

ED 338 Sub1

This summarized appraisal exists as a public submission regarding: Presentation and Disclosure in Financial Statements AASB 1056.

As someone with superannuation invested funds I have first-hand knowledge of what almost certainly exists as an industry-wide practice, whereby accumulation account annual statements involve the concealment of thoroughly significant dollar amounts, at the expense of prioritizing transparency.

More specifically: Apart from such account holders being kept in the dark about the extent of total accumulated unrealized capital gain, itemizations from each financial year's statement shed no light on either the amount of tax paid, or its derivation based on a gross (pre-crediting rate application) total return/income amount.

Most importantly, the omission of tax paid related amounts subverts the key accountability based purpose of (regulatively supported) annual reporting -- i.e. -- insists that account holders cannot confirm the integrity of each annual balance declaration, including whether or not all investment and account fees/costs -- actual or estimated -- have been appropriately deducted from the annual total gross return/income amount.

Most specifically: With reference to item (i) below's foundationally ascendant consideration, I hereby request the prioritized implementation of regulations that require the itemization of each following dollar amount, for all superannuation accumulation account annual statements:

a) Gross Return/Income. b) Taxable Return/Income. c) Tax Paid. d) Total accumulated unrealized capital gain (after deducting any capital losses), since the account's inception.*

* This itemization would exist as an additional beneficial confirmation for account holders, who all maintain the right not to have any accumulating future tax liability information withheld from them.

In closing: (i) Although the covert treatment of the 4 (above-listed) important taxation relevant amounts may be deemed acceptable by socialistic/communistic autocratic regimes, such displays of systemic unaccountability represent -- in reality -- the thin end of a disturbing wedge* and are entirely unacceptable for any democratic society.

* In other words, such practices risk becoming the basis from which a broader/ongoing decline in reporting standards commences.

(ii) Note importantly that the fact of tax paid transfers occurring automatically on behalf of account holders does -- most certainly -- not justify the act of concealment and I look forward to the prospect of achieving a long-term (4 part) beneficial outcome, for all accumulation account holders nation-wide.

Regards - Richard S.



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23 February 2026

Dr Keith Kendall
 Chair
 Australian Accounting Standards Board
 Level 20, 500 Collins Street
 Melbourne, VIC 3000
 Australia

Via email: standard@asb.gov.au

Dear Keith,

AASB Invitation to Comment: ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

Deloitte is pleased to respond to Australian Accounting Standards Board ('AASB' or 'Board') Invitation to Comment: ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (ED 338).

We appreciate the opportunity to comment on ED 338.

Overall, we agree with the proposals in ED 338. For not-for-profit (NFP) private sector entities and NFP public sector entities (including governments), we believe the modifications proposed in ED 338 will assist in making AASB 18 fit-for-purpose for these entities. For for-profit public sector entities, we note the importance of alignment between for-profit public sector entities and for-profit private sector entities to achieve the benefits of comparability within the for-profit sector.

Whilst beyond the scope of ED 338, we specifically note that superannuation entities/registerable superannuation entities are required to provide various information to stakeholders/regulators in different formats, for example:

- Specific data to the Australian Prudential Regulation Authority (APRA)
- Specific information to members (e.g. in/with the notice of annual members)
- Apply the financial reporting requirements in Chapter 2M of the *Corporation Act 2001* (and as such apply the requirements of Australian Accounting Standards) which requires lodging the audited annual financial report and directors' report with ASIC.

The information required above is not consistent in some areas, resulting in time and effort for superannuation entities to collate and prepare.

We recommend that the AASB considers how the reporting requirements for superannuation entities can be aligned to eliminate, to the extent practicable, the need to provide different information to various stakeholders.

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Our detailed comments on the specific matters and general matters for comments are attached in Appendix A and Appendix B respectively.

Please contact me at cwarden@deloitte.com.au if you wish to discuss any of our comments.

Yours sincerely

A handwritten signature in black ink that reads "C Warden". The signature is written in a cursive style with a large initial "C" and "W".

Carol Warden
Partner
Deloitte Touche Tohmatsu

APPENDIX A – RESPONSES TO REQUESTS FOR SPECIFIC MATTERS FOR COMMENT

Operating cash flow reconciliation

Question 1: In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.

We agree with the proposed paragraph 16(a) in AASB 1054 as it aligns with the requirements in AASB 107 paragraphs 18-20 where an entity using the indirect method, adjusts operating profit or loss for the effect of the items listed in AASB 107 paragraph 20.

Question 2: Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.

We agree with the proposed amendments to AASB 1039.21 to align with the proposals in AASB 1054.16(a) (which require a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)).

Superannuation entities

Question 3: Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.

We agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) as it would avoid uncertainty and diversity in practice in respect of what line items should be presented in the primary financial statements. However reference to “not required to judge” could be worded alternatively, e.g. “not required to determine”.

Statement of profit or loss presentation

Question 4: Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

Categorising income and expenses into the three new categories introduced by AASB 18 – operating, investing and financing categories – is not expected to provide useful information for users of superannuation entities’ financial statements.

The **investing category** may be relevant for certain superannuation entities, for instance where investments are accounted for using the equity method. However, for many superannuation entities, such investments may not be significant in amount and therefore the relevance of the investing category can vary depending on individual circumstances.

Amounts that should be classified in the **financing category** would likely be immaterial for superannuation entities – noting superannuation entities are prohibited from borrowing (under section 67 of the *Superannuation Industry (Supervision) Act 1993*).

If a superannuation entity holds an investment in a subsidiary which should be consolidated, the proposals may result in the subsidiary’s amounts not being accurately presented within the relevant investing and financing categories. The amounts are however expected to be immaterial.

Therefore we agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056 allowing superannuation entities to continue presenting the statement of profit or loss in accordance with AASB 1056 (and not categorise income and expenses in the operating, investing and financing categories or present the two subtotals in AASB 18.69(a)–(b)). The paragraphs clarify that the AASB 1056 requirements *override* the requirements/guidance in AASB 18.

Presentation of expenses

Question 5: Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

Presenting expenses by nature (as required by AASB 1056) provides the most useful presentation. We do not expect that presenting income and expense by function would provide more useful information for users. Further, the *Basis for conclusions* (BC187- BC190) to AASB 1056 notes the need for members to be able to compare plans, particularly with respect to expenses, between superannuation entities. Requiring a consistent presentation (by nature) enables comparison and simple understanding. Introducing optionality akin to AASB 18 would likely be unhelpful to users. Therefore we agree with the proposals proposed paragraph Aus78.1(a) in AASB 18 which clarifies that a superannuation entity must classify and present expenses in accordance with AASB 1056 (and not AASB 18).

Cash flow classification – dividends received and interest paid and received

Question 6: Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

The proposals in question 4 (which we agree with) require a superannuation entity not to classify income and expenses into the categories set out in paragraph 47 of AASB 18 i.e. the operating, investing, financing, income taxes and the discontinued operations categories. Therefore we agree with paragraphs Aus6.1 and Aus34D.1 in AASB 107 (in respect of superannuation entities) which retains the current accounting policy choice in AASB 107 permitting entities to elect to classify dividends received and interest paid and received as operating cash flows. These paragraphs should eliminate any uncertainty for superannuation entities in the application of paragraphs 34A–34D of AASB 107.

Operating cash flow reconciliation

Question 7: Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

The proposals in question 4 (which we agree with) require a superannuation entity not to classify income and expenses into the categories set out in paragraph 47 of AASB 18 i.e. the operating, investing, financing, income taxes and the discontinued operations categories. Therefore to align with the proposals in question 4 we agree with paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 which permit superannuation entities to continue using the 'profit or loss' total as the starting point for the indirect method. However, for avoidance of doubt and consistency consider whether Aus20.2 should clarify whether profit or loss should be before or after income tax where the entity is subject to income tax.

Statement of changes in member benefits

Question 8: Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.

The statement of changes in member benefits would be considered a primary financial statement for a superannuation entity. Therefore we agree with the proposed paragraph 12A in AASB 1056 for a superannuation entity to treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18.

Aggregation and disaggregation

Question 9: Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

We do not expect the aggregation and disaggregation requirements in AASB 18 to change how items are aggregated and disaggregated in the financial statements of a superannuation entity. Therefore we agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18.

Management-defined performance measures

Question 10: Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

We are not aware of any subtotals of income and expenses that a superannuation entity uses in public communications outside financial statements that would meet the MPM definition. (Main disclosures in public communications are disclosures about performance of the investment options and associated fees which do not meet the MPM definition). Therefore we agree that no modifications are needed for superannuation entities with respect to MPM disclosure requirements.

Effective date

Question 11: Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.

If the AASB finalises the proposals of Exposure Draft 338 by June 2026 then we agree with that superannuation entities should be required to apply AASB 18 (and the modifications proposed to be made in the Exposure Draft) for periods beginning on or after 1 January 2028 (with earlier application permitted). Otherwise a later application date may need to be considered depending on when proposals for the application of AASB 18 and AASB 107 by superannuation entities applying AASB 1056 are finalised.

NFP private sector entities and universities

NFP-specific guidance

Question 12: In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting*? Please explain your reasons.

We agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 as we think this additional guidance makes appropriate adjustments to the for-profit terminology expressed in AASB 18 to make it fit-for-purpose for NFP entities applying AASB 18. We believe it is appropriate for NFP entities to consider the *Conceptual Framework for Financial Reporting* (pending finalisation) when considering the common information needs of users of GPFS of NFP entities.

Question 13: Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

We agree with the proposed paragraph AusB80.1 to broaden the consideration of what line items provide the most useful information to users of financial statements about the entity's "operations or main activities" as we think the current wording in AASB 18 around profitability may not be appropriate for NFP entities if unamended. In addition to that, we believe that it may be helpful for the AASB to provide further practical guidance around how this consideration is applied via the inclusion of examples of some NFP-specific line items (consistent with the examples of line items that are currently provided in AASB 18.B80(a) for for-profit entities – e.g. 'cost of sales line item').

Question 14: Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

We are not aware of any additional necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities, except for the application of 'specified main business activity' when assessing the classification of income and expenses in the operating, investing and financing categories under AASB 18 for NFP private sector entities that invest heavily in assets in addition to its main charitable work. We are aware that there are some larger NFP private sector entities that invest heavily in financial assets as part of their funds management in addition to the provision of charitable goods and/or services (which remain as their main NFP purpose), and this may result in a significant portion of their income/expenses being sourced from investment in financial assets. We believe it may be useful for the AASB to consider how such entities would assess its main business activity when there are multiple main business activities in a NFP context (specifically whether the charitable purpose of a NFP private sector entity would change the application of this assessment under AASB 18) and to consider providing some clarification in AASB 18 for NFP entities in this context if deemed necessary.

Effective date

Question 15: Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

We agree NFP private sector entities and universities preparing Tier 1 GPFS should apply AASB 18 and the proposed modifications for periods beginning on or after 1 January 2028. We believe that such entities that prepare Tier 1 GPFS are generally larger in size and are equipped with required resources to implement this change by the effective date, and the 1-year deferral will also give the AASB sufficient time for its due process to ensure appropriate modifications are made for these entities.

NFP public sector entities, including governments

Statement of profit or loss presentation

Question 16: Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.

While we understand the AASB's reasons behind the proposed accounting policy choice, we have some concerns over the introduction of this choice as it may risk inconsistency and affect comparability within NFP public sector entities, and broader across the different sectors – within the public sector (for-profit public sector versus NFP public sector) and the NFP sector (NFP private sector vs. NFP public sector). However, we do note that any issues over inconsistencies may be overcome regardless via a group policy mandate or via the Treasury Office as a mandated accounting policy choice (e.g. similar to cases where physical non-current assets such as items of property plant and equipment are mandated by Treasury to be held at fair value under the revaluation model despite AASB 116 allowing an accounting policy choice between cost model and revaluation model after initial recognition). Furthermore, we acknowledge the various cost benefit reasons raised during the stakeholder outreach mentioned in BC51-BC55 and agree with the AASB that it is important to maintain current presentation formats required under AASB 1049. Accordingly, on balance of the above, overall, we agree with the introduction of paragraph Aus46.1(b) in AASB 18 as an accounting policy choice.

Presentation of expenses

Question 17: Do you agree with the proposed paragraph Aus78.1(b) in AASB 18? Please explain your reasons.

In line with our response above to the previous question, overall, we agree with the proposed paragraph Aus78.1(b) in AASB 18 to introduce the accounting policy choice around the presentation of expenses on nature or function, and we note that any risk of inconsistencies between public sector entities may potentially be overcome by the Treasury Office and the Office of Local Government of a government via a mandate on a basis for presenting expenses to achieve consistency in reporting to facilitate whole of government and GGS consolidation.

NFP-specific guidance

Question 18: In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

In line with our response to question 12 above, we agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 as we think this additional guidance makes appropriate adjustments to the for-profit terminology expressed in AASB 18 to make it fit-for-purpose for NFP entities applying AASB 18. We believe it is appropriate for NFP entities to consider the *Conceptual Framework for Financial Reporting* (pending finalisation) when considering the common information needs of users of GPFS of NFP entities.

Question 19: Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

In line with our response to question 13 above, we agree with the proposed paragraph AusB80.1 to broaden the consideration of what line items provide the most useful information to users of financial statements about the entity's "operations or main activities" as we think the current wording in AASB 18 around profitability may not be appropriate for NFP entities if unamended. In addition to that, we believe that it may be helpful for the AASB to provide further practical guidance around how this consideration is applied via the inclusion of examples of some NFP-public-sector-specific line items (consistent with the examples of line items that are currently provided in AASB 18.B80(a) for for-profit entities – e.g. 'cost of sales line item').

Relief from disclosing information about management-defined performance measures (MPMs)

Question 20: Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.

We agree with proposed paragraph Aus117.1 in AASB 18 around the relief from disclosing MPMs as we note the comments raised during the stakeholder outreach mentioned in BC60 and agree that there is already significant information available publicly with varying degrees of audit assurance and hence it would not be necessary to mandate NFP public sector entities to disclose MPMs.

Cash flow classification – dividends received and interest paid and received

Question 21: Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.

We agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities on the basis of the various reasons raised in the stakeholder outreach mentioned in BC65-BC66 and agree with the retention of the current accounting policy choice for NFP public sector entities to elect to classify dividends received and interest paid and received as operating cash flows.

Operating cash flow reconciliation

Question 22: Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities? Please explain your reasons.

In line with our response to question 16 to provide an accounting policy choice for NFP public sector entities to elect to not present the 'operating profit or loss' subtotal in the statement of profit or loss above, we agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities as a consequence of that.

Aggregation and disaggregation

Question 23: Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

We are not aware of any NFP public-sector-specific issues that would justify a departure from the aggregation and disaggregation requirements set out in AASB 18, hence we believe no modifications are necessary.

Effective date

Question 24: Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider these entities should be required to apply AASB 18?

We agree with NFP public sector entities, including governments to apply AASB 18 and the proposed modifications for periods beginning on or after 1 January 2028. While we believe that it may be preferable for NFP public sector entities to apply AASB 18 at the same time as the for-profit public sector entities, we understand that the 1-year deferral may be necessary to give the AASB sufficient time for its due process to ensure appropriate modifications are made for NFP entities. However, we note that the deferral should not extend beyond one year in the interests of transaction neutrality between for-profit public sector entities and NFP public sector entities.

Statement of changes in equity

Question 25: Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.

We are not aware of a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS. While there could be a very small subset of NFP public sector entities that may potentially benefit from the removal due to the nature of its operations/structure, we do not think it is a prevalent issue in the public sector that would justify a departure for the wider sector. We firmly believe the statement of changes in equity is a fundamental component in the suite of financial statements and should not be removed as it contains useful information for users to understand an entity's movement in net assets.

Whole of government and GGS financial statements

Line items to be presented in primary financial statements

Question 26: Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049? Please explain your reasons.

In line with our point raised in question 16 above, we believe it is important to maintain current presentation formats required under AASB 1049, and hence we agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 where a government would be required to present all applicable line items and subtotals in accordance with AASB 1049.

Amendments to AASB 1049 arising from the FRC's PIR of AASB 1049

Question 27: Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

We agree with the amendment of AASB 1049.14(f) to bring it in line with the accounting policy choice provided in proposed paragraph Aus34D.1 in AASB 107 (which we have noted our support for in our response to question 21 above).

Question 28: Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

We agree with the proposed updates to the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii) in efforts to align them with recent Accounting Standards via a replacement of superseded requirements.

For-profit public sector entities

Question 29: Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

We believe it is more important to achieve alignment between for-profit public sector entities and for-profit private sector entities and ensure cash flow statements remain comparable within the for-profit sector. Due to the similarity between such entities where their principal objective is to generate profit, we do not believe the fact that for-profit public sector entities being government controlled modifies it in a way that would justify a departure from the accounting requirements of for-profit private sector entities, as for-profit public sector entities are often seen functioning as commercial enterprises while operating under public ownership.

Question 30: Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

As mentioned in our response to question 29 above, we believe that for-profit public sector entities should be subject to the same accounting requirements as for-profit private sector entities and hence, we think the need to maintain alignment would outweigh any potential inconsistent classification of dividend and interest transactions between the income statement and the cash flow statement.

Question 31: Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

We believe the importance and benefits of comparability within the for-profit sector outweighs the costs and efforts around consolidation at the WOG level (where the extent of costs and efforts around consolidation may depend on a variety of factors, such as the level of complexity of the transactions and the Enterprise Resource Planning system utilised for accounting functions, including the use of tagging and mapping around financial transactions).

APPENDIX B – RESPONSE TO REQUESTS FOR GENERAL MATTERS FOR COMMENT

Question 32: Have the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework been applied appropriately in developing the proposals in this Exposure Draft?

Yes, we think the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework have been applied appropriately in developing the proposals in this Exposure Draft.

Question 33: Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

We are not aware of any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

Question 34: Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

At this stage the proposals do not appear to create any major auditing or assurance challenges. However, whilst beyond the scope of ED 338, we specifically note that superannuation entities/registerable superannuation entities are required to provide various information to stakeholders/regulators in different formats, for example:

- Specific data to the Australian Prudential Regulation Authority (APRA)
- Specific information to members (e.g. in/with the notice of annual members)
- Apply the financial reporting requirements in Chapter 2M of the *Corporation Act 2001* (and as such apply the requirements of Australian Accounting Standards) which requires lodging the audited annual financial report and directors' report with ASIC.

The information required above is not consistent in some areas, resulting in time and effort for superannuation entities to collate and prepare.

We recommend that the AASB considers how the reporting requirements for superannuation entities can be aligned to eliminate, to the extent practicable, the need to provide different information to various stakeholders.

Question 35: Overall, would the proposals result in financial statements that would be useful to users?

Yes, the proposals would result in financial statements that would be useful to users.

Question 36: Are the proposals in the best interests of the Australian economy?

Yes, the proposals would be in the best interest of the Australian economy.

Question 37: Unless already provided in response to the specific matters for comment above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

We do not expect the proposals in the Exposure Draft to lead to significant additional costs or cost savings.

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Australian Accounting Standards Board

25 February 2026

Subject: Mercer response to ED338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-profit Entities and Operating Cash flow Reconciliation

Mercer welcomes the opportunity to respond to AASB's exposure draft 338. Our comments are limited to the specific topics raised in the exposure drafts that are relevant for superannuation entities (Q1 – Q11).

Who is Mercer?

Mercer believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's approximately 25,000 employees are based in 43 countries and the firm operates in 130 countries. Mercer is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 85,000 colleagues and annual revenue of over \$20 billion. Through its market leading businesses including Marsh, Guy Carpenter, Mercer and Oliver Wyman, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment. Mercer Australia provides customised administration, technology and total benefits outsourcing solutions to many employer clients and superannuation funds (including industry funds, master trusts and employer sponsored superannuation funds). We have over \$150 billion in funds under administration locally and provide services to over 2.4 million superannuation members. This includes the Mercer Super Trust, which has over 1 million members and more than \$80 billion in assets under management.

