general purpose financial statements applying all accounting standards, the reporting entity concept is not relevant to them, and the revised Conceptual Framework can be made applicable to them in the first instance under stage 1 of the project.

In applying the Board's normal practice of transaction neutrality based on IFRS Standards, the Board noted that removing the Australian definition of reporting entity would remove the ability of an entity required by legislation to prepare financial statements in accordance with Australian Accounting Standards to prepared special purpose financial statements if it concludes that it is not a reporting entity as currently defined. The Board noted that its

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## AASB Action Alert Update, Minutes and Board Papers

Australian financial reporting framework project is also designed to remove self-assessment of reporting requirements and ensure a level playing field. The Board agreed its preference is for the reporting framework project to remove the reporting entity concept through regulators requiring only those entities that should publicly lodge general purpose financial statements to prepare financial statements. However, the Board also discussed that legislative change may take a significant period of time and that to maintain the status quo, retaining the current Australian Conceptual Framework would be necessary.

The Board noted that having two conceptual frameworks would introduce complexity, and is not desirable for a long period of time. Accordingly, it agreed that in its consultation paper on the IASB Conceptual Framework it would highlight that an alternative to legislative change is the AASB removing SAC 1 which contains the current reporting entity definition, and amending AASB 1053 to make it clear that an entity that does not have public accountability that is required by legislation to prepare financial statements in accordance with Australian Accounting Standards must comply with a Tier 2 specified accounting framework. ...

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The Board plans to develop additional paragraphs for the revised Conceptual Framework in respect of NFP entities in the private and public sectors and for-profit public sector entities.

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