Q1 Reconciliation of net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss.

Agree. If the entity presents a subtotal in the statement of profit or loss, comparing operating profit or loss to net cash flow from operating activities enables like for like comparison.

Q2 Proposed amendments to AASB 1039.21

Agree. A consistent approach between concise and annual reporting is preferable.

Q3 Proposed paragraph Aus23.1(a) and AusB8.1

Agree. Consistent presentation of line items in the primary statements promotes consistency and comparability of superannuation fund financial statements.

Observations to note:

Concept	AASB 18	AASB 1056
Primary financial statements	(1) Statement of profit or loss or Statement presenting comprehensive income (2) Statement of financial position (3) Statement of changes in equity (4) Statement of cash flow	(1) Income statement (2) Statement of financial position (3) Statement of changes in equity/reserve (4) Statement of cash flow (5) Statement of changes in member benefits

The proposed addition of Aus23.1(a) and AusB8.1 communicated the intention at a high level, but DID NOT clearly articulate the expected outcome of 'superannuation fund required to present all applicable line items in accordance with AASB 1056' due to:

- (a) The difference in scope/names of the primary financial statements between the 2 standards;
- (b) The proposed addition of Aus 46.1 for statement of profit or loss (or income statement in the context of AASB 1056) addresses the expectation for this statement, but similar addition is not proposed for statement of financial position and statement of changes in equity.

See observations for statement of cash flow and statement of changes in member benefits noted separately below.

Q4 Proposed paragraph Aus46.1(a) in AASB 18 and Paragraphs 10A and 22A in AASB 1056

Agree with AASB's note that the AASB 18's categories of income and expenses are unlikely to provide additional useful information to users of superannuation entities' GPFS. Most, possibly all, income and expenses of a superannuation entity are expected to be classified under the 'operating category' (only) under AASB 18.

Q5 Proposed paragraph Aus78.1(a) in AASB 18

Agree. The existing list under AASB 1056 AG29 is considered to be most relevant in assisting members and employers to make informed decision about their superannuation fund of choice and default superannuation fund respectively. The flexibility intended in the original AASB 18.78 has the potential to impede the objective of comparable superannuation fund financial statements.

Q6 Proposed paragraph Aus6.1 and Aus34D.1 in AASB 107

Agree. Aus46.1 removed the basis of classifying interest and dividends for superannuation entities (who would otherwise fulfil the AASB 107.34B requirements). The addition of Aus34D.1 provides the required clarification.

Q7 Proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054

Agree on inclusion of Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054. Specific comments on Aus20.2:

Given this is specific to superannuation entities, suggest to:

- change “unrealised foreign currency gains and losses” to “unrealised gains and losses” (as foreign currency are typically immaterial compared to the unrealised fair value changes of investment portfolios)
- remove “inventories”

- | | |
|-----|---|
| (a) | the effects of transactions of a non-cash nature, such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; |
| (b) | any deferrals or accruals of past or future operating cash receipts or payments, including changes during the period in inventories and operating receivables and payables; and |

Q8 Proposed paragraph Aus12A in AASB 1056

Given the significant amount of exclusions/customisation of AASB 18 requirements for the superannuation entities (primary statements, line items disclosure etc), we consider it clearer if the specific requirements of AASB 18 applicable to the statement of changes in member benefits is identified.

Q9 Aggregation and Disaggregation

Agree. The AASB 1056.32 requirements are specific to different membership types for superannuation entities and the associated risks and benefits of each. AASB 18's principles of aggregation and disaggregation did not contradict the requirements of AASB 1056.32 but rather provided guiding principles on other items not specifically covered under AASB 1056.

Q10 MPM disclosure requirements

Agree, AASB 18's disclosure requirements enhance the connectivity and flow of information for superannuation funds' public facing communications (ie. between financial statements and other disclosures).

Q11 Effective Date

We are comfortable with the proposed start date of on or after 1 January 2028. Superannuation entities, depending on their size, are mostly either group 2 or group 3 sustainability reporting entities with the first reporting due either in FY2027 or FY2028. Staggered implementation of sustainability reporting and AASB 18 changes will be a welcome approach enabling entities to implement the required changes effectively.

Yours sincerely,

Chloe Kuang
Chloe Kuang
Financial & Regulatory Reporting Leader



Dr. Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

via submission portal: <https://www.aasb.gov.au/current-projects/open-for-comment/>

26 February 2026

Dear Keith,

RE: ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

PricewaterhouseCoopers Australia (**PwC**) appreciates the opportunity to comment on Exposure Draft 338 (**ED 338**). We support the Australian Accounting Standards Board's (**AASB**) objective of enhancing the clarity, comparability and usefulness of financial statements in Australia, by aligning with AASB 18 Presentation and Disclosure in Financial Statements and AASB 107 Statement of Cash Flows, while also addressing Australian-specific considerations for superannuation and not-for-profit (NFP) entities.

In summary, PwC supports the proposed amendments to:

- a. AASB 18 and AASB 107 to relieve superannuation entities and NFP public sector entities preparing Tier 1 general purpose financial statements (GPFS) from certain requirements;
- b. AASB 18 to clarify how certain principles should be applied by NFP entities in the private sector;
- c. AASB 1056 Superannuation Entities to facilitate application of AASB 18 and AASB 107 by superannuation entities; and

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- d. AASB 1054 Australian Additional Disclosures and AASB 1039 Concise Financial Reports for consistency with AASB 107 in respect of entities preparing Tier 1 GPFS, including for-profit private sector entities.

We have not considered and have not provided comments on matters exclusive to NFP public sector entities. This includes the proposed amendments to:

- a. AASB 18 to clarify how certain principles should be applied by NFP entities in the public sectors; and
- b. AASB 1049 Whole of Government and General Government Sector Financial Reporting to align certain terminology with that used in recent Australian Accounting Standards;

Please find our responses to the Specific Matters for Comment. We have focused on the implications for superannuation entities and private-sector NFP entities.

Support for ED 338 Overall

PwC supports the application of AASB 18 Presentation and Disclosure in Financial Statements to superannuation and private-sector NFP entities, with appropriate guidance to reflect their specific circumstances. We agree that aligning with the new IFRS-aligned AASB 18 will contribute to clearer and more structured financial statement presentation for these entities, improving the usefulness of their financial reports.

Superannuation Entities (Questions 3 – 11)

Consistent with the responses provided to the AASB during the targeted outreach, we support the proposals for superannuation entities to continue using the presentation formats in AASB 1056 *Superannuation Entities* for the statement of profit or loss and statement of cash flows. This approach preserves industry-specific line items (e.g. member contributions, benefit payments, insurance components) that users and regulators are familiar with, while still incorporating the principles of AASB 18 (such as subtotals and aggregation/disaggregation) where applicable. We agree with the AASB that no further modifications beyond those proposed in ED 338 appear necessary for superannuation entities, particularly in the light of stakeholder support for the current format and requirements.



Not-for-Profit Private Sector Entities (Questions 12 – 15)

We agree with the Exposure Draft's proposed guidance to clarify how certain AASB 18 principles should be applied in an NFP entity context and its proposal to add paragraphs Aus9.1, AusB5.1 and AusB80.1 in AASB 18.

As indicated in the Exposure Draft (page 5), emphasising line items that best explain an entity's operations and main activities- rather than profitability- will promote meaningful disaggregation (for example grants and donations, including restrictions; fundraising; program and service delivery expenses; recognised volunteer contributions; and administration costs) and improve understandability and accountability.

We agree with the AASB conclusion there were no apparent justification for special departures from AASB 18 or AASB 107 for NFP private sector Tier 1 entities, given their size and public accountability.

Operating Cash Flow Reconciliation (Questions 1 – 2)

We agree with the proposed amendments to AASB 1054 and related consequential amendments to AASB 1039.

We agree that for-profit entities (and NFP private entities) should use the new 'operating profit or loss' subtotal as the starting point for reconciling net cash flows from operating activities.

For superannuation entities, we support the AASB's proposal to permit use of the profit or loss total as the reconciliation starting point in recognition of their unique performance reporting.

Transition Period and Effective Date

We support the proposed effective date of annual periods beginning on or after 1 January 2028 for superannuation entities and NFP entities, with early application permitted. Aligning the start date with the general AASB 18 effective date (with an extra year for these entities) is appropriate to allow implementation readiness. We encourage the AASB to provide transitional relief where needed - for



example, relief from full restatement of comparative information or simplified initial application for smaller NFPs - to ensure costs of transition do not outweigh the benefits for first-time adopters.

We would welcome the opportunity to discuss our submission further or address any questions you may have. Please feel free to contact myself at ashley.s.wood@au.pwc.com or Manuel Kapsis on manuel.kapsis@au.pwc.com.

Yours sincerely,

A handwritten signature in black ink that reads 'Ashley Wood'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Ashley Wood

Assurance Risk and Quality Leader

26th February 2026

Dear AASB

I submit the following comments in regard to

Exposure Draft - ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation - October 2025 -

14. Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

1. For universities, classification of operating expenses by **function** should be mandatory rather than optional. Alternatively, the Australian Accounting Standards Board (AASB) should issue specific Application Guidance or an Interpretation requiring, or at a minimum clearly directing, the use of functional classification for universities.
2. For the university sector, classification by function provides substantially more decision-useful information than classification by nature. Universities are not single-activity entities; they undertake at least two economically distinct functions—**teaching** and **research**—each with different funding models, cost structures, risk profiles, and performance metrics.
3. Classification by nature (e.g., salaries, depreciation, operating costs) aggregates expenses across these distinct activities. As a result, it obscures the true cost of delivering education, the cost of producing research, and the extent of cross-subsidisation between functions. This materially limits users' ability to assess efficiency, sustainability, and performance.
4. Despite the clear informational advantages of functional reporting, universities currently classify expenses predominantly by nature. This reporting practice diminishes transparency and weakens accountability, particularly given the significant level of public funding received by the sector.
5. The persistence of nature-based classification, notwithstanding the superior decision-usefulness of functional classification, indicates that optionality is insufficient. Without a mandate or authoritative guidance, institutions lack both the incentive and consistency necessary to produce comparable and functionally meaningful information.
6. A mandate or specific application guidance is therefore necessary to ensure standardisation. Standardisation is critical for comparability and transparency

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across institutions. It would materially improve cross-institution benchmarking, strengthen public accountability, and provide the informational foundation required to drive productivity and efficiency improvements within the university sector.

7. Evidence of significant inefficiencies within the university sector—arising in part from weak accountability due to poor-quality expense reporting—is available upon request.

Regards

Professor Matthew Pinnuck
mpinnuck@unimelb.edu.au

27/02/2026

Angus Thomson
Technical Principal
Australian Accounting Standards Board
Level 20
500 Collins Street
Melbourne, VIC 3000

Lodged online via the AASB website

Dear Angus,

AustralianSuper submission to ED 338: Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

AustralianSuper welcomes the opportunity to provide a written submission in relation to ED 338.

AustralianSuper is Australia's largest superannuation fund and is run only to benefit members. AustralianSuper has over 3.6 million members and manages over \$400 billion of members' assets.


AustralianSuper's vision is to be Australia's leading superannuation fund, in the world's best system for members.

AustralianSuper strongly supports transparent financial reporting by superannuation funds and considers that AASB 1056 provides a suitable framework for the presentation of funds' financial statements. We agree with all the proposals detailed in ED 338 relating to superannuation funds as they ensure the requirements of AASB 1056 are not impacted by the new requirements in the latest versions of AASB 18 and AASB 107.

Detailed comments on the Exposure Draft are provided in the Attachment. We have responded to the superannuation specific questions (3 to 11).

We would be pleased to provide additional information or to discuss this submission in further detail. If that would be of assistance, please do not hesitate to contact me or Peter Denovan, Manager, Technical Accounting & Policy (pdenovan@australiansuper.com).

Regards



Shayan Gunawardena
Senior Manager, Reporting & Control

Attachment: Detailed Comments

Line items to be presented in primary financial statements

- 3 Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.**

We agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18. The line items specified in AASB 1056.9 and AASB 1056.11 are appropriate for the primary financial statements of superannuation funds.

Statement of profit or loss presentation

- 4 Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.**

We agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056 for the reasons outlined in paragraphs BC21 and BC22 of ED 338.

Presentation of expenses

- 5 Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.**

We agree with the proposed paragraph Aus78.1(a) in AASB 18 for the reasons outlined in paragraph BC25 of ED 338.

Cash flow classification – dividends received and interest paid and received

- 6 Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.**

We agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 for the reasons outlined in paragraphs BC28 – BC31 of ED 338.

Operating cash flow reconciliation

- 7 Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.**

We agree with the proposed paragraphs Aus20.2 in AASB 107 and 16(b) in AASB 1054 to ensure the cash flow reconciliation requirements are consistent with other changes proposed in ED 338.

Statement of changes in member benefits

- 8 Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.**

We agree with the proposed paragraph 12A in AASB 1056 as a superannuation fund's statement of changes in member benefits should be treated as a primary financial statement.

Aggregation and disaggregation

- 9 Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.**

We agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18 as the requirements of AASB 1056 and AASB 18 with respect to aggregating and disaggregating line items and disclosures are not inconsistent.

Management-defined performance measures (MPM)

- 10 Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.**

We agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements for the reasons outlined in paragraphs BC39 and BC40 of ED 338.

Effective date

- 11 Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.**

We agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028.

Conclusion

We agree with all the proposals detailed in ED 338 relating to superannuation funds as they ensure the requirements of AASB 1056 are not impacted by new requirements in the latest versions of AASB 18 and AASB 107.



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Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
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Our ref Submission - ED 338
Contact Heng, Kim (+61 2 9455 9120)

27 February 2026

Dear Dr Kendall,

Exposure Draft 338 - Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

KPMG Australia (KPMG) is pleased to have the opportunity to respond to Exposure Draft 338 - *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (ED 338).

We welcome the AASB's efforts in undertaking further work to determine how AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18) should apply to superannuation entities, not-for-profit (NFP) private sector entities and NFP and for-profit public sector entities.

We generally support the proposed application of AASB 18 to superannuation entities, subject to the targeted relief outlined in the ED. Retaining AASB 1056 *Superannuation Entities* (AASB 1056) as the primary presentation framework appropriately reflects the unique characteristics of superannuation entities and the information needs of their users. Although this results in limited alignment with the full presentation principles in AASB 18, we believe this outcome is appropriate and proportionate. The proposed modifications appropriately introduce selected AASB 18 concepts where they enhance decision-usefulness, while preserving the industry-specific presentation model that supports consistency and comparability.

For NFP public sector entities, we support the targeted relief (including policy choices) that recognises jurisdictional templates and fiscal/Government Finance Statistics (GFS) considerations. We emphasise the importance of ensuring the relief operates cleanly in practice, particularly avoiding unintended consequences from the Management Performance Measures (MPM) relief, and the interaction between expectations about limiting "other" labels in AASB 18 and the prescribed fiscal classification frameworks in whole-of-government contexts.

We have set out our detailed comments to the specific matters for comment in the Appendix to this letter.



We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Julie Locke on (02) 6248 1190, or myself on (02) 9455 9120.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Heng', written in a cursive style.

Kim Heng
Partner
KPMG Australia

Appendix

Operating cash flow reconciliation

1. In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.

We support the proposed amendment. This aligns the wording in AASB 1054 to AASB 18 ensuring consistency across both accounting standards.

2. Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.

We support the proposed amendment. This will ensure consistency between AASB 1039.21 and AASB 1054.16.

Superannuation entities

Line items to be presented in primary financial statements

3. Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.

We support the intention of the proposal to require superannuation entities to continue to present the line items specified in AASB 1056 in the primary financial statements. AASB 1056 establishes industry-specific minimum presentation requirements that promote consistency and limit judgment where comparability is critical. Any outcome that could be interpreted as displacing or overriding AASB 1056 requirements with the more judgment-based principles in AASB 18 risks reducing disclosure and undermining comparability.

To give effect to the AASB's stated intention and avoid unintended consequences in practice, we recommend the AASB clarify and strengthen the drafting in paragraph Aus23.1(a) of AASB 18. As currently drafted, it is not clear that a superannuation entity applying AASB 1056 who does not judge whether to present separately a line item in the primary financial statements based on whether it is necessary for the statement to provide a useful structured summary must consequently present all applicable line items in the income statement and the statement of changes in member benefits in accordance with AASB 1056.9 and AASB 1056.11.

We recommend the drafting of paragraph Aus23.1 be replaced with:

“Notwithstanding paragraph 23:

- (a) a superannuation entity applying AASB 1056 *Superannuation Entities*; and
- (b) a government applying AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;

is not required to judge whether to present separately a line item in the primary financial statements based on whether it is necessary for the statement to provide a useful structured summary and rather presents the specific line items in the primary financial statements as required by AASB 1056 and AASB 1049 respectively.”

Statement of profit or loss presentation

4. Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

We support the proposal. As superannuation entities invest in assets as a main business activity, most related income and expenses including dividends received and interest paid or received would be classified within the operating category. Consistent with this, superannuation entities are unlikely to have material income or expenses that would be presented within the investing or financing categories under AASB 18. Accordingly, further disaggregation of income and expenses into specific categories is unlikely to provide users with more useful information.

Presentation of expenses

5. Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

We support the proposal. As AASB 1056 already requires superannuation entities to disclose expenses by nature, removing the option to present expenses by function will improve comparability and better serve members’ interests.

As noted above AASB 1056.9 and 1056.11 already require superannuation entities to present specified line items in the income statement and the statement of changes in member benefits, providing a clear and comparable structure that limits judgement.

Cash flow classification – dividends received and interest paid and received

6. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

The proposals in this ED do not require superannuation entities to classify income and expenses according to AASB 18’s income statement categories. Accordingly, we agree the amendments to AASB 107.34B which mandate presentation of dividends and interest cash flows should also not be applicable for the industry.

However, we recommend the AASB remove the existing accounting policy choice permitting superannuation entities to classify these cash flows as operating or investing cash flows and instead mandate classification as operating cash flows. This treatment is well established in practice and would enhance consistency and comparability across the superannuation sector.

We further recommend the AASB amend the illustrative examples in AASB 1056 to align with this approach. Superannuation entities generally treat cash flows from the purchase and sale of financial investments as operating cash flows, reflecting their main business activities. The current illustrative examples, which suggest classification as investing cash flows contribute to diversity in practice. Updating these examples to reflect operating classification would enhance clarity, consistency and comparability for users.

Operating cash flow reconciliation

7. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

We support the proposal as this is a required amendment given the proposal to retain AASB 1056's income statement presentation and therefore the use of different subtotals for the operating cash flow reconciliation.

Statement of changes in member benefits

8. Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.

We support the proposal. As AASB 1056 requires superannuation entities to present a statement of changes in member benefits, the proposal promotes consistency and aligns with current practice.

Aggregation and disaggregation

9. Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

We are unable to agree with the proposal at this stage as no analysis has been provided comparing the application of AASB 1056 with AASB 18's aggregation and disaggregation requirements. We recommend the AASB perform an analysis to ensure there are no inconsistencies or unintended consequences of retaining AASB 18's aggregation and disaggregation guidance for superannuation entities. We have set out possible areas of inconsistency for the AASB to consider.

AASB 1056 does not contain specific aggregation principles i.e. it requires a minimum level of disclosure and then further disaggregation under AASB 1056.32 where necessary to explain the risk and benefit arrangements relating to different categories of members. Where a superannuation entity has historically disaggregated information further, could the entity then try to argue under AASB 18.41(c) that they could re-aggregate these balances and reduce disclosure?

Further, AASB 18 paragraphs B24-B26 introduce broader principles for labelling and describing items in the primary financial statements which are not included in AASB 1056. The illustrative statement of cashflows in AASB 1056 uses labels such as 'other income' and 'other expenses' which appear inconsistent with the more informative labelling required by AASB 18 paragraphs B25-B26.

We recommend the AASB adopt a more nuanced approach when assessing the potential modifications needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18.

Management-defined performance measures

10. Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

We support the proposal. Based on our experience, superannuation entities typically do not disclose subtotals of income and expenses in public communications that would meet the definition of an MPM. Accordingly, it is unlikely that many superannuation entities will be subject to this disclosure requirement.

However, if a superannuation entity presents sub-totals of income and expenses that meet the definition of MPMs, in our view, the related disclosure requirements should apply as such information deemed useful by management in assessing performance is also likely to be useful to users.

Effective date

11. Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.

We support the proposed application date of annual periods beginning on or after 1 January 2028 for superannuation entities.

NFP private sector entities and universities

12. In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

We note that we are not aware of any NFP private sector entities in our client base that prepare Tier 1 financial statements. As a principle, however, we agree that NFP private sector entities should consider the common information needs of users of GPFS as described in the Conceptual Framework for Financial Reporting. This is because many operate in the same industries as for-profit entities and are therefore likely to be assessed by users alongside for-profit peers. Applying a consistent user-needs lens will help promote comparability and consistency of information across entities operating in the same sector.

In the university sector, financial statement presentation is heavily influenced by the Commonwealth Department of Education's financial statement guidelines, which are typically issued around August for entities with a calendar-year reporting cycle; the proposed guidance should therefore be applied in a way that remains operable alongside that established framework. We therefore welcome the proposals which recognise the sector-specific users of the GPFS of universities.

13. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's 'operations or main activities', which is broader than considering 'the main components or drivers of the entity's profitability' required by AASB 18.B80? Please explain your reasons.

In an NFP context, users typically assess performance and financial position by reference to the entity's ability to deliver on its objectives and service outcomes (which may be financial and non-financial), rather than by reference to profitability alone.

We therefore support the proposed paragraph AusB80.1 requiring these entities to focus on the entity's 'operations or main activities' (rather than 'drivers of profitability').

14. Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

We are generally supportive of applying the requirements of AASB 18 to NFP private sector entities and universities preparing Tier 1 GPFS.

However, we consider the management-defined performance measures (MPMs) requirements may not be well-suited to NFP private sector entities nor to the university sector. Universities' performance is more commonly assessed using non-financial measures (for example rankings, research outputs and similar measures) rather than subtotals of income and expenses. Accordingly, we recommend the AASB provide an explicit exemption from the MPM requirements for NFP private sector entities and universities, rather than requiring entities to assess whether they have any MPMs and potentially comply with related disclosures.

Effective date

15. Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

We support the proposed application date of annual periods beginning on or after 1 January 2028.

NFP public sector entities, including governments

Statement of profit or loss presentation

16. Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.

We support the proposed accounting policy choice in Aus46.1(b). A policy choice allows Treasuries and central agencies to determine, at a jurisdictional level, whether and how to adopt the AASB 18 presentation model, while preserving comparability and user familiarity with existing formats.

Presentation of expenses

17. Do you agree with the proposed paragraph Aus78.1(b) in AASB 18? Please explain your reasons.

We support the proposed accounting policy choice in Aus78.1(b). Public sector expense presentation is commonly directed through centrally mandated templates and is closely linked to whole-of-government and GFS reporting requirements. Retaining the existing AASB 101.99 approach will ensure alignment with current practices and user expectations.

NFP-specific guidance

18. In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

We support the proposal. Explicitly articulating the user base for NFP public sector GPFS will help ensure alignment with current practices and centrally mandated templates.

NFP-specific guidance

19. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's 'operations or main activities', which is broader than considering 'the main components or drivers of the entity's profitability' required by AASB 18.B80? Please explain your reasons.

In an NFP context, users typically assess performance and financial position by reference to the entity's ability to deliver on its objectives and service outcomes (which may be financial and non-financial), rather than by reference to profitability alone.

We therefore support the proposed paragraph AusB80.1 requiring these entities to focus on the entity's 'operations or main activities' (rather than 'drivers of profitability').

Relief from disclosing information about management-defined performance measures (MPMs)

20. Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.

We support the proposed accounting policy choice to provide relief from MPM identification and disclosure for NFP public sector entities. However, we recommend the AASB clarify how the relief interacts with measures that some entities already include in the notes to the financial statements (for example Net Operating Balance used for fiscal or funding purposes). If an entity continues to present such a measure, it should not be regarded as electing to apply the MPM requirements in full (and therefore being required to identify and disclose all other potential MPMs). Without clarification, there is a risk of an unintended consequence whereby entities are deterred from continuing established, decision-useful disclosures for fear of triggering the 'whole-of-entity' MPM identification and disclosure requirements.

Cash flow classification – dividends received and interest paid and received

21. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.

We support retaining the existing accounting policy choice to classify dividends received and interest paid/received as operating cash flows for NFP public sector entities. This treatment is well-established in practice, aligns with GFS/budget presentation, and supports comparability between GPFS and budget papers.

Operating cash flow reconciliation

22. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities? Please explain your reasons.

We support the proposed approach. Where an NFP public sector entity elects relief and does not present the 'operating profit or loss' subtotal, it is appropriate to permit reconciliation from the profit or loss total. We note some jurisdictions use alternative subtotals (e.g., net operating balance) for management and fiscal reporting purposes; the AASB may wish to consider whether any additional guidance is needed to avoid unintended friction between such practices and the reconciliation requirements.

Aggregation and disaggregation

23. Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

We do not propose specific modifications, but we flag an implementation consideration. In some cases, 'other' can be a prescribed fiscal classification label rather than a residual/immaterial category. As AASB 18 tightens expectations around the use of 'other', the AASB may wish to monitor whether this creates practical tensions for entities required to follow prescribed fiscal classification frameworks.

A more nuanced approach when assessing any potential modification needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18 may therefore need to be considered.

Effective date

24. Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider these entities should be required to apply AASB 18?

We support the proposed application date of annual periods beginning on or after 1 January 2028 for NFP public sector entities.

Statement of changes in equity

25. Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.

We have not identified a public-sector-specific reason to depart from the requirement to present a statement of changes in equity. In practice, public sector financial statements already provide a statement detailing funding/equity movements (often linked to appropriations and contributed equity).

Whole of government and GGS financial statements

Line items to be presented in primary financial statements

26. Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049? Please explain your reasons.

We agree with this proposal given the proposed amendments relating to public sector NFP entities and the purpose of AASB 1049, together with the feedback from the FRC's Post Implementation Review of AASB 1049. Moreover, Australian Government jurisdictions have a long-standing objective and practice of consistent presentation as agreed through the Uniform Presentation Framework which aligns with the current AASB 1049 presentation.

Consistent with our comment in Question 3, to give effect to the AASB's stated intention and avoid unintended consequences in practice, we recommend the AASB clarify and strengthen the drafting in paragraph Aus23.1(b) of AASB 18. Please refer to our drafting suggestions under Question 3.

27. Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

We agree with including the explanation as this would help preparers understand the intersection of Australian accounting standards and GFS.

28. Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

We support updating of references and terminology.

For-profit public sector entities

29. Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

We consider comparability with for-profit private sector entities is generally more important for for-profit public sector entities as these entities operate commercially. We also note that, historically, amendments and sector-specific modifications have generally been directed to NFP sectors rather than the for-profit sector, and we therefore do not expect (or support) introducing new exceptions for for-profit public sector entities in this project.

30. Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

We support no modification of AASB 18 and its related amendments for for-profit public sector entities. Accordingly, these entities will have consistency between the classification of dividend and interest transactions in the statement of profit or loss and the statement of cash flows.

This is aligned with the view expressed in Question 29 that for-profit public sector entities operate commercially and should generally be treated in the same way as other for-profit entities. In our view, the priority is consistent application of AASB 18 and related amendments between the for-profit public and private sectors rather than consistent classification of dividend and interest transactions between the income statement and the cash flow statement.

31. Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107? We consider comparability with for-profit private sector entities is generally more important for for-profit public sector entities. These entities operate commercially and are often assessed against market benchmarks (including for competitive neutrality), which is best supported by applying the same cash flow classification principles as other for-profit entities.

We expect there will be incremental effort to map and adjust classifications for consolidation where whole-of-government reporting continues to apply operating classification for interest/dividends, while for-profit public sector entities apply the revised AASB 107. However, jurisdictions already undertake mapping and supplementary data collection to align for-profit entity information into whole-of-government reporting. On that basis, we consider the incremental consolidation effort is manageable and can be weighed against the benefit of maintaining comparability of for-profit public sector entities with for-profit private sector peers under the revised AASB 107.



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27 February 2026

To the members of the Board

We appreciate the invitation to comment on ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation. We have considered all questions but limited our response to those where we have specific views and/or opinions.

Consultation Paper Questions

Operating cash flow reconciliation

1. In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.

We concur with the proposal on the basis that conformity with the amended AASB 107.18(b) as it relates to the matter should be required for consistency of disclosure.

2. Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.

We concur on the basis that consistency of disclosure.

Superannuation entities

With regards to questions 3 to 11, we concur with the Boards proposals on the basis that:

- Where it is proposed that AASB 1056 will be utilised in preference to the otherwise-applicable AASB 18 requirements, it has been previously determined that the users of the financial statements of superannuation entities have different information needs to the users of other general purpose financial statements;
- Where conformity with the requirements of AASB 18 is proposed, these requirements require the application of 'best practice' whereby more useful structured summaries, or other highly useful information, is provided and described.

NFP private sector entities and universities

12. In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

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While it is usual for users to act in the manner described by Aus9.1, the wording utilised defines this as an absolute statement – the term ‘rather’ suggests that no users assess the financial returns on an investment in the entity. This may not be the case for not-for-profit entities that act as an investment vehicle. We note that the word ‘generally’ appears in the prior sentence, however we recommend that ‘rather’ be amended to another, less absolute word.

13. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities”, which is broader than considering “the main components or drivers of the entity’s profitability” required by AASB 18.B80? Please explain your reasons.

Contextually, we agree that this additional requirement provides additional material information as it encourages the provision of financial information on specific qualitative outcomes of an entity that may otherwise be subsumed within other information applying the general principles.

14. Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

It is common for not-for-profit entities to receive grants or other donations that are recognised applying AASB 1058. Such income may meet the definition of revenue applying the definition contained within AASB 15 Appendix A. AASB 18.54 will potentially require that such grants, where the right to the grant is contingent upon funds being utilised in acquiring an such an asset, be recognised as within the investing category.

As an example, an entity may receive a bequest requiring the acquisition of assets that will be required to be invested in a specific manner to form a corpus for an entity; such bequests may be presented within the investing category, depending on interpretation of AASB 18.54(b).

15. Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

We concur that the modifications be applied for periods beginning on or after 1 January 2028.

NFP public sector entities, including governments

Whole of government and GGS financial statements

Such entities primarily report according to sector-defined policies, taking into account transactions that are unique to this sector. As a result, we have chosen to not provide feedback on transactions of this category.

Conclusion

Grant Thornton appreciates the opportunity to provide feedback on ED 338. We look forward to continuing to engage with the AASB in the future.

Yours sincerely

Grant Thornton Audit Pty Ltd

Owen Carew
Financial Reporting Advisory
Partner – Audit & Assurance



27 February 2026

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VICTORIA 8007

Submitted via email: standard@asb.gov.au

Dear Dr Kendall

AASB ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on the above Exposure Draft (ED).

GENERAL COMMENT

Overall, IPA supports the proposals contained in ED 338, in particular:

- Proposed paragraph 16(a) in AASB 1054 for an entity to provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a).
- Proposed amendments to AASB 1039.21 which does not require an entity to provide a reconciliation of the net cash flow from operating activities.
- For a superannuation entity:
 - Continue to present all applicable line items in the income statement and in the statement of changes in member benefits and not be able to determine whether the required item is necessary for the statement to provide a useful structured summary.
 - Not to classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss.
 - Disclose information to provide users with a basis for understanding the nature of expenses.
 - Add paragraphs Aus6.1 and Aus34D.1 to AASB 107 relating to the classification of cash flows for dividends received and interest paid and received.
 - Add paragraphs Aus20.2 to AASB 107 and paragraph 16(b) to AASB 1054 relating to specify the reconciliation of operation cash flows.
 - Add paragraph 12A to AASB 1056 to specify that a superannuation entity should treat its statement of changes in member benefits (and its comparative information) as a primary financial statement.

- Not to modify the superannuation entities aggregation and disaggregation requirements as set out in AASB 18.
- Not to modify AASB 1056 for the AASB 18 MPM disclosure requirements.
- The proposed effective date for superannuation entities required to apply AASB 18 and the modifications proposed in ED 338 for periods beginning on or after 1 January 2028.
- Additional paragraphs Aus9.1, AusB5.1 and AusB80.1 to AASB 18 to provide guidance on how the FP terminologies and principles of AASB 18 applies to the NFP sector.

Further details of our comments on the above are contained in the related questions in Attachment 1.

SPECIFIC COMMENT

Our responses to the specific questions in the ED are in Attachment 1.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at vicki.stylianou@publicaccountants.org.au.

Yours sincerely

[signed V Stylianou]

Vicki Stylianou

Group Executive, Advocacy & Professional Standards

Institute of Public Accountants

Attachment 1 – IPA’s responses to ED 338 specific questions

Specific matters for comment

Operating cash flow reconciliation

Q1 In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.

IPA agrees with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a). Our support is on the basis that the proposal would be consistent with AASB 18’s revision to AASB 107

Q2 Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.

IPA supports the proposed amendments to AASB 1039.21 which does not require an entity to provide a reconciliation of the net cash flow from operating activities. Our support is on the basis that proposed amendment to AASB 1039.21 will be consistent with the proposed amendments made to AASB 1054.16.

Superannuation entities

Line items to be presented in primary financial statements

Q3 Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.

IPA supports the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not be able to determine whether to present line items in the primary financial statements based on the entity’s assessment of whether they are necessary for the statement to provide a useful structured summary. A superannuation entity would, therefore, continue to be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11.

We are of the view that where a specific Accounting Standard, in this case AASB 1056 for superannuation entities, requires the presentation of specific or applicable line items, an entity must apply the requirements. This is despite AASB 18.23, which states that “An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements ...”.

To permit a superannuation entity to decide which required line item in a specific Standard is “not necessary” for disclosure is likely to result in inconsistencies in presentation and thereby impair the comparability of the GPFs between superannuation funds.

Statement of profit or loss presentation

Q4 Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

IPA supports the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056 to specify that a superannuation entity should not classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss, and should treat references in AASB 18 to ‘operating expenses’ as expenses presented in the statement of profit or loss. Our support is for similar reasons as those noted in AASB 18, paragraphs BC21–BC23, that the AASB 18 categories are unlikely to provide additional information to users of a superannuation entity’s GPFs.

Presentation of expenses

Q5 Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

IPA supports the proposed paragraph Aus78.1(a) in AASB 18 to specify that a superannuation entity should classify and present expenses in accordance with AASB 1056 and should not apply paragraphs AASB 18.78 or B80–B82. That is, a superannuation entity should apply AASB 1056.22, which requires the disclosure of information to provide users with a basis for understanding the nature of expenses. This contrasts with AASB 18.78, which requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of expenses or the function of the expenses within the entity. Our support for the proposal is based on similar rationale as those provided in Q3, in that the proposal would enable the comparability for superannuation entities’ GPFs

Cash flow classification – dividends received and interest paid and received

Q6 Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

IPA supports the proposal to add:

- Paragraph Aus34D.1 to AASB 107 to retain the current accounting policy choice to permit a superannuation entity to continue electing to classify these cash flows as operating cash flows. A superannuation entity is therefore, not required to classify income and expenses into the AASB 18 income statement categories, which also means AASB 107.34B would not provide a basis for superannuation entities to classify these items in the statement of cash flows.
- Paragraph Aus6.1 to AASB 107 to specify that superannuation entities (and NFP public sector entities) that elect to classify the receipt of interest and dividends as operating activities, investing cash flows do not include the receipt of interest and dividends as described in paragraphs 34A–34D of the revised AASB 107.

Our support for the above proposals is for similar reasons as those noted in paragraphs BC28 to BC32.

Operating cash flow reconciliation

Q7 Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

IPA supports the proposals to add:

- Paragraph Aus20.2 to AASB 107 to specify that when reconciling cash flows from operating activities, a superannuation entity shall adjust its 'profit or loss' total and
- Paragraph 16(b) to AASB 1054 to specify that the 'profit or loss' total would be used as the starting point for reconciling net cash flow from operating activities when the entity does not present the 'operating profit or loss' subtotal in the statement of profit or loss.

Our support is on the basis that the additional paragraphs is consistent with the AASB's proposals to require a superannuation entity not to present the 'operating profit or loss' subtotal in its income statement.

Statement of changes in member benefits

Q8 Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.

IPA supports adding paragraph 12A to AASB 1056 to specify that a superannuation entity should treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation. The proposal would ensure the statement of changes in member benefits is treated in the same way as other primary financial statements.

Aggregation and disaggregation

Q9 Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

IPA supports the proposal that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18, as the requirements of AASB 1056 and AASB 18 with respect to aggregating and disaggregating line items and disclosures are not inconsistent.

Management-defined performance measures (MPM)

Q10 Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

IPA agrees that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements. Our view is based on the AASB's feedback from all superannuation entity

stakeholders, who responded to the targeted outreach, did not identify any subtotals of income and expenses a superannuation entity uses that would meet the definition of a management-defined performance measure (MPM), and the AASB 18 MPMs disclosure requirements are not onerous.

Effective date

Q11 Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.

IPA agrees with the proposed effective date that superannuation entities should be required to apply AASB 18 and the modifications proposed in ED 338 for periods beginning on or after 1 January 2028.

NFP private sector entities and universities

NFP-specific guidance

Q12 In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

IPA supports the proposal to add the following paragraphs to AASB 18 to provide guidance for NFP entities preparing Tier 1 GPFS:

- Paragraphs Aus9.1 and AusB5.1 – to require an NFP entity to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting* and
- Paragraph AusB80.1 – to require an NFP entity, when presenting expenses, to consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities”, which is broader than considering “the main components or drivers of the entity’s profitability” required by AASB 18.B80.

We concur with the AASB’s observation that the additional paragraphs provide guidance on how the FP terminologies and principles of AASB 18 applies to the NFP sector.

However, while we support the sentiments in paragraph Aus9.1, we think the wording can be improved to be less absolute and provide guidance in the form of additional factors that are relevant to users of a NFP entity’s GPFS. This would reflect the broad range of NFP entities’ operations, including those that may rely on financial return on investment and/or where net cash inflows for its operations. We have therefore marked-up editorial changes to paragraph Aus9.1, below, for consideration.

Aus9.1 The objective of financial statements is to provide financial information about a reporting entity’s assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management’s stewardship of the entity’s economic resources. In respect of not-for-profit private sector and public sector entities, users (such as certain existing and

potential resource providers) are generally ~~not less~~ concerned with obtaining a financial return on an investment in the entity. ~~Rather, they~~ The users are ~~may be more~~ concerned with the ability of the entity to achieve its objectives (whether financial or non-financial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows and management's stewardship of the entity's economic resources. Accordingly, where pertinent, references in this Standard to 'assessing prospects for future net cash inflows to the entity' and 'assessing management's stewardship of the entity's economic resources' (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in the Conceptual Framework for Financial Reporting as identified in AASB 1048 Interpretation of Standards.

Q13 Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

IPA supports the proposed paragraph AusB80.1, as it provides NFP guidance on the application of paragraph B80, which provides examples for a FP context.

Q14 Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

IPA has no further comments on further modifications to AASB 18 and AASB 107 for NFP private sector entities or universities, other than those proposed in Q12-Q13.

Effective date

Q15 Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

IPA supports the proposed effective date in Q15.

NFP public sector entities, including governments

IPA has not provided comments to **Q16-Q31**, as they relate to matters affecting NFP public sector entities, including Government.

General matters for comment

Q32 Have the *AASB For-Profit Entity Standard-Setting Framework* and the *AASB Not-for-Profit Entity Standard- Setting Framework* been applied appropriately in developing the proposals in this Exposure Draft?

IPA is of the view that the frameworks in Q32 have been applied appropriately in developing the proposals in ED 338.

Q33 Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

IPA is unaware of there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

Q34 Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

IPA is unaware of the proposals creating any auditing or assurance challenges.

Q35 Overall, would the proposals result in financial statements that would be useful to users?

IPA is of the view that the proposals would result in financial statements that are useful to users.

Q36 Are the proposals in the best interests of the Australian economy?

IPA is of the view that the proposals are in the best interests of the Australian economy.

Q37 Unless already provided in response to the specific matters for comment above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

IPA has no further comments.

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11 March 2026

Dr Keith Kendall FCPA
Chair
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Via online submission: www.aasb.gov.au

Dear Kieth

Exposure Draft - Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation for entities preparing Tier 1 general purpose financial statements (ED 338)

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the above Exposure Draft (ED 338) on behalf of our members and in the public interest.

Key recommendations

CPA Australia's support for the proposals in ED 338 is grounded in extensive stakeholder outreach and is subject to the following key considerations:

- Additional implementation guidance and illustrative examples are critical, particularly for not-for-profit (NFP) private sector entities, universities and for-profit public sector entities, to mitigate judgement-driven inconsistency and counterintuitive presentation outcomes.
- A post-implementation review should explicitly assess the cost-benefit balance and comparability impacts of applying AASB 18 to NFP private sector entities and for-profit public sector entities, including consolidation effects.
- The Australian Accounting Standards Board (AASB) should clarify the conceptual basis, scope and operability of the Management-defined Performance Measures (MPMs) requirements and reliefs across sectors to support consistent, principles-based application.

CPA Australia's overall position on the various proposals in ED 338 that arise from the new Australian Accounting Standard (AAS) AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18) and consequential amendments to other AAS including AASB 107 *Statement of Cash Flows* (AASB 107), are provided in the table below, with further information our position provided thereafter and in the **Attachment** to this letter:

Entity type	CPA Australia position on proposals
Superannuation entities	Support
Not-for-profit public sector entities	Support
Not-for-profit private sector entities and universities	Conditional support
For-profit public sector entities	Conditional support

Superannuation entities

Based on outreach we undertook with superannuation entities and other stakeholders, we support the proposals as they relate to superannuation entities. We agree that retaining the presentation requirements of AASB 1056 *Superannuation Entities* (AASB 1056) is appropriate and reflects the sector’s unique characteristics.

We also support the proposal to not modify the disclosure requirements relating to Management-defined Performance Measures (MPMs), noting superannuation entities do not typically disclose information that would meet the definition of MPMs. However, the proposal appears to be based on the existence, or lack thereof, of MPMs in superannuation entity financial statements, rather than focusing on the user needs of such information. We suggest clarifying the conceptual basis for the proposed approach to Management Performance Measures (MPMs) to ensure alignment with user needs.

Not-for-profit (NFP) public sector entities

Our outreach indicates support for the proposed approach that provides a policy choice for NFP public sector entities. Stakeholders indicated that for Whole of Government and the General Government Sector, maintaining budgetary reporting and Government Financial Statistics (GFS) aligned reporting formats based on AASB 1049 *Whole of Government and General Government Sector* (AASB 1049) is critical for governance, fiscal oversight and public accountability, and that mandated presentation of income, expenses and cashflows based on AASB 18 could reduce clarity and distort perceptions of operating performance.

AASB 1049 presentation requirements and reconciliation requirements to key fiscal aggregates are well understood by preparers and embedded in budget processes and fiscal reporting. Respondents agreed that governments should continue presenting all applicable AASB 1049 line items and subtotals (rather than applying the AASB 18 “structured summary” judgement-based approach). Support was also expressed for the proposed technical updates to AASB 1049 to maintain consistency with current standards and terminology.

For other NFP public sector entities, for similar reasons as noted above, existing presentation approaches required in templates provided by Treasury departments and Departments of local government are more appropriate than the presentation requirements of AASB 18.

Respondents also supported the proposed policy choice for disclosure of MPMs as a practical approach.

Whilst some stakeholders noted that the accounting policy choice for AASB 18 presentation requirements and disclosures of MPMs could lead to inconsistent reporting practices across jurisdictions, others noted that this is already the case and that there was no need for comparability across different jurisdictions across Australia.

NFP private sector entities and universities

We received mixed feedback regarding the proposals, from stakeholders representing NFP private sector entities. On balance, CPA Australia supports applying AASB 18 to Tier 1 NFP private sector entities, recognising the potential transparency benefits, and subject to the availability of clear implementation guidance and a commitment to reassess outcomes through a post-implementation review.

Those in support of applying AASB 18 requirements to NFP private sector entities noted that there is benefit in applying the presentation requirements. In particular, the split between 'operating' and 'investing' activities in the income statement was considered beneficial.

Some concern was raised about the additional cost of applying the AASB 18 requirements by Tier 1 (and Tier 2) NFP private sector entities, particularly around the judgement needed in applying the presentation requirements, sector comparability and potential presentation mismatches (e.g., interdependent research, restricted funds and investment-funded models). Stakeholders emphasised the need for clear implementation guidance and illustrative examples.

For-profit public sector entities

We received mixed feedback regarding the proposals, from stakeholders representing for profit (FP) public sector entities. On balance, we support the proposals to apply the requirements of AASB 18 to FP public sector entities.

Feedback was diverse and highlighted tensions between market-based comparability and public sector consolidation needs. Some stakeholders preferred alignment with for-profit private sector entities which operate commercially, while others prioritised consistency with the broader public sector framework given whole-of-government consolidation and heightened public scrutiny. Respondents also noted that differing cash flow classifications between entity-level reporting and whole-of-government reporting could create recurring consolidation adjustments, potentially outweighing the incremental benefits of strict compliance with the revised AASB 107 in this context.

In providing our overall support for the proposals in ED 338, we make the following suggestions:

1. Clarify the conceptual basis and operability of the proposed MPMs approach across sectors, including how the requirements apply or are relieved for superannuation entities, NFP public sector entities and governments, and how MPMs definitions and disclosures should be applied consistently for Tier 1 private sectors NFPs and universities
2. Provide additional implementation guidance and illustrative examples to all sectors consulted in ED 338 to support consistent application and avoid counterintuitive presentation outcomes
3. Critically assess in a future post-implementation review the:
 - a. Costs/benefits of applying the AASB 18 requirements by NFP private sector entities
 - b. Comparability versus consolidation trade-offs for FP public sector entities, including the recurring cost of consolidation adjustments where presentation approaches differ, and whether a differentiated approach is warranted based on operating context.

In addition to our comments in this submission which relate to Tier 1 entities that are within the scope of ED 338, we would also like to highlight that the comments we make in this submission in respect of NFP public sector entities and NFP private sector entities are also relevant to the Tier 2 entities for these two sectors.

Further detail on our above comments, including our responses to questions in ED 338 are included in the **Attachment**. If you require further information, please contact me at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

Ram Subramanian FCPA
Financial Reporting Lead
CPA Australia

ATTACHMENT – CPA AUSTRALIA’S RESPONSES TO QUESTIONS

Operating cash flow reconciliation

1. In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.
2. Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.

We agree with the proposals.

Superannuation entities

3. Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.
4. Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.
5. Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.
6. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.
7. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.
8. Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.
9. Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.
10. Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.
11. Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.

We undertook targeted outreach with our members and other stakeholders, including professionals providing assurance and advisory services to superannuation entities. The feedback received was broadly supportive of the proposals in relation to superannuation entities.

Consistent with feedback received by the AASB during targeted consultation it undertook, respondents support the proposal for superannuation entities to continue using the presentation formats in AASB 1056 for the statement of profit or loss and statement of cash flows. Stakeholders indicated that the existing framework appropriately reflects

the unique nature of superannuation entities, including the prominence of member benefits and the centrality of the member benefits statement, while preserving industry-specific line items (such as member contributions, benefit payments and insurance components) that users, trustees and regulators (including ASIC and APRA) are familiar with.

At the same time, we support proposals to incorporate some of the requirements of AASB 18, including subtotals and aggregation/disaggregation, where relevant. Accordingly, we agree that no further modifications beyond those proposed in ED 338 are necessary for superannuation entities.

Respondents were also supportive of the proposed relief from certain AASB 18 and AASB 107 requirements for Tier 1 general purpose financial statements (GPFS). The superannuation sector already provides comprehensive governance and remuneration disclosures, and performance outcomes are directly reflected in member returns and trustee reporting frameworks. As superannuation entities generally do not have executive directors in the same way as listed corporates, and operate within a highly regulated environment, stakeholders did not identify any substantive information gaps arising from the proposed exemptions.

In relation to Question 3 specifically (relating to management-defined performance measures (MPMs), feedback indicated that superannuation entities generally do not present MPMs within the scope contemplated by AASB 18. On that basis, stakeholders were generally comfortable with the proposed approach.

However, we note that the rationale that “superannuation entities generally do not have MPMs” may not, in itself, constitute a strong conceptual or principles-based rationale for exempting the sector from MPM-related requirements. If, in future, a superannuation entity were to present measures that meet the definition of an MPM, it would be important that the standard provides clarity on whether and how the MPM disclosure requirements would apply in those circumstances.

Accordingly, while we support the proposal regarding MPMs in ED 338, we suggest the AASB clarify the conceptual basis for the exemption or confirm how MPM requirements would apply if such measures were presented in practice. This would enhance consistency with the principles-based framework of AASB 18.

NFP private sector entities and universities

NFP-specific guidance

12. In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

We generally support the proposed amendments to clarify that users of GPFS of NFP private sector entities have information needs that extend beyond assessing financial returns, consistent with the Conceptual Framework.

Feedback from both the NFP private sector and universities indicates that the drafting requires careful refinement to avoid unintended interpretation. For instance, under the proposed paragraph Aus9.1, wording such as “rather” may imply a hierarchy between achievement of objectives and assessment of future net cash inflows, which does not reflect how users evaluate NFP private sector entities and universities in practice. For many entities (particularly large, capital-intensive institutions such as universities) financial sustainability, liquidity and stewardship remain central to decision-making by governing bodies, regulators and other stakeholders.

We therefore recommend that the AASB ensures the final wording clearly presents mission achievement and financial resilience as complementary considerations, preserves sector-neutral principles, and avoids creating uncertainty regarding disclosure scope or perceived de-emphasis of financial performance.

13. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

We generally agree with the proposed paragraph AusB80.1 in AASB 18 which is conceptually more consistent with mission-driven objectives.

However, feedback from outreach, particularly from universities, highlighted significant operational concerns about how "operations or main activities" should be interpreted and applied in practice. Respondents noted that many NFP private sector entities and universities business models involve interdependent activities (for example, investment/endowment income funding grant-making or service delivery), and a mechanical application could create artificial mismatches (e.g., investment/interest income presented outside operating while related operating expenses remain within operating), potentially obscuring sustainable performance.

Stakeholders representing universities also noted that determining whether investment income, financing activities, or interest earned on restricted research grants forms part of "main activities" involves substantial judgement, creating risk of inconsistent presentation outcomes across institutions and reduced sector comparability, an issue given benchmarking and policy scrutiny by regulators and funding bodies.

While we support the proposal, we encourage the AASB to provide additional clarifying guidance and illustrative examples (including common university scenarios such as restricted grants and endowment-funded operations) to promote consistent, auditable application and preserve comparability within sectors.

14. Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

We received mixed feedback on the suitability of applying AASB 18 and the revised AASB 107 to Tier 1 NFP private sector entities and universities. Stakeholders generally did not reject applying AASB 18 and the revised AASB 107 to Tier 1 private NFPs and universities. Many considered the framework appropriate for larger, more complex entities where investing and financing activities are material and where users would benefit from more structured presentation and clearer linkages between performance and cash flows.

Transparency and comparability benefits

A recurring theme was that AASB 18 could improve transparency and comparability for NFP private sector entities, particularly where revenue streams are diverse and material. Respondents noted that some charities and other NFP private sector entities do not clearly distinguish funding income (e.g., grants/donations) from investment income, sometimes mixing these streams in ways that obscure performance drivers and financial resilience indicators. Requiring clearer disaggregation and structured presentation was viewed as beneficial for users assessing funding reliance, sustainability and stewardship, especially in sectors where NFPs operate alongside for-profit providers or within group structures.

Operational complexity and distortions

At the same time, respondents cautioned that structured categorisation may not always reflect the economic substance of mission-driven models and could create presentation mismatches. Examples included entities where investment income funds grant-making or service delivery, and arrangements involving restricted funding where

related income and expenses may be presented in different categories, potentially producing counterintuitive results that confuse users rather than inform them.

Universities sector consistency risks

Universities were broadly viewed as capable of applying AASB 18, but feedback emphasised the need to preserve comparability across the sector. As explained in our response to Question 13 above, feedback noted that determining “operations or main activities” can involve substantial judgement and may lead to divergence between institutions, given the interdependence of teaching, research, commercialisation, endowment management and investment activities. Respondents suggested clearer guidance and examples, potentially aligned with Department of Education expectations, to support consistent outcomes.

MPM auditability and burden

Views were mixed on applying the full MPM requirements to NFP private sector entities and universities. Some respondents supported transparency, but others raised concerns about compliance burden and auditability, including disputes over definitions, adjustments and completeness, particularly where performance information is already extensively communicated outside GPFS. Respondents indicated that additional guidance on consistent definitions and practical application would help mitigate audit friction and comparability issues.

Overall, respondents seek clear need to balance improved transparency against practical complexity and sector comparability. In particular, the data of revenue sources of charities (illustrated by the latest [Australian Charities Report](#)) showing these entities (charities, as a subset of NFP private sector entities) draw funding diversely from government/grants, donations, goods and services, investments and other sources, which helps explain why some respondents favor stronger disaggregation and structured presentation to improve clarity over funding reliance and sustainability, while others caution against mechanical categorisation that could distort performance depiction for mission-driven models.

Effective date

15. Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

We agree, and feedback indicates that overall acceptance of the proposed effective date is largely conditional, on timely, clear implementation guidance and stable final requirements.

NFP public sector entities, including governments

Statement of profit or loss presentation

16. Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.

Presentation of expenses

17. Do you agree with the proposed paragraph Aus78.1(b) in AASB 18? Please explain your reasons.

We generally agree with the proposal in AASB 18 as a pragmatic and proportionate response that balances conceptual alignment with AASB 18 against the operational realities and governance needs of the NFP public sector.

Respondents noted that public sector reporting frameworks are closely aligned with budget structures, Government Finance Statistics (GFS) reporting and established governance processes. In particular, councils and other public sector entities rely on a clear operating versus capital distinction, and on familiar expense classifications, to support rate-setting decisions, long-term financial sustainability assessments and public accountability. Mandating the AASB 18 categorisation framework and related expense presentation requirements without flexibility could therefore reduce clarity and distort how operating performance is perceived.

Feedback also highlighted practical implementation considerations. Many NFP public sector entities operate standardised financial systems and reporting templates embedded within state-based legislative and budgetary frameworks and supported by model financial statements issued by Treasury Departments or Local Government Departments. Requiring income and expenses reclassification into operating, investing and financing categories, or imposing a mandatory expense presentation approach, could create unnecessary system redesign costs and confuse preparers and users accustomed to established formats. In practice, where central agencies prescribe reporting formats, the policy choice may be exercised at the jurisdictional level rather than by individual entities, i.e. supporting consistent application while preserving flexibility in standard-setting.

From a governance and audit perspective, the optional approach is viewed as necessary to preserve meaningful depiction of financial results and comparability within jurisdictions. Feedback noted that councillors and oversight bodies often focus on service delivery, budget performance and sustainability measures (rather than IFRS-style categorisation logic), and that face-of-statement presentation directly influences decision-making and public accountability outcomes.

Concerns over treatment and presentation of capital grants

Specifically, feedback observed that classifying capital grants within an operating category under the AASB 18 model could inflate perceived operating performance and obscure assessments of recurring financial sustainability. Given the significance of capital funding in the public sector, we encourage the AASB to consider additional guidance on the presentation of capital grants to enhance clarity, reduce interpretive divergence and promote consistency in practice.

NFP-specific guidance

18. In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

19. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

Respondents broadly agreed that users of public sector GPFS (e.g. councillors, oversight bodies and the community) primarily focus on service delivery, operational sustainability and stewardship of public resources, rather than profitability. The proposed amendments appropriately reframe AASB 18's user-needs concepts and line-item considerations in that context.

A suggestion raised was that the AASB consider providing additional clarifying guidance (or illustrative examples) to support consistent application in practice, particularly to help entities identify line items that best explain their operations or main activities, including the operating versus capital distinction and the effects of capital funding (such as capital grants, see our responses to questions 16-17 above) on how performance is interpreted.

Relief from disclosing information about management-defined performance measures (MPMs)

20. Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.

We agree with the proposal which provides NFP public sector entities with a policy choice not to identify or disclose MPMs. Respondents indicated that public sector entities already publish extensive performance and service delivery information outside GPFS through annual reports, budget reporting and other accountability channels. Requiring formal identification and reconciliation of MPMs within GPFS could create significant practical reporting and audit challenges (including assurance over completeness, definitional disputes and year-to-year changes), with limited incremental benefit to users.

International developments – International Public Sector Accounting Standards Board (IPSASB) project on *Presentation of Financial Statements*

We note, for context, that the IPSASB is currently progressing its Presentation of Financial Statements project (to replace IPSAS 1) and is considering how IFRS 18-style presentation and disclosure requirements should be adapted for the public sector. IPSASB Board papers indicate a preliminary view to categorise revenue and expenses in the statement of financial performance in alignment with IFRS 18 (AASB 18) and not to incorporate the IFRS 18 definition and disclosure requirements for MPMs.

While the IPSASB's consultation has not yet been formally issued, these ongoing deliberations provide relevant international context and reinforce the case for proportionate, decision-useful Australian settings for public sector entities, particularly in relation to the practicality and assurance challenges associated with MPMs completeness.

Cash flow classification – dividends received and interest paid and received

21. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.

Respondents supported this approach because it preserves long-standing GFS and budget-aligned classifications and the operating cash flow measures used to assess service delivery capacity and financial sustainability. Mandating reclassification under the revised AASB 107 could reduce comparability, confuse users, and drive unnecessary systems changes.

Many entities also have limited dividend receipts and, in some jurisdictions, constrained borrowing, reinforcing the case for retaining flexibility, with the proposed relief unlikely to have a significant sector-wide impact.

Operating cash flow reconciliation

22. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities? Please explain your reasons.

We agree that the amendments are appropriate consequential changes flowing from the broader relief granted to public sector entities. The proposal was seen as a necessary practical adjustment to ensure coherence between cash flow reconciliation requirements and the permitted presentation choices under AASB 18.

Aggregation and disaggregation

23. Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

Feedback from our outreach did not identify any public-sector-specific issues with the principles-based approach, and participants considered the requirements sufficiently flexible to support materiality and decision-useful reporting in a public sector context. Provided entities retain appropriate flexibility in overall presentation, the aggregation and disaggregation framework should operate effectively without undermining established budget-aligned reporting and comparability within jurisdictions.

Effective date

24. Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider these entities should be required to apply AASB 18?

We agree with the proposed effective date. While alignment of commencement dates across for-profit and NFP sectors is conceptually desirable, some smaller public sector NFP entities may benefit from additional lead time where reporting is not already aligned to mandated model statements.

Statement of changes in equity

25. Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.

We have not identified a compelling public-sector-specific reason to depart from AASB 18's requirement to present a statement of changes in equity. While some stakeholders noted it may be redundant where equity movements are limited, the prevailing view is that it remains a fundamental component of Tier 1 GPFS, supporting transparency and stewardship over public resources.

Whole of government and GGS financial statements

Line items to be presented in primary financial statements

26. Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049? Please explain your reasons.

We agree with the proposal that governments present all line items and subtotals required under AASB 1049, rather than applying the AASB 18 “useful structured summary” approach. Governments operate within a prescribed fiscal

reporting framework, where AASB 1049 key fiscal aggregates (such as net operating balance and fiscal balance) are well understood by users, embedded in budget processes, aligned with GFS reporting and central to fiscal oversight. Allowing governments to omit line items or subtotals could undermine comparability with budget papers and reduce fiscal accountability; accordingly, requiring all applicable AASB 1049 presentations is appropriate and necessary.

Amendments to AASB 1049 arising from the FRC's PIR of AASB 1049

27. Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

We agree with the amendment. It is a technical clarification that improves internal consistency between standards, supports alignment with GFS and budget frameworks, and reduces interpretive uncertainty so governments can apply the intended classifications without conflicting requirements.

28. Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

Respondents agree with the updates and view them as uncontroversial housekeeping amendments that align AASB 1049 with current Standards and terminology, improving technical currency and internal consistency without raising public-sector-specific issues.

For-profit public sector entities

29. Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

We received diverse feedback on whether cash flow statements of for-profit public sector entities should be more comparable with for-profit private sector entities or with NFP public sector entities. Respondents noted that the relative importance of comparability depends on the entity's nature and primary users.

Where the entity operates in a competitive or market-facing environment and is assessed against commercial performance, comparability with for-profit private sector peers is conceptually important and likely to provide more decision-useful information. However, given many for-profit public sector entities are consolidated into whole-of-government financial statements and operate within a broader public sector accountability framework, comparability with NFP public sector entities (including alignment with GFS- and budget-related classifications) may be more relevant in jurisdictions where consistency across the public sector reporting environment is a key objective.

Respondents also noted that public sector reporting is inherently subject to heightened public and parliamentary scrutiny, and that classification outcomes can influence how performance and funding decisions are interpreted. In that context, comparability settings that unintentionally create "headline" volatility or misinterpretation could have broader governance and political implications beyond purely technical comparability.

On balance, while we support alignment with NFP public sector entities, overall, the mixed feedback we received highlights an underlying tension between market-based comparability and fiscal reporting consistency, suggesting the AASB may need to consider whether a differentiated approach should be applied depending on the operating context.

30. Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

Consistency between income statement categorisation and cash flow classification of dividends and interest is desirable as it improves internal coherence and reduces user confusion.

However, for for-profit public sector entities that are consolidated into whole-of-government financial statements applying different classification conventions, strict alignment at the entity level may increase consolidation adjustments and create inconsistencies within the broader public sector reporting framework.

31. Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

As stated in our response to Question 30, the consolidation issue is a key practical consideration. If for-profit public sector entities apply the revised AASB 107 classification for dividends received and interest paid/received, but whole of government and GGS statements retain operating classification, consolidation adjustments would be required each period through mapping rules, reclassification journals and additional reconciliations/controls.

This is likely manageable where consolidation systems are automated (via configuration changes), but would create recurring workload, documentation and audit effort where processes are manual or template based.

In addition, while entity-level compliance improves consistency with AASB 18 and comparability with for-profit private sector peers, the benefits may be limited in the public sector context if classifications are reversed on consolidation, potentially outweighing the marginal comparability gains.

General matters for comment

32. Have the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework been applied appropriately in developing the proposals in this Exposure Draft?

Yes, we believe the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-setting Framework have been applied appropriately in developing the proposals in ED 338. As an observation, we do however note that ED 338 highlights some of the challenges associated with the transaction-neutral approach that underpins the AASB's standard-setting frameworks.

33. Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

Our responses to the above questions highlight many of the regulatory or other challenges that may arise in the implementation of the proposals in ED 338.

Specifically, as noted in our responses to Questions 14 and 16–17, implementation and potential inconsistencies will arise from jurisdictional reporting mandates for NFP public sector entities (e.g., Treasury/Local Government model financial statements and budget/GFS alignment) and, for universities, alignment with Department of Education financial reporting guidance. These frameworks may affect consistency across sectors and the extent of system and template changes required. Public sector stakeholders have also called on the AASB to commence its project to review the public sector financial reporting framework to assess whether the accounting framework for the Australian public sector remains fit for purpose.

Similarly, for NFP private sector entities, a ‘one size fits all’ approach to applying the AASB 18 requirements may give rise to both costs/benefits and comparability challenges. As recommended above, a post-implementation review is important to assess the success, or otherwise, of applying the AASB 18 requirements to the NFP private sector.

Also, as noted in the cover letter, whilst our comments in this submission relate to Tier 1 entities that are within the scope of ED 338, we would also like to highlight that the comments we make in this submission in respect of NFP public sector entities and NFP private sector entities are also relevant to the Tier 2 entities for these two sectors.

34. Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

As explained in our response to Question 20, a key assurance challenge relates to completeness and auditability of MPM disclosures for NFP public sector entities, which supports the proposed policy choice not to identify/disclose MPMs. For NFP sector entities and universities (Questions 13–14), stakeholder comments suggest judgement-heavy areas (e.g., “operations or main activities” and sector consistency) may increase audit focus and documentation requirements, but these could be manageable with clearer guidance and practical examples.

35. Overall, would the proposals result in financial statements that would be useful to users?

36. Are the proposals in the best interests of the Australian economy?

Overall, we consider the proposals are likely to result in more useful financial statements and be in the best interests of the Australian economy, particularly for superannuation entities and NFP public sector entities, where the approach preserves well-understood sector reporting formats while applying AASB 18 principles proportionately.

However, as noted above, we received mixed views on Tier 1 NFP private sector entities, with concerns raised stakeholders representing universities about judgement, classification outcomes and sector comparability. Further clarification was also sought for FP public sector entities on comparability and consolidation impacts.

These areas may warrant further consideration and/or additional guidance by the AASB to ensure implementation remains proportionate and decision-useful, and to support financial statements that are useful to users and in the best interests of the Australian economy.

37. Unless already provided in response to the specific matters for comment above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

As outlined in our responses above (particularly Questions 16–17, 20–22, and 29–31), the proposals are expected to deliver net benefits through improved clarity, enhanced transparency and consistency while limiting incremental costs via targeted relief, with implementation costs largely relating to system or manual template updates, mapping, training and additional documentation.



Friday, 13 March 2026

Dr Keith Kendall
Chair, Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Via website: <https://aasb.gov.au/current-projects/open-for-comment/submit-comment-letter/?id=2885>

Dear Keith

Exposure Draft 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation – For entities preparing Tier 1 general purpose financial statements (ED 338)

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the AASB on the application of AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18), and its consequential amendments to AASB 107 *Statement of Cash Flows* (AASB 107), by superannuation and not-for-profit (NFP) entities. We make this submission on behalf of our members and in the public interest.

To support our submission, we have consulted with our members and other stakeholders, including attending the AASB roundtable discussions. Effort has been made to consult with the various sectors that will be impacted by these proposed changes, and our submission reflects the feedback we have heard.

Key points

Given that this consultation involves the sector specific application of AASB 18 and related consequential amendments to other standards for each sector, we have summarised our views by sector as follows:

Superannuation entities

We support the AASB's view that there is no need to amend AASB 1056 *Superannuation Entities* (AASB 1056) for the revised presentation and disclosure requirements of AASB 18 at this time. Our feedback is that the current requirements of AASB 1056 meet the needs of financial statement users in this sector in a consistent and comparable way and so making changes to align with AASB 18 would not be cost beneficial for the sector. We therefore support the AASB's proposed amendments to AASB 18 to implement this decision and the proposed implementation date of 1 January 2028 for the changes for this sector.

Tier 1 NFP private sector entities (including universities)

We also support the AASB's view that Tier 1 NFP private sector entities should be required to apply AASB 18. While we are aware that there are mixed views on the cost-benefit of some aspects, we are of the view that, overall, the revised presentation and disclosure requirements of AASB 18 will provide relevant and reliable information for users that is consistent and comparable. However, it is important to ensure that the AASB concludes its NFP revisions to the Conceptual Framework before releasing an amending standard based on these proposals. This will ensure that the changes being proposed to the definitions of users of the financial statements and the objective of financial reporting support the application of AASB 18 to the NFP sector are conceptually supported.

We therefore also support the AASB's proposed consequential amendments to AASB 18 and other standards to implement this view and the proposed implementation date of 1 January 2028 for these changes.

Public sector entities

We also support the AASB's decision to amend AASB 18 to provide accounting policy choices that will enable the public sector to continue its existing reporting practices. Feedback we have heard indicates that the current requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and AASB 101 *Presentation of Financial Statements* (AASB 101) meet the needs of the sector in a consistent and comparable way and that ongoing alignment with the current Government Finance Statistics Manual requirements is also significant. Therefore, making changes to align with AASB 18 would not be cost beneficial for the sector at this time.

We therefore also support the AASB's proposed consequential amendments to AASB 18 and other standards to implement this view and its proposed implementation date of 1 January 2028 for these changes.

Appendix A provides our detailed responses to the specific questions raised in ED 338. Appendix B contains more information about CA ANZ. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Amir Ghandar at amir.ghandar@charteredaccountantsanz.com.

Yours sincerely

Geraldine Magarey FCA
Group Executive, Policy and International

Amir Ghandar FCA
Reporting and Assurance Leader

Appendix A

Responses to specific matters for comment

Operating cash flow reconciliation

- 1 In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.**

We agree with the proposed paragraph 16(a) in AASB 1054 that the operating cash flow reconciliation is necessary to understand the relationship between these two primary financial statements. This provides useful information for users, and this requirement ensures that this existing principle is maintained regardless of the presentation and classification adopted in the income statement.

We also support the exclusion of superannuation and NFP public sector entities from these changes.

- 2 Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.**

We agree that the proposed amendments to AASB 1039.21 are necessary for concise financial reporting in order to maintain consistency with the proposed amendment in Question 1.

Superannuation entities

Line items to be presented in primary financial statements

- 3 Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.**

We agree with the format for superannuation entities as set out in AASB 1056. In 2023 it was subject to a post-implementation review (PIR) and was considered to meet the needs of users in a cost effective manner (see our [submission](#)). Therefore, we see no need to make further changes to the existing requirements which would add cost and may compromise comparability.

Statement of profit or loss presentation

4 Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

The current AASB 1056 format for superannuation entities was widely consulted and considered to meet the needs of users. We agree that a superannuation entity should not classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss, and therefore support the proposed paragraphs.

Presentation of expenses

5 Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

We agree with the above proposal. Feedback we have received indicates that expenses by nature provides the most meaningful and useful classification for superannuation entities and the current requirements of AASB 1056 are widely supported.

Cash flow classification – dividends received and interest paid and received

6 Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

We agree with the above proposed paragraphs. Investing is a main business activity for superannuation entities and therefore they should be able to continue to treat these items as operating as they have done in compliance with AASB 1056.

Operating cash flow reconciliation

7 Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

We agree with the above proposed requirement. We are of the view that an understanding of the relationship between these two primary financial statements is necessary and useful for users and this requirement ensures that this existing principle is maintained regardless of the presentation adopted in the income statement or cash flow statement.

Statement of changes in member benefits

- 8 Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.**

We agree with the proposed additional paragraph 12A to AASB 1056 to consider the statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18. This reflects the importance of a statement of member benefits to the users of superannuation entities' financial statements.

Aggregation and disaggregation

- 9 Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.**

We agree that no sector specific requirements are needed to the aggregation and disaggregation requirements of AASB 18 as they provide useful additional guidance on these matters that has general applicability.

Management-defined performance measures

- 10 Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.**

We agree that no modifications are required for superannuation entities relating to the MPM disclosure requirements. MPMs are not widely used in the superannuation sector, and any publicly available information from the industry is regulated by the Australian Prudential Regulation Authority (APRA).

Effective date

- 11 Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.**

We agree with the proposed effective date. The additional time for consultation and the minimal changes being proposed makes the effective date of 1 January 2028 achievable.

NFP private sector entities and universities

NFP-specific guidance

- 12 In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.**

We agree with the above proposed paragraphs to require these entities to consider the common information needs of GPFS users. Feedback we have received indicates there is a need to acknowledge that users of NFP financial statements are different to those of the for-profit sector.

However, the AASB has yet to complete its revisions to the NFP references in the Conceptual Framework, since an NFP specific reference to “common information needs” is not in the extant Conceptual Framework.

Therefore, it is important that the AASB concludes its NFP revisions to the Conceptual Framework (included in the NFP financial reporting framework reform project) before releasing an amending standard based on these proposals. That way the changes being proposed to the definitions of users of the financial statements and their financial reporting information needs are conceptually supported and consistent.

- 13 Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities”, which is broader than considering “the main components or drivers of the entity’s profitability” required by AASB 18.B80? Please explain your reasons.**

As noted in our response to Question 12, we agree that NFP financial statement users have different information needs to those in the for-profit sector. We therefore support the use of the term “operations or main activities”, rather than “drivers of profitability” to reflect those differing needs. However, these changes need to be supported by corresponding NFP specific amendments to the Conceptual Framework before implementation.

- 14 Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.**

We have heard some mixed views whether there should be modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing

Tier 1 GPFS. Some feedback indicates that the revised presentation and disclosure requirements will provide more relevant information, while others are concerned about the additional compliance costs they will incur and inconsistencies which may arise with regulatory requirements. However, we remain of the view that these changes will provide relevant and reliable information for users that is consistent and comparable. We also note there is insufficient evidence to warrant a departure from the AASB's sector neutrality principles.

We also encourage the AASB to continue to liaise with the Department of Education to ensure updated and consistent regulatory reporting requirements are developed for universities.

Effective date

- 15 Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.**

We agree with the proposed effective date being for periods beginning on or after 1 January 2028 for this sector. While the changes are more significant than with other sectors, it is important that these publicly accountable entities transition from AASB 101 as soon as possible to ensure higher quality information that is consistent and comparable is available across the entire reporting landscape.

NFP public sector entities, including governments

Statement of profit or loss presentation

- 16 Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.**

We agree with the above proposed paragraph, not to require classification of income and expenses into the operating, investing and financing categories in the statement of profit or loss, to support the requirements for the NFP public sector to enable entities to achieve compliance with the AASB 1049 *Whole of Government and General Government Sector Financial Report*.

Presentation of expenses

- 17 Do you agree with the proposed paragraph Aus78.1(b) in AASB 18? Please explain your reasons.**

We agree with the above proposed paragraph, that a NFP public sector entity is permitted to classify and present expenses in line items in the statement of profit or loss based on either their nature or their function within the entity, which will enable NFP public sector entities to provide more reliable, relevant and consistent information.

NFP-specific guidance

- 18 In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.**

We agree with the above proposed paragraphs that consider the common information needs of users of GPFS of NFP public sector entities and acknowledge the users have different perspectives to those of the for-profit sector.

We reiterate that it remains important that the AASB concludes its NFP revisions to the Conceptual Framework before releasing an amending standard based on these proposals (see our responses to Questions 12 and 13).

- 19 Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities”, which is broader than considering “the main components or drivers of the entity’s profitability” required by AASB 18.B80? Please explain your reasons.**

We agree that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities” for similar reasons provided in our response to Question 18.

However, again, it will be important that the AASB concludes its NFP revisions to the Conceptual Framework before releasing an amending standard based on these proposals (see our responses to Questions 12 and 13).

Relief from disclosing information about management-defined performance measures (MPMs)

- 20 Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.**

We agree with the above proposed paragraph that disclosing information about MPMs is not necessarily useful information to users of NFP public sector financial statements. Therefore, on balance, the costs are likely to outweigh the benefits.

Cash flow classification – dividends received and interest paid and received

- 21 Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.**

We agree with the above proposed paragraphs. Feedback from our stakeholders indicated that the cash flow classification changes for dividends received and interest paid and received are not likely to provide more useful financial information for users.

Operating cash flow reconciliation

- 22 Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities? Please explain your reasons.**

We agree with the above proposed paragraphs for the same reasons stated in our response to Question 7.

Aggregation and disaggregation

- 23 Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.**

We agree that no modifications are needed for NFP public sector entities for the aggregation and disaggregation requirements set out in AASB 18. We note that these requirements are helpful and generally applicable across sectors.

Effective date

- 24 Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider these entities should be required to apply AASB 18?**

We agree with the above proposed effective date for similar reasons stated in our response to Question 15.

Statement of changes in equity

- 25 Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.**

We have not heard any feedback that would warrant a departure from the requirement to present a statement of changes in equity in Tier 1 GPFS.

Whole of government and GGS financial statements

Line items to be presented in primary financial statements

- 26 Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the**

statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049? Please explain your reasons.

Yes, the standardised format for GGS reporting set out in AASB 1049 was widely consulted on and agreed to meet needs of users in a cost-effective manner. Therefore, we see no need to make any changes to the existing requirements which would add cost and compromise comparability.

We note that the Financial Reporting Council (FRC) commissioned an independent post-implementation review (PIR) of AASB 1049 in 2020. The stakeholders who responded to the PIR stated that AASB 1049 has been successful in harmonising Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting, therefore there is strong support for retaining AASB 1049 in its current form. We commend the AASB for developing a quality standard that is well-received by stakeholders. Therefore, we see no need to make changes to the existing requirements which could increase costs and compromise comparability.

However, we are aware that the International Public Sector Accounting Standards Board (IPSASB) is currently undertaking a project to align its standards with IFRS 18 *Presentation and Disclosure of Financial Statements* (IFRS 18) and that work currently supports modifications to existing public sector practice based on IFRS 18 on the basis that the revised presentation and disclosure requirements could provide useful information in the public sector. Since these views have yet to be publicly consulted on, we recommend that the AASB monitor the IPSASB's work, and any corresponding changes made to the ABS GFS Manual to ensure Australian requirements do not fall behind best practice in public sector reporting. This work should be carried out as part of Phase 3 of the Australian financial reporting framework reform project, once the AASB's Tier 3 NFP Standard project is completed. The need for this project to resolve important conceptual and practical issues in this sector has been a consistent comment in our interactions with public sector stakeholders on this and other recent consultations (see the comments in our [ITC 56 submission](#)).

Amendments to AASB 1049 arising from the FRC's PIR of AASB 1049

27 Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

We agree that the amendment in the paragraph is necessary to implement the alignment with the ABS GFS Manual.

28 Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

We agree with the proposed update of references. The terminology update will provide clarity and consistency given the other relevant standards have been updated since.

For-profit public sector entities

29 Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

We support transaction neutrality across sectors and consider that, since Government Business Enterprises (GBEs) are, by nature, not government funded, they are effectively acting like for-profit entities and so should be required to implement the for-profit requirements consistent with that policy.

30 Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

We believe that consistent classification across the various financial statements is important to facilitate user understanding of the information being reported.

31 Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

Our understanding is that this information is generally already separately disclosed so it should be readily available for any necessary consolidation adjustments.

General matters for comment

32 Have the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard Setting Framework been applied appropriately in developing the proposals in this Exposure Draft?

Based on available information and feedback received, we consider that the two Frameworks have been applied appropriately in developing these proposals. We also have not heard any stakeholder views to the contrary.

33 Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

We are not aware of such regulatory issues that may affect the implementation other than the need to ensure that the legislative reporting requirements for universities are updated by the Department of Education to ensure consistency with these proposals.

34 Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

We do not anticipate auditing or assurance challenges based on the proposals.

35 Overall, would the proposals result in financial statements that would be useful to users?

We are of the view the proposals would provide useful information to users.

36 Are the proposals in the best interests of the Australian economy?

We are of the view that the proposals are considered in the interests of users of the financial statements which are aligned with the public interest.

37 Unless already provided in response to the specific matters for comment above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

We are not aware of, or anticipating, significant concerns in relation to the costs and benefits arising from the proposals, except for specific responses on costs and benefits identified in the above specific matters for comment.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

OFFICIAL



13 March 2026

Dr Keith Kendall
 Chair
 Australian Accounting Standards Board
 PO Box 204
 Collins St West Victoria 8007
 AUSTRALIA

Dear Dr Kendall

RE: AASB Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*

On behalf of the Australasian Council of Auditors-General (ACAG), thank you for the opportunity to comment on AASB Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*. The views expressed in this submission represent those of all Australian members of ACAG, unless otherwise specified.

As outlined in our response to ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*, to achieve a well-grounded and sustainable approach to public sector financial reporting, ACAG recommends that the AASB prioritise progression of the broader [public sector financial reporting framework project](#). As part of this project, the AASB should look to further understand whether users of public sector financial statements view comparability across entities as essential in the primary statements, and to what extent that comparability drives their understanding and decision-making.

The majority of ACAG members generally support the proposals outlined in the Exposure Draft and have not identified any significant concerns.

Two jurisdictions have alternate views in respect of some of the proposals:

- one jurisdiction holds the view that a consistent approach should be applied for all entities regardless of industry or sector in relation to certain key requirements of AASB 18 and the revised AASB 107
- one jurisdiction recommends that the AASB undertake further consultation with preparers and users in the for-profit sector before mandating requirements on the basis that some for-profit public sector entities operate in environments that are more comparable to not-for-profit public sector entities than to for-profit private sector entities.

The alternate views are outlined in the responses to the relevant questions in the Attachment.

Areas requiring further clarification, and potential risks relating to the proposals are also provided in the Attachment to this letter.

ACAG appreciates the opportunity to comment and trusts you find the attached comments useful.

Should you need further information or examples, ACAG members are happy to provide these on request where possible.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Vagg'.

Rachel Vagg
 Chair
 ACAG Financial Reporting and Accounting Committee

QUESTIONS FOR RESPONDENTS

AASB specific matters for comment

Topic 1 Operating cash flow reconciliation

Question 1. In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)?

Please explain your reasons.

ACAG agrees with the proposed amendments to require a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal if the entity presents that subtotal in accordance with AASB 18.

This ensures continued consistency with the requirements where the indirect method is used under the revised AASB 107 and is consistent with existing requirements to identify the non-cash elements of operating activities when determining net cash flow from operating activities.

Question 2. Do you agree with the proposed amendments to AASB 1039.21?

Please explain your reasons.

While the proposals seem reasonable, public-sector entities do not prepare concise financial reports under AASB 1039.

Topic 2 Superannuation entities

Line items to be presented in primary financial statements

Question 3. Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11?

Please explain your reasons.

ACAG agrees with the proposed Aus paragraphs for the reasons outlined in paragraph BC18 of the ED.

This amendment ensures that the requirements in AASB 1056 continue to apply as intended—specifically, the requirement to present certain line items without leaving this to entity judgement. This supports consistency across superannuation entities, ensures the prescribed line items are presented, and enhances comparability of superannuation fund financial statements.

Statement of profit or loss presentation

Question 4. Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined in BC21-BC22 of the ED.

One jurisdiction does not support the proposals on the basis that the presentation for the four main primary statements should be consistent for all reporting entities. It is acknowledged that expenses in the other categories would be minimal, but they may occur, and as such should be reported on the same basis as other entities applying AASB 18.

Presentation of expenses

Question 5. Do you agree with the proposed paragraph Aus78.1(a) in AASB 18?

Please explain your reasons.

ACAG agrees with the proposed Aus paragraphs for the reasons outlined in BC25 and BC27 of the ED.

Superannuation entities should continue to present as required by AASB 1056 to ensure consistency across these types of entities.

Cash flow classification – dividends received and interest paid and received

Question 6. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined by the AASB.

These cashflows are operating in nature for superannuation entities and therefore it is appropriate for them to have an option to classify them in the operating category.

One jurisdiction does not support the proposals on the basis that disclosure of these items should be consistent across all entities and between the income statement presentation and the statement of cash flows.

Operating cash flow reconciliation

Question 7. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

If there is no 'operating profit or loss' sub-total (as defined by AASB 18), then it is appropriate to use the 'profit or loss' total.

As noted above, one jurisdiction does not support the proposed exemptions for Superannuation entities in relation to classification of items and presentation of totals in the statement of profit or loss, which would result in this proposal being irrelevant.

Statement of changes in member benefits

**Question 8. Do you agree with the proposed paragraph 12A in AASB 1056?
Please explain your reasons.**

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

Given this is a key statement for users of superannuation entities' financial statements it is appropriate that it is treated as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation.

Aggregation and disaggregation

**Question 9. Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18?
Please explain your reasons.
If you consider modifications are needed, please describe the changes and explain why they are necessary.**

ACAG agrees that no modifications are needed for superannuation entities with respect to aggregation and disaggregation for the reasons outlined by the AASB.

Management-defined performance measures

**Question 10. Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements?
Please explain your reasons.
If you consider modifications are needed, please describe the changes and explain why they are necessary.**

ACAG agrees that no modifications are needed for superannuation entities with respect to MPM disclosure requirements for the reasons outlined by the AASB.

ACAG is not aware of any public sector superannuation funds that disclose MPMs.

However, if superannuation funds do disclose MPMs it is important for transparency that the Fund makes the disclosures required by AASB 18.

Effective date

**Question 11. Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18?
Please explain your reasons.**

ACAG does not have any concerns with the proposed effective date - additional time should not be required given the exemptions proposed.

Topic 3 NFP private sector entities and universities

The responses to this section are focussed only on public sector universities. We make no comments in relation to NFP private sector entities.

NFP-specific guidance

Question 12. In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

It is important to align the purpose of the financial statements with the information needs of users as set out in the Conceptual Framework. The phrase ‘assessing the prospects for future net cash inflows to the entity’ (in paragraph 9 of AASB 18) is not always key in the NFP sector context. Rather financial statements inform users’ decision-making and resource allocation decisions in order to achieve their objectives.

Having regard to the common information needs of users will improve how financial statements convey information.

Question 13. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities”, which is broader than considering “the main components or drivers of the entity’s profitability” required by AASB 18.B80?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

Generally, NFP entities focus on their operations or main activities such as service delivery rather than their profitability.

With respect to universities, despite their unique nature which includes a level of commerciality, they are still ultimately government funded NFP entities.

Question 14. Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS.

Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities?

If you consider further modifications are needed, please explain your reasons.

ACAG supports minimising departures from the AASB 18 requirements as they apply to universities and agree that the MPM requirements should be retained for the university sector.

While some of the same issues apply to universities as for other NFP public sector entities (capital grant accounting, restricted grants), they occur to a lesser extent as they are not consolidated into the whole of government, and they undertake certain activities that involve more than just service delivery e.g. commercial research.

As stated in para BC45, universities prepare financial statements using the financial statement guidelines published by the Commonwealth Department of Education. These guidelines apply across public sector NFP universities, private sector NFP universities, and for-profit universities. As a result, maintaining comparability across all universities is important.

For comparability purposes ACAG thinks it is more likely university financial statements would be compared against other private sector universities and educational institutions rather than other NFP public sector entities. We also note there is more international interest in universities compared to other NFP public sector entities. We recommend the AASB undertake outreach directly with the university sector in determining whether the best approach for universities is to align with IFRS, or with other NFP public sector entities.

Standard needs to clearly define who is captured by the NFP public sector entity exemptions

The ED implies that there are no modifications to AASB 18 and the revised AASB 107 for universities other than those outlined in Q12-13.

However, the proposed amendments to AASB 18 included in Aus46.1(b) and Aus117.1 as well as those to AASB 107 included in Aus34D.1, as currently drafted, would apply to universities, as they are generally NFP public sector entities. This will need to be addressed in the final standard to ensure it is clear who is captured by any NFP public sector entity relief/exemptions.

Management Performance Measures

A number of public sector universities report performance measures in their annual reports, noting that while some would meet the exclusion criteria in AASB 18.118, many would meet the definition of MPM. Most entities that presented an MPM in their annual reports already reconcile this back to the financial statements net result, so the cost of meeting this additional disclosure requirement would be negligible. Also, many of the adjustments relate to investing and financing items (as defined in AASB 18), indicating that an 'operating profit' sub-total for universities would be useful, and that the cost of presenting such a sub-total would not be significant.

Effective date

Question 15. Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18?

Please explain your reasons.

ACAG supports the proposed effective date.

While there are no additional requirements for these entities to comply with, it would not be appropriate to require these entities to apply the requirements any earlier than 1 January 2028 given the indication provided in AASB 18 which advised them of the extended application date.

Topic 4 NFP public sector entities, including governments

Statement of profit or loss presentation

Question 16. Do you agree with the proposed paragraph Aus46.1(b) in AASB 18?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined by the AASB.

There is no evidence to suggest that classification into operating, financing and investing categories is useful to users of public sector financial reports and in our view is more likely to confuse users.

While ACAG agrees with NFP public sector entities not having to classify income and expenses into operating, investing and financing categories, and not disclosing an operating profit sub-total, there are some practical issues and anomalies that need to be addressed:

- Whether NFP public sector entities can still refer to an operating profit / operating result (which may reflect total profit or loss or reflect a self-defined sub-total), when the operating category is not disclosed given:
 - operating profit is defined in AASB 18 as “the total of all income and expenses classified in the operating category”, and
 - AASB 107 paragraph Aus20.2 and AASB 1054 paragraph 16(b) refer to reconciling to either operating profit or loss (as a sub-total) or to the profit or loss total.
- How paragraph AASB18.75(a)(ii) operates (in relation to operating expenses) when there is no operating category applied.
- In the rare circumstances of a NFP public sector entity disclosing expenses by function, how the requirements of paragraph 83 operate when there is no operating category applied.

One jurisdiction does not support the proposals on the basis that classification and presentation within the statement of profit and loss (and other primary financial statements) should be consistent across all entities. The proposal would result in further diversity of public sector reporting between for-profit and NFP public sector entities. This results in further adjustments being required for whole of government reporting between the two sectors.

ACAG highlights that a possible unintended consequence of allowing an accounting policy choice is reduced comparability across public sector financial statements. While it is likely that the relevant jurisdictional regulators will limit this choice, there may be different mandates across jurisdictions.

However, it is important to consider this from a public sector user-needs perspective. As part of the public sector financial reporting framework project, the AASB should look to further understand whether users of public sector financial statements view comparability across entities as essential in the primary statements, and to what extent that comparability drives their understanding and decision-making.

Presentation of expenses

Question 17. Do you agree with the proposed paragraph Aus78.1(b) in AASB 18?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

The current approach is working well, and in many jurisdictions the regulator mandates one option (generally expenses by nature).

ACAG notes that the current drafting of the proposed relief applies to NFP public sector entities (which is undefined and arguably includes public sector universities).

NFP-specific guidance

Question 18. In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB, and the reasons provided in response to Question 12 above.

Question 19. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB, and the reasons provided in response to Question 13 above.

Relief from disclosing information about management-defined performance measures (MPMs)

Question 20. Do you agree with the proposed paragraph Aus117.1 in AASB 18?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

Requiring MPM disclosures for NFP public sector entities as currently defined would pose challenges and increase costs for auditors in identifying potential MPMs and ensuring completeness. The sector does not generally report intentional MPMs.

For this reason, the costs of such disclosures would outweigh the benefits involved.

One jurisdiction:

- recommends that the AASB clarify whether measures required by law would fall within the definition, noting that such measures could be interpreted as not being 'management-defined'
- notes that public sector reports include a wide range of financial and non-financial measures that are commonly used to communicate government performance and financial sustainability. In this context, this jurisdiction observes that there may be an opportunity to enhance transparency and comparability between statutory results and publicly reported performance narratives. While agreeing with the ACAG view and supporting the short-term inclusion of paragraph Aus 117.1, the jurisdiction recommends that the AASB examine this matter further in the longer term, as part of the broader public sector financial reporting framework project
- highlights that some of the issues outlined in BC60-BC62 may be equally applicable to for-profit public sector entities. As such it recommends that AASB consider undertaking research or outreach with for-profit public sector entities before mandating MPM related requirements to this sector.

Cash flow classification – dividends received and interest paid and received

Question 21. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined by the AASB.

One jurisdiction notes, that the disclosure approach should be guided by the nature of the entity's activities, rather than its for-profit status or NFP status.

One jurisdiction does not support the proposals on the basis that disclosure of these items should be consistent across all entities per comments made on superannuation entities.

Operating cash flow reconciliation

Question 22. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

If there is no 'operating profit or loss' sub-total, then it is appropriate to use the 'profit or loss' total.

As noted above, one jurisdiction does not support the proposals regarding the statement of profit or loss presentation which would result in this proposal being irrelevant.

Refer to our response to question 16 above, asking for clarity on how these provisions work when an operating profit and the operating category as defined by AASB 18 is not used, and whether a self-defined operating profit/result can be disclosed.

Aggregation and disaggregation

Question 23. Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18?

Please explain your reasons.

If you consider modifications are needed, please describe the changes and explain why they are necessary.

ACAG agrees that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements for the reasons outlined by the AASB.

The requirements can provide additional transparency for users on the amounts disclosed in the financial statements.

Effective date

Question 24. Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028?

If not, which date do you consider these entities should be required to apply AASB 18?

ACAG supports the proposed effective date.

While there are no additional requirements for these entities to comply with, it would not be appropriate to require these entities to apply the requirements any earlier than 1 January 2028 given the indication provided in AASB 18 which advised them of the extended application date.

Statement of changes in equity

Question 25. Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS?

If so, please explain.

ACAG is not aware of any reason that would warrant an NFP public sector entity or a government to depart from the requirement to present a statement of changes in equity in Tier 1 GPFS.

Many public sector entities have asset revaluation movements, and adjustments through equity (including Machinery-of-Government changes) that are usefully presented in the statement of changes in equity.

Topic 4 Whole of government and GGS financial statements

Line items to be presented in primary financial statements

Question 26. Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

Amendments to AASB 1049 arising from the FRC's PIR of AASB 1049

Question 27. Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received?

Please explain your reasons.

ACAG agrees with the proposed amendments to paragraph 14(f) for the reasons outlined by the AASB.

Question 28. Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)?

Please explain your reasons.

ACAG agrees with the proposed updating of references and terminology for the reasons outlined by the AASB. These are consistent with current accounting standards.

Topic 5 For-profit public sector entities

Question 29. Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities?

Please explain why.

Governments use various methods and apply requirements to improve parity and competitive neutrality between government for-profit entities and private sector counterparts and expect these entities to operate as efficiently as any comparable business, maximising the State's investment.

Accordingly, the majority of ACAG members believe it would be more important for for-profit public sector entities to be comparable with for-profit private sector entities and that any issues specific to the public sector for-profit entities are not considered to be of such prevalence and magnitude that the objectives and qualitative characteristics of financial reporting as set out in the Conceptual Framework would not be met.

One jurisdiction:

- considers that classification in the cash flow statement should be determined by the nature of the entity's activities rather than its classification as a for-profit or not-for-profit entity. Presenting information in this way also enables users to better understand the overall financial reporting story.
- recommends that the AASB undertake further consultation with preparers and users in the for-profit public sector as in their view:
 - some for-profit public sector entities operate in environments that are more comparable to not-for-profit public sector entities than to for-profit private sector entities (generally public non-financial corporations)
 - the nature of for-profit public sector entities differs from for-profit private sector entities as the for-profit public sector entities are regulated, do not primarily exist to attract capital and are often measured through the policy lens
 - the AASB has allowed options for not-for-profit public sector entities because they report under AASB 1049 and supported this approach in the PIR. It is unclear why the same approach has not been proposed for some for-profit public sector entities that also report under AASB 1049
 - it is unclear whether the costs of applying the requirements are justified by the benefits
 - the proposals may also increase costs by widening reporting differences between various types of public sector entities. While the AASB's approach may be suitable for some entities, it risks increasing divergence across the public sector—particularly among entities controlled by the State.

Question 30. Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

ACAG thinks it is important for there to be a consistent classification of dividend and interest transactions between the income statement and the cash flow statement where possible.

Question 31. Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

The costs of the adjustments on consolidation are best answered by preparers. However, the number of for-profit entities consolidated into the whole-of-government financial statements is limited in most jurisdictions and many of the transactions would be eliminated at the consolidation level.

ACAG does not expect there would be a significant amount of effort involved to prepare or audit any consolidation adjustments required.

Regardless of the classification of dividends received and interest received and paid in the cash flow statement; ACAG notes that intra-group adjustments will still be required for the purpose of whole-of-government reporting in the Statement of Profit or Loss for dividends and interest received.

AASB general matters for comment

Question 32. Have the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard Setting Framework been applied appropriately in developing the proposals in this Exposure Draft?

Yes. While ACAG does not have any specific concerns regarding the proposals, it is noted that the AASB has not previously treated public sector universities differently from other NFP public sector entities as appears to be the case in this ED, for example disclosure of MPMs.

As noted above in our responses in Topic 3, the majority of ACAG jurisdictions agree with the proposed differences.

Note, one jurisdiction is of the view that certain elements should be consistent for all entities regardless of industry or sector, as outlined in the responses above.

Question 33. Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

ACAG is not aware of any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

However, ACAG requests clarification on whether the relief applies to only the not-for-profit entities referred to in paragraph BC49 of the ED.

While the amendments refer to 'not-for-profit public sector entities' with no definition provided, paragraph BC49 specifies that the relief for the presentation of the statement of profit and loss, the statement of cashflows and MPMs applies to:

- governments as defined in AASB 1049 and NFP public sector entities controlled by these governments; and
- local government entities.

While other standards do refer to public sector, there is no definition of 'public sector' in the accounting standards or conceptual framework. There are a number of entities that may be considered public sector that are not consolidated in the whole of government financial reports of States. Clarification may be needed to clearly articulate whether the amendments will be available to those entities.

For example, there are some NFP entities associated with government (i.e the government can appoint a certain number of directors or may have interests in the residual assets of the entities) that are considered to be public sector entities and are audited by the Auditor-General in a jurisdiction, yet they are not within the scope of NFP public sector entities included in paragraph BC49. It is not clear whether these types of entities will be able to apply the relief.

Question 34. Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

Most of the proposals are not likely to create significant auditing or assurance challenges.

However, refer to our response to Q16 on the application of operating profit to entities that do not elect to apply the AASB 18 operating category definition.

ACAG also notes that having different requirements for different sectors and particular industry financial statements creates a challenge in terms of both preparers and auditors having a good understanding of the requirements which are applicable and could create issues with transferability of skills.

Question 35. Overall, would the proposals result in financial statements that would be useful to users?

The majority of ACAG members believe the proposals result in financial statements that will be useful to the respective users, subject to the resolution of the issues identified in our response to Question 16.

One jurisdiction is concerned that the different structures in the profit and loss statement by different entities may confuse users and considers that the primary statements in general purpose financial reporting should be prepared on a similar basis.

Question 36. Are the proposals in the best interests of the Australian economy?

ACAG does not have any specific comments.

Question 37. Unless already provided in response to the specific matters for comment above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or nonfinancial) or qualitative?

In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Given the relief provided there is likely to be only a negligible change in costs compared to the existing requirements for superannuation entities and NFP public sector entities.

Universities will incur some additional costs in applying AASB 18 for first time, however ACAG are unable to quantify these.

The proposed relief given to NFP public sector entities is welcome as the current presentation formats are well understood by users; and there is no evidence to suggest the requirements in AASB 18 and the revised AASB 107 unamended will provide additional benefits for users of public sector financial reports.

Note however there are risks that divergence in requirements has the potential to create issues with transferability of skills for both preparers and auditors as noted in our response to Question 34 above.

Other comments

To assist application of AASB 18, there should be cross-references in paragraph 69 and B30-B77 for the exemptions given in paragraph Aus46.1.



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13 March 2026

Dear Sir

ED 338 APPLICATION OF AASB 18 AND AASB 107 BY SUPERANNUATION AND NOT-FOR-PROFIT ENTITIES AND OPERATING CASH FLOW RECONCILIATION

Thank you for the opportunity to comment on the Board's proposals in the Exposure Draft 338 including the relief for superannuation entities and not-for-profit (NFP) public sector entities from applying certain requirements contained in AASB 18 *Presentation and Disclosure in Financial Statements*.

In summary, we agree with the proposals regarding superannuation entities and NFP public sector entities. Regarding NFP public sector entities specifically, we also agree with the Board's plan, in line with its standard-setting policies, to consider the outcome of the IPSASB project on the IFRS 18 implications for public sector entities. Please refer to Appendix 1 for our comments on your specific matters for comment.

However, we note that NFP private sector entities may not yet have fully considered the practical implications for their financial reporting systems of applying AASB 18 in full, particularly regarding:

- Determining whether they have specified main business activities
- Classifying income and expenses into the five categories, and
- The implications for the classification of grants (both operating and capital grants).

We are concerned that preparers and auditors of NFP private sector financial statements might currently be interpreting AASB 18 through the lens of what they consider to be operating income and expenses, for example as those arising from ordinary or principal activities of the NFP entity, rather than as a residual category after applying all the requirements in paragraphs 47-66 of AASB 18. Such an approach would ultimately produce profit or loss statements that are not comparable between entities in the NFP private sector.

We recommend that the Board consider further engagement and educational sessions with NFP private sector stakeholders to facilitate a more consistent understanding of the potential implications of AASB 18 across NFP private sector stakeholders, thereby improving the quality of dialogue between the AASB and these constituents. Having a more consistent level of understanding of AASB 18 across NFP private sector stakeholders should assist in establishing whether the AASB should include application guidance,



illustrative examples and/or Australian-specific amendments to improve application consistency on adoption of AASB 18 by NFP private sector entities.

Please refer to Appendix 2 for our detailed comments on what we regard as some of the potential NFP-specific application issues that are likely to arise on adoption of AASB 18 by these entities.

If you have any comments regarding this request, please do not hesitate to contact me.

Yours faithfully

DocuSigned by:

BFD8AF0FDDC94BA...

Aletta Boshoff

Partner, Advisory

National Leader, IFRS & Corporate Reporting

National Leader, Sustainability Reporting



APPENDIX 1 - Specific matters for comment

Operating cash flow reconciliation

Question 1

AASB 1054.16 requires an entity that uses the direct method to present its statement of cash flows to disclose in the financial statements a reconciliation of the net cash flow from operating activities to the profit or loss total presented in the statement of profit or loss. AASB 18 modified the indirect method of presenting cash flows set out in AASB 107 to require an entity to adjust the operating profit or loss subtotal presented in the statement of profit or loss, instead of the profit or loss total, to report cash flows from operating activities.

As noted in paragraphs BC95-BC97 in the Basis for Conclusions to this Exposure Draft, to be consistent with the revision made to AASB 107 by AASB 18, the AASB is proposing to modify AASB 1054.16 to require an entity to adjust the operating profit or loss subtotal in disclosing the operating cash flow reconciliation, if the entity presents that subtotal in the statement of profit or loss in accordance with AASB 18.69(a).

In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.

BDO Comment - Question 1

We agree with this proposal.

Question 2

AASB 1039.21 mentions the fact that AASB 1039 does not require an entity to provide a reconciliation of the net cash flow from operating activities. The AASB is proposing to amend AASB 1039.21 to be consistent with the proposed amendments made to AASB 1054.16.

Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons

BDO Comment - Question 2

We agree with this proposal.



Superannuation entities - Line items to be presented in the primary financial statements

Question 3

AASB 18.23 states that “An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements ...”.

AASB 1056.9 and AASB 1056.11 require a superannuation entity to present specific line items in the income statement and in the statement of changes in member benefits. However, under the general principle in AASB 18.23, a superannuation entity need not present separately a line item in those statements if the entity determines that doing so is not necessary for the statement to provide a useful structured summary. As noted in paragraphs BC16-BC20, the AASB observed the importance for financial statements to be comparable among superannuation funds and applying the judgement required by AASB 18.23 could potentially lead to inconsistencies. The AASB decided to propose adding paragraphs Aus23.1(a) and AusB8.1(a) to AASB 18 to specify that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary.

Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.

BDO Comment - Question 3

We agree with the aim of this proposal because it will facilitate ongoing comparability between superannuation entity financial statements. However, we recommend clarifying in Aus23.1 and AusB8.1 that a superannuation entity “should not judge” the need of separate presentation of the line items to ensure the aim of the Board described above is achieved. The current proposed wording of paragraphs Aus23.1 and AusB8.1 would not prevent a superannuation entity from choosing to apply paragraph 23.



Superannuation entities - Statement of profit or loss presentation

Question 4

AASB 18.47 requires an entity to classify income and expenses into specific categories. As noted in paragraphs BC21-BC23, the AASB noted that those categories are unlikely to provide additional information to users of a superannuation entity's GPFS. Therefore, the AASB is proposing to add paragraph Aus46.1(a) to AASB 18 and paragraphs 10A and 22A to AASB 1056 to specify that a superannuation entity should not classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss, and should treat references in AASB 18 to 'operating expenses' as expenses presented in the statement of profit or loss.

Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

BDO Comment - Question

We agree with this proposal. However, we believe that the proposed paragraph Aus46.1(a) and (b) would be better placed as Aus47.1 as it would then follow the requirements for the five specified income and expense categories. Any cross-references in other paragraphs to Aus46.1 will need to be amended accordingly.

Superannuation entities - Presentation of expenses

Question 5

AASB 18.78 requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of expenses; or the function of the expenses within the entity.

AASB 1056.22 requires a superannuation entity to disclose information to provide users with a basis for understanding the nature of expenses. As noted in paragraphs BC24-BC27, the AASB considered that given the importance of GPFS of superannuation entities being comparable, the AASB is proposing to add paragraph Aus78.1(a) to AASB 18 to specify that a superannuation entity should classify and present expenses in accordance with AASB 1056 and should not apply paragraphs AASB 18.78 or B80-B82.

Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

BDO Comment - Question 5

We agree with this proposal because it will facilitate ongoing comparability between superannuation fund financial statements.



Superannuation entities - Cash flow classification - dividends received and interest paid and received

Question 6

As noted in paragraphs BC28-BC32, under AASB 107.34B of the revised AASB 107 (i.e. the version of AASB 107 incorporating AASB 18 amendments), a superannuation entity would be required to classify dividends received and interest paid and received into a single category for each item, and classify cash flows in the same category as the income statement or make an accounting policy choice if associated income and expenses are recognised in more than one income statement category.

The AASB's proposals to not require a superannuation entity to classify income and expenses into the AASB 18 income statement categories means AASB 107.34B would not provide a basis for superannuation entities to classify these items in the statement of cash flows. Accordingly, the AASB is proposing to add paragraph Aus34D.1 to AASB 107 to retain the current accounting policy choice to permit a superannuation entity to continue electing to classify these cash flows as operating cash flows. The AASB is also proposing to add paragraph Aus6.1 to AASB 107 to specify that, in respect to superannuation entities (and NFP public sector entities) that elect to classify the receipt of interest and dividends as operating activities, investing cash flows do not include the receipt of interest and dividends as described in paragraphs 34A-34D of the revised AASB 107.

Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

BDO Comment - Question 6

We agree with this proposal.

Superannuation entities - Operating cash flow reconciliation

Question 7

As noted in paragraphs BC33-BC34, consistent with the AASB's proposals to require a superannuation entity not to present the 'operating profit or loss' subtotal in its income statement, the AASB is proposing to add paragraph Aus20.2 to AASB 107 to specify that when reconciling cash flows from operating activities, a superannuation entity shall adjust its 'profit or loss' total.

The AASB is also proposing to add paragraph 16(b) to AASB 1054 to specify that the 'profit or loss' total would be used as the starting point for reconciling net cash flow from operating activities when the entity does not present the 'operating profit or loss' subtotal in the statement of profit or loss.

Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

BDO Comment - Question 7

We agree with this proposal.



Superannuation entities - Statement of changes in member benefits reconciliation

Question 8

As noted in paragraphs BC35-BC36, the AASB received feedback from a stakeholder questioning whether the statement of changes in member benefits should be treated in the same way as other primary financial statements. The AASB is proposing to add paragraph 12A to AASB 1056 to specify that a superannuation entity should treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation.

Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.

BDO Comment - Question 8

We agree with this proposal.

Superannuation entities - Aggregation and disaggregation

Question 9

As noted in paragraphs BC37-BC38, the AASB is of the view that the requirements of AASB 1056 and AASB 18 with respect to aggregating and disaggregating line items and disclosures are not inconsistent and decided that no modifications are needed in this regard. Therefore, the aggregation and disaggregation requirements in AASB 18 would apply in the context of the more specific AASB 1056.32 requirement for superannuation entities.

Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

BDO Comment - Question 9

We agree with this proposal.

Superannuation entities - Management-defined performance measures

Question 10

As noted in paragraphs BC39-BC40, all superannuation entity stakeholders who responded to the targeted outreach did not identify any subtotals of income and expenses a superannuation entity uses that would meet the definition of a management-defined performance measure (MPM), and the AASB 18 disclosure requirements relating to MPMs would not be onerous. The AASB decided that no modifications to the MPM disclosure requirements are necessary for superannuation entities.



Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

BDO Comment - Question 10

We agree with this proposal.

Superannuation entities - Effective date

Question 11

The AASB is proposing that the modifications to AASB 18, AASB 107, AASB 1039, AASB 1054 and AASB 1056 proposed to be made in this Exposure Draft should be applied when the entity applies AASB 18. AASB 18 applies to superannuation entities for periods beginning on or after 1 January 2028 with early application permitted, which is one year after the mandatory effective date for other for-profit entities.

Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.

BDO Comment - Question 11

We agree with this proposal.

NFP private sector entities - NFP-specific guidance

As noted in paragraphs BC41-BC42, the AASB decided to propose adding the following paragraphs to AASB 18 to provide guidance for NFP entities preparing Tier 1 GPFS:

- (a) paragraphs Aus9.1 and AusB5.1 - to require an NFP entity to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting*; and
- (b) paragraph AusB80.1 - to require an NFP entity, when presenting expenses, to consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80.

Question 12

In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

BDO Comment - Question 12

We agree with this proposal.



Question 13

Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

BDO Comment - Question 13

We agree with this proposal.

Question 14

Other than the proposals in Q12-Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

BDO Comment - Question 14

Please refer to our detailed comments in Appendix 2.



NFP private sector entities - Effective date

Question 15

The AASB is proposing that the modifications to AASB 18, AASB 107, AASB 1039 and AASB 1054 proposed to be made in this Exposure Draft should be applied when the entity applies AASB 18. AASB 18 applies to NFP private sector entities and universities preparing Tier 1 GPFS for periods beginning on or after 1 January 2028 with early application permitted, which is one year after the mandatory effective date for for-profit entities

Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

BDO Comment - Question 15

We agree with this proposal in the context of the current proposals. However, if the AASB decides that further standard-setting is required to address any NFP private sector-specific implications of AASB 18 (such as the matters raised in Appendix 2 in response to Question 14), this may necessitate deferring the mandatory application date beyond 2028.

NFP public sector entities, including governments - Statement of profit or loss presentation

Question 16

AASB 18.47 requires an entity to classify income and expenses into specific categories. As noted in paragraph BC51-BC55, stakeholder feedback indicated that those categories are unlikely to provide additional information to users of an NFP public sector entity's GPFS. Therefore, the AASB is proposing to add paragraph Aus46.1(b) to AASB 18 to provide an accounting policy choice for NFP public sector entities to select to not classify income and expenses into the operating, investing and financing categories in the statement of profit or loss.

Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.

BDO Comment - Question 16

We agree with the aim of this proposal. However, we believe that the proposed paragraph Aus46.1(a) and (b) would be better placed as Aus47.1 as it would then follow the requirements for the five specified income and expense categories. We also believe that the accounting policy choice should be constrained to ensure that the presentation choice results in the information that is reliable and more relevant, consistent with the relevant requirements in AASB 108 and the limitations proposed to be adopted for the presentation of expenses based on AASB 101.99 in Question 17 below.



NFP public sector entities, including governments - Presentation of expenses

Question 17

AASB 18.78 requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of expenses; or the function of the expenses within the entity. This is different to the requirements in AASB 101.99, which requires an entity to present expenses by either their nature or function.

As noted in paragraphs BC56-BC59, at a practical level, given expenses are a key focus area for users of public sector GPFS, the AASB considered that it is important to maintain consistent reporting to promote comparability. The AASB is proposing to add paragraph Aus78.1(b) to provide an accounting policy choice for an NFP public sector entity to elect to classify and present expenses in line items in the statement of profit or loss based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant (consistent with the current requirements in AASB 101.99), instead of applying AASB 18.78 and B80-B82. This accounting policy choice would not prohibit a Treasury Office and the Office of Local Government from mandating the appropriate basis for presenting expenses to achieve consistency in reporting.

Do you agree with the proposed paragraph Aus78.1(b) in AASB 18? Please explain your reasons.

BDO Comment - Question 17

We agree with this proposal.

NFP public sector entities, including governments - NFP-specific guidance

As noted in paragraphs BC41-BC42, the AASB decided to propose adding the following paragraphs to AASB 18 to provide guidance for NFP entities preparing Tier 1 GPFS, including NFP public sector entities:

(c) paragraphs Aus9.1 and AusB5.1 - to require an NFP entity to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting*; and

(d) paragraph AusB80.1 - to require an NFP entity, when presenting expenses, to consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18. B80.

Question 18

In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting*? Please explain your reasons.

BDO Comment - Question 18

We agree with this proposal.



Question 19

Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

BDO Comment - Question 19

We agree with this proposal.

NFP public sector entities, including governments - Relief from disclosing information about management-defined performance measures (MPMs)

Question 20

As noted in paragraphs BC60-BC62, stakeholder feedback indicated that NFP public sector entities publish a broad range of written communications about their performance and it would be difficult for public sector auditors to provide reasonable assurance that the MPMs are complete. Given that most subtotals used in those documents are well-defined or well-understood by users, the AASB considered that the cost and effort would outweigh the benefits of requiring NFP public sector entities to identify all MPMs and to disclose information about MPMs.

The AASB is proposing to add paragraph Aus117.1 to AASB 18 to provide an accounting policy choice for NFP public sector entities to elect to not identify and disclose information about MPMs.

Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.

BDO Comment - Question 20

We agree with this proposal.

NFP public sector entities, including governments - Cash flow classification - dividends received and interest paid and received

Question 21

As noted in paragraphs BC63-BC69, the AASB decided to propose adding paragraph Aus34D.1 to AASB 107 to retain the current accounting policy choice for NFP public sector entities to elect to classify dividends received and interest paid and received as operating cash flows. The AASB also proposes adding paragraph Aus6.1 to AASB 107 to specify that, in respect of NFP public sector entities that elect to classify the receipt of interest and dividends as operating activities, investing cash flows do not include the receipt of interest and dividends as described in paragraphs 34A-34D of the revised AASB 107.

The AASB noted that currently NFP public sector entities classify dividends paid as financing cash flows and dividends received and interest paid and received as operating cash flows, which is consistent with the ABS GFS Manual.



Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.

BDO Comment - Question 21

We agree with this proposal.

NFP public sector entities, including governments - Operating cash flow reconciliation

Question 22

As noted in paragraphs BC70-BC71, consistent with the AASB's proposals to provide an accounting policy choice for NFP public sector entities to elect to not present the 'operating profit or loss' subtotal in the statement of profit or loss, the AASB proposes adding paragraph Aus20.2 to AASB 107 to specify that when reconciling cash flows from operating activities such an entity electing to not present the 'operating profit or loss' subtotal shall adjust its 'profit or loss' total. The AASB also proposes adding paragraph 16(b) to AASB 1054 to specify that the 'profit or loss' total shall be used as the starting point for reconciling net cash flow from operating activities when the entity does not present the 'operating profit or loss' subtotal in the statement of profit or loss.

Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities? Please explain your reasons.

BDO Comment - Question 22

We agree with this proposal.

NFP public sector entities, including governments - Aggregation and disaggregation

Question 23

As noted in paragraphs BC72-BC75, the AASB received limited feedback from stakeholders during the targeted outreach on the AASB 18 requirements relating to aggregation and disaggregation, and the feedback did not indicate a specific reason to modify the requirements for NFP public sector entities. Therefore, the AASB decided that the requirements should be applied by these entities.

Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

BDO Comment - Question 23

We agree with this proposal.



NFP public sector entities, including governments - Effective date

Question 24

The AASB is proposing that the modifications to AASB 18, AASB 107, AASB 1039, AASB 1054 and AASB 1049 proposed to be made in this Exposure Draft should be applied when the entity applies AASB 18. AASB 18 applies to NFP public sector entities, including governments, for periods beginning on or after 1 January 2028 with early application permitted, which is one year after the mandatory effective date for for-profit entities.

Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider these entities should be required to apply AASB 18?

BDO Comment - Question 24

We agree with this proposal.

NFP public sector entities, including governments - Statement of changes in equity

Question 25

As noted in paragraph BC87, a stakeholder commented as part of the Financial Reporting Council's (FRC's) independent Post-implementation Review (PIR) of AASB 1049, that the mandatory requirement to present a statement of changes in equity in the GPFS of an NFP public sector entity should be removed in circumstances where it is redundant, but did not indicate a public-sector-specific reason.

Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.

BDO Comment - Question 25

No.

Whole of government and GGS financial statements - Line items to be presented in the primary financial statements

Question 26

AASB 1049 requires a government to present specific subtotals (key fiscal aggregates) in the income statement of the whole of government and GGS financial statements. As noted in paragraphs BC76-BC79, the feedback from the FRC's PIR of AASB 1049 noted that key fiscal aggregates provide important information to users and for comparability of governments' financial performance. Accordingly, the AASB decided that governments should continue presenting key fiscal aggregates in accordance with AASB 1049.



The AASB proposes adding paragraphs Aus23.1(b) and AusB8.1(b) to AASB 18 to specify that a government does not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary.

Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary - and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049? Please explain your reasons

BDO Comment - Question 26

We agree with the aim of this proposal. However, similarly to our response in Question 3, we recommend clarifying in Aus.23.1 and AusB8.1(b) that a government “should not judge” the need of separate presentation of the line items to ensure the aim of the Board described above is achieved as the proposed draft paragraph would not prevent the government from choosing to apply paragraph 23.

Whole of government and GGS financial statements - Amendments to AASB 1049 arising from the FRC’s PIR of AASB 1049

As noted in paragraph BC86, in response to the feedback the FRC received on its PIR of AASB 1049, the AASB decided to propose amending the following paragraphs in AASB 1049 to align with recent Accounting Standards:

- (a) AASB 1049.14(f) - to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received;
- (b) AASB 1049.14(g) - to refer to AASB 1058 Income of Not-for-Profit Entities instead of AASB 1004 Contributions because AASB 1058 and AASB 15 Revenue from Contracts with Customers supersede the income recognition requirements previously contained in AASB 1004; and
- (c) AASB 1049.31(a)(ii) - to refer to the phrase ‘fair value through other comprehensive income’ instead of ‘available-for-sale’ to align with the terminology in AASB 9 Financial Instruments.

Question 27

Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

BDO Comment - Question 27

We agree with this proposal.



Question 28

Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

BDO Comment - Question 28

We agree with this proposal.

For-profit public sector entities

AASB 18 amended AASB 107 to require entities that do not either invest in assets or provide financing to customers as a main business activity to classify:

- (a) dividends paid as financing cash flows (AASB 107.33A);
- (b) interest paid as financing cash flows (AASB 107.34A(a));
- (c) dividends received as investing cash flows (AASB 107.34A(b)); and
- (d) interest received as investing cash flows (AASB 107.34A(b)).

As noted in paragraphs BC93-BC94, the AASB considered that the stakeholder feedback received to date did not indicate a public-sector-specific reason for for-profit public sector entities to depart from the revised AASB 107 or from AASB 18.

Question 29

Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

BDO Comment - Question 29

We consider it to be more important for the cash flows statements of for-profit public sector entities to be comparable with for-profit private sector entities. We believe this is in line with the *AASB For-Profit Entity Standard-Setting Framework* including transaction neutrality principle.

Question 30

Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

BDO Comment - Question 30

Similarly to our response in Question 29 above, if for-profit public sector entities must categorise income and expenses into the five categories, in our view, the requirements for classifying interest received and paid and dividends received in the cash flow statement should be the same as for other for-profit entities.



Question 31

Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

BDO Comment - Question 31

No comment.



APPENDIX 2 - Comments regarding application issues for NFP private sector entities

Determining whether they have specified main business activities

Most private sector NFPs are likely to identify their main business activity as providing goods or services to assist in achieving their charitable or other NFP objectives and will have no specified main business activities of investing in assets or providing financing to customers.

However, some private sector NFPs may engage in specified main business activities as all, or a part of, their activities. Given these entities may not use specific subtotals or apply segment reporting under AASB 8 *Operating Segments*, we recommend that the Board provide NFP guidance or examples to illustrate circumstances where entities may be considered to have specified main business activities.

Some examples may include (but with the Board's outreach the list could be expanded noting the Board has received only limited feedback from NFP private sector prior to the release of the Exposure Draft):

- (a) An entity providing micro-finance loans for the purpose of providing a social benefit
- (b) An entity that does not provide any goods or services itself, but holds a portfolio of investments (not equity accounted investments) that derives income, which is then distributed as grants to other NFPs
- (c) Similar to (b) above, except that the entity holds investment properties rather than investments, which it rents to tenants as part of a community housing arrangement
- (d) Entities providing goods or services but also providing financing or investing in assets as part of its operations.

Classifying income and expenses into the five categories

Given our earlier comment about our concern that preparers and auditors of NFP private sector financial statements might interpret AASB 18 through the lens of what they consider to be operating income and expenses, for example as those arising from ordinary or principal activities of the NFP private sector entity, rather than as a residual category after applying all the requirements in paragraphs 47-66, we recommend a NFP private sector-specific guidance, whether in the form of 'Aus' paragraph or otherwise, be added after paragraph 52 as Aus52 to emphasise that the operating category is a residual category under AASB 18 unless the Board would consider a departure from IFRS 18 is required in this regard for NFP private sector entities. This is particularly important given that a literal reading of the first sentence of paragraph B42 could result in preparers not following the residual approach.

In addition to the additional NFP guidance recommended above for specified main business activities, it may be useful, for each example above, to explain how the income and expense classification changes, depending on whether the entity has a specified main business activity and, if so, whether the entity has one or both of the specified main business activities. For instance, with regards to:



- (a) Example (a), if the provision of micro-finance is considered a specified main business activity, interest income (if any) and interest expense on related borrowings (if any) are classified in the operating category. However, if this is not considered a specified main business activity, interest income (if any) is classified in the investing category and interest expense on related borrowings is classified in the financing category.
- (b) Examples (b) and (c), it may be the case that the NFP private sector entities consider their investment activities to be their specified main business activities, in which case the entities will classify all of its investment income, grant distributions and operating costs in the operating category. However, if it is not a specified main business activity, investment income is classified in the investing category and grant distributions and operating expense are classified in the operating category.

The implications for the classification of grants (both operating and capital grants).

From discussions with NFP private sector clients, there is a desire for income and expenses that relate to what they regard as their operating (being seen as the principal or ordinary) activities be classified in the operating category and any investment income in the investing category. From their perspective, this presentation facilitates a true operating result that is not distorted by investment income. This separate investing classification will be possible for NFPs without specified main business activities.

However, we identified a number of instances where we believe the expectation of NFP private sector entities might be to present operating and capital grants in the operating category (which is consistent for example with [ACNC guidance](#)), whereas application of AASB 18 would arguably provide a different result.

Cash grants (operating and capital)

There is a view that in the absence of a specified main business activity, the application of AASB 18 to cash operating and capital grants will result in these being presented in the investing category. This is because AASB 18, paragraphs 53(b) and para 54(b) require any income resulting from the initial measurement of cash to be recognised in the investing category (emphasis added):

'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).'

AASB 18, paragraph 53



'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, paragraph 54

Capital grants of investment property or investments

The [ACNC guidance](#) includes in kind donations as part of revenue. Applying paragraph 53(c) and 54(b), income from recognising capital grants of investment property assets or investments that meet the criteria in paragraph 53(c) will be recognised in the investing category. We understand many NFP entities would consider this to be 'operating' as the income arises as a result of their ordinary activities.

Further, cash grants to reimburse operating expenses already incurred will also be recognised in the investing category, while the related expenses are shown in the operating category. We note this issue may also apply to for-profit entities recognising a similar grant under AASB 120 that wish to reflect this as a reduction in the related expenses previously recognised in the operating category.

Capital grants of property, plant and equipment (PPE)

Income from these capital grants will be recognised as part of the operating category (paragraph B48(a)). This would be so under AASB 1058, paragraph 10, and also when deferred income is released to profit or loss for PPE under construction under AASB 1058, paragraph 15.

If these outcomes would indeed result from application of AASB 18, we consider these inconsistencies may cause confusion for NFP entities and users. We therefore recommend outreach, education and additional guidance if no changes are to be made to AASB 18 to address NFP-specific requirements.

Other considerations

We also question whether showing grants as investing activities will affect the interpretation and application in practice of the revenue thresholds for assessing whether and how entities must report to the ACNC and/or other regulators.

~ *Covering Letter* ~

26 March 2026

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Submission on Exposure Draft ED 338

Dear Dr Kendall

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide feedback on Exposure Draft ED 338 on the application of AASB 18 to whole-of-government and entity financial statements in the public sector.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises senior accounting policy representatives from all Australian states and territories, and the Australian Government.

In respect of our submission enclosed as an Appendix to this covering letter:

- HoTARAC's responses have been limited to Question 1, Questions 16 to 31, and Questions 33 to 35.
- In respect of Questions 12 to 15, the status of universities as "public sector entities" will depend upon the specific legislative framework in each jurisdiction. In light of this, and the specific outreach undertaken by the AASB with the university sector Australia wide, HoTARAC has elected not to provide specific responses to these questions.
- HoTARAC welcomes the proposed relief, via accounting policy choice, from specific requirements of AASB 18 that either conflict with the whole-of-government financial reporting framework in Australia, or do not align with the financial reporting needs of the not-for-profit public sector.
- We also draw your attention to the fact that HoTARAC's 2026 submission on ITC 56 identified several questions that we indicated would be addressed in our response to ED338. Our responses to questions 16, 20, 22, and 23 in the attached also include responses to ITC 56 Q2.5, Q2.10, Q2.11, Q2.12 and Q2.13.

In respect of ITC 56 Q2.1 and Q2.2, Tier 2 general purpose financial statements are currently prepared by a wide range of public sector departments and statutory entities across all jurisdictions, with many jurisdictions having made significant efforts in recent years to move toward Tier 2 reporting.

It is HoTARAC's view that the AASB should consider the impact of AASB 18 on AASB 1060 without delay. AASB 1060 should afford the same accounting policy choices for NFP public sector entities regarding AASB 18 changes irrespective of whether Tier 1 or Tier 2 general purpose financial statements are prepared.

HoTARAC therefore supports the AASB replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, in order to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities.

Please contact Greg Hall (Principal Accountant at Queensland Treasury) should you wish to discuss any of HoTARAC's responses or require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andy Hobbs', with a long horizontal stroke extending to the left.

Andy Hobbs
Chair, Heads of Treasuries Accounting and Reporting Advisory Committee
Executive Director, Financial Stewardship and Public Reporting, NSW Treasury

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NFP public sector entities, including governments

Statement of profit or loss presentation

AASB 18.47 requires an entity to classify income and expenses into specific categories. As noted in paragraph

BC51–BC55, stakeholder feedback indicated that those categories are unlikely to provide additional information to users of an NFP public sector entity's GPFS. Therefore, the AASB is proposing to add paragraph Aus46.1(b) to AASB 18 to provide an accounting policy choice for NFP public sector entities to select to not classify income and expenses into the operating, investing and financing categories in the statement of profit or loss.

Q.16 Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.

HoTARAC agrees with the proposed paragraph Aus46.1(b) in AASB 18 to address the issues raised in our 11 April 2025 submission, which we observe are appropriately reflected in paragraphs BC51-BC55.

By way of additional comment, HoTARAC provides the following response to address Q2.10 in ITC 56. HoTARAC supports the same modifications for an accounting policy choice applying to entities preparing Tier 2 GPFS under AASB 1060. Allowing the same relief and providing an accounting policy choice would ensure consistency in presentation across Tier 1 and Tier 2 NFP public sector entities, particularly given the use of AASB 1060 by government departments in several jurisdictions.

Presentation of expenses

AASB 18.78 requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of expenses; or the function of the expenses within the entity. This is different to the requirements in AASB 101.99, which requires an entity to present expenses by either their nature or function.

As noted in paragraphs BC56–BC59, at a practical level, given expenses are a key focus area for users of public sector GPFS, the AASB considered that it is important to maintain consistent reporting to promote comparability. The AASB is proposing to add paragraph Aus78.1(b) to provide an accounting policy choice for an NFP public sector entity to elect to classify and present expenses in line items in the statement of profit or loss based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant (consistent with the current requirements in AASB 101.99), instead of applying AASB 18.78 and B80–B82. This accounting policy choice would not prohibit a Treasury Office and the Office of Local Government from mandating the appropriate basis for presenting expenses to achieve consistency in reporting.

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Q.17 Do you agree with the proposed paragraph Aus78.1(b) in AASB 18? Please explain your reasons.

HoTARAC agrees with the proposed paragraph Aus78.1(b) in AASB 18 to address the issues raised in our 11 April 2025 submission, which we observe is appropriately reflected in paragraph BC57 and BC59.

HoTARAC concurs with the observation in BC58 that the matters set out in AASB 18.B80(a) – regarding determining how to use the characteristics of nature and function to provide the most useful structured summary of expenses – are not as relevant for users of NFP public sector entities' general purpose financial statements.

NFP-specific guidance

As noted in paragraphs BC41–BC42, the AASB decided to propose adding the following paragraphs to AASB 18 to provide guidance for NFP entities preparing Tier 1 GPFS, including NFP public sector entities:

- (c) paragraphs Aus9.1 and AusB5.1 – to require an NFP entity to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting*; and
- (d) paragraph AusB80.1 – to require an NFP entity, when presenting expenses, to consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80.

Q.18 In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting*? Please explain your reasons.

HoTARAC agrees with the proposed paragraph Aus9.1 and Aus B5.1 in AASB 18 to provide guidance for NFP entities Tier 1 GPFS, including NFP public sector entities. Although HoTARAC's previous submission did not directly reference the *Conceptual Framework for Financial Reporting*, the proposed new paragraph would address the issues raised in regard to information needs of users of NFP public sector entity financial statements, consistent with the commentary in paragraph BC42.

Q.19 Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

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HoTARAC agrees with the proposed paragraph AusB80.1 in that it would be more applicable to consider the entity's 'operations or main activities' rather than 'the main components or drivers of the entity's profitability' when classifying operating expenses of NFP public sector entities. This principle is consistent with the rationale outlined in our response to Question 18.

Relief from disclosing information about management-defined performance measures (MPMs)

As noted in paragraphs BC60–BC62, stakeholder feedback indicated that NFP public sector entities publish a broad range of written communications about their performance and it would be difficult for public sector auditors to provide reasonable assurance that the MPMs are complete. Given that most subtotals used in those documents are well-defined or well-understood by users, the AASB considered that the cost and effort would outweigh the benefits of requiring NFP public sector entities to identify all MPMs and to disclose information about MPMs.

The AASB is proposing to add paragraph Aus117.1 to AASB 18 to provide an accounting policy choice for NFP public sector entities to elect to not identify and disclose information about MPMs.

Q.20 Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.

As outlined in our 11 April 2025 submission, MPM's contemplated by AASB 18 are not particularly relevant in a public sector context, including key fiscal aggregates for whole-of-government reporting under AASB 1049 that do not fall within the definition of MPM's.

HoTARAC agrees with the proposed paragraph Aus117.1 in AASB 18 to address these concerns and the rationale contained in paragraphs BC60-BC62 supporting the proposed accounting policy choice for NFP public sector entities.

By way of additional comment, HoTARAC provides the following response to address Q2.5 and Q2.11 of ITC 56. HoTARAC supports the same modifications for an accounting policy choice applying to entities preparing Tier 2 GPFS under AASB 1060.

Allowing the same relief and providing an accounting policy choice would ensure consistency in presentation across Tier 1 and Tier 2 NFP public sector entities, particularly given the use of AASB 1060 by government departments in several jurisdictions. It would enable efficient consolidation for presentation of whole of government financial statements under AASB 1049 where other key fiscal aggregates are reported (refer to our response to Question 26).

Cash flow classification – dividends received and interest paid and received

As noted in paragraphs BC63–BC69, the AASB decided to propose adding paragraph Aus34D.1 to AASB 107 to retain the current accounting policy choice for NFP public sector entities to elect to classify dividends received and interest paid and received as operating cash flows. The AASB also proposes adding paragraph Aus6.1 to AASB

107 to specify that, in respect of NFP public sector entities that elect to classify the receipt of interest and dividends as operating activities, investing cash flows do not include the receipt of interest and dividends as described in paragraphs 34A–34D of the revised AASB 107.

The AASB noted that currently NFP public sector entities classify dividends paid as financing cash flows and dividends received and interest paid and received as operating cash flows, which is consistent with the ABS GFS Manual.

Q.21 Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.

HoTARAC agrees with:

- a) the proposed paragraphs Aus34D.1 and Aus6.1 to AASB 107 effectively permitting NFP public sector entities an accounting policy choice to elect to classify dividends received and interest paid and received as operating cash flows; and
- b) the reasons outlined in paragraphs BC63-BC69 supporting the proposed accounting policy choice for NFP public sector entities.

The amendments will address key concerns outlined in our 11 April 2025 submission.

Operating cash flow reconciliation

As noted in paragraphs BC70–BC71, consistent with the AASB’s proposals to provide an accounting policy choice for NFP public sector entities to elect to not present the ‘operating profit or loss’ subtotal in the statement of profit or loss, the AASB proposes adding paragraph Aus20.2 to AASB 107 to specify that when reconciling cash flows from operating activities such an entity electing to not present the ‘operating profit or loss’ subtotal shall adjust its ‘profit or loss’ total. The AASB also proposes adding paragraph 16(b) to AASB 1054 to specify that the ‘profit or loss’ total shall be used as the starting point for reconciling net cash flow from operating activities when the entity does not present the ‘operating profit or loss’ subtotal in the statement of profit or loss.

Q.22 Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities? Please explain your reasons.

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HoTARAC agrees with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) to AASB 1054 to ensure the proper and consistent application of the accounting policy choice for NFP public sector entities proposed in paragraph 46.1(b) of AASB 18 (as addressed in Question 16). HoTARAC agrees with the reasons outlined in paragraphs BC70-BC71.

By way of additional comment, HoTARAC provides the following response to address Q2.12 of ITC 56. HoTARAC supports the proposal that NFP public sector entities preparing Tier 2 GPFS be provided with the same relief granted to NFP public sector entities preparing Tier 1 GPFS. This will ensure consistency in presentation and usefulness across the sector and enable an efficient whole of government consolidation to be performed.

Aggregation and disaggregation

As noted in paragraphs BC72–BC75, the AASB received limited feedback from stakeholders during the targeted outreach on the AASB 18 requirements relating to aggregation and disaggregation, and the feedback did not indicate a specific reason to modify the requirements for NFP public sector entities. Therefore, the AASB decided that the requirements should be applied by these entities.

Q.23 Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

In light of the proposed relief in paragraph Aus46.1(b), HoTARAC has not identified a specific further need for modifications regarding the requirements relating to aggregation and disaggregation for NFP public sector entities. This would permit individual jurisdictions to determine the extent to which the existing reporting of “other” items requires further disaggregation to meet jurisdictional-specific requirements.

This is consistent with the observations in paragraph BC75 of AASB 18 that *“applying the aggregation and disaggregation requirements might not significantly affect how line items and disclosures are currently disclosed”* given the IASB also expressed in BC75 to IFRS that *“an entity would generally conclude that line items previously determined to be a ‘material class of items’ would also contribute to a useful structured summary.”*

By way of additional comment, HoTARAC provides the following response to address Q2.13 of ITC 56. For similar reasons to those already outlined, HoTARAC agrees that no modifications to the existing requirements in AASB 18 on aggregation/disaggregation are needed for entities preparing Tier 2 GPFS.

Effective date

The AASB is proposing that the modifications to AASB 18, AASB 107, AASB 1039, AASB 1054 and AASB 1049 proposed to be made in this Exposure Draft should be applied when the entity applies AASB 18. AASB 18 applies to NFP public sector entities, including governments, for periods beginning on or after 1 January 2028 with early application permitted, which is one year after the mandatory effective date for for-profit entities.

Q.24 Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider these entities should be required to apply AASB 18?

HoTARAC supports the modifications proposed by ED338 commencing when public sector agencies and not-for-profit entities would first apply AASB 18.

Consequently, HoTARAC supports the effective date beginning on or after 1 January 2028, with early application permitted, in respect of NFP public sector entities and government.

Statement of changes in equity

As noted in paragraph BC87, a stakeholder commented as part of the Financial Reporting Council's (FRC's) independent Post-implementation Review (PIR) of AASB 1049, that the mandatory requirement to present a statement of changes in equity in the GPFS of an NFP public sector entity should be removed in circumstances where it is redundant, but did not indicate a public-sector-specific reason.

Q.25 Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.

HoTARAC has not identified a public-sector specific reason to depart from the AASB 18 requirement to present a statement of changes in equity in NFP public sector Tier 1 GPFS given it is a fundamental component of the GPFS.

Whole of government and GGS financial statements

Line items to be presented in primary financial statements

AASB 1049 requires a government to present specific subtotals (key fiscal aggregates) in the income statement of the whole of government and GGS financial statements. As noted in paragraphs BC76–BC79, the feedback from the FRC’s PIR of AASB 1049 noted that key fiscal aggregates provide important information to users and for comparability of governments’ financial performance. Accordingly, the AASB decided that governments should continue presenting key fiscal aggregates in accordance with AASB 1049.

The AASB proposes adding paragraphs Aus23.1(b) and AusB8.1(b) to AASB 18 to specify that a government does not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary.

Q.26 Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049? Please explain your reasons.

As outlined in our 11 April 2025 submission, AASB 18 is incompatible with the requirements of AASB 1049 for the presentation of whole-of-government financial statements aligned with the Uniform Presentation Framework (UPF) and conflicts with the presentation of key fiscal aggregates required by GFS.

For these reasons, HoTARAC strongly, and unanimously, supports AASB 1049 remaining unchanged and AASB 18 having no application to whole-of-government financial statements.

HoTARAC agrees with the outcome of the proposed paragraph Aus23.1(b) and AusB8.1(b) in AASB 18 to address these concerns (recognising the ‘unwieldy’ wording in AASB 18 around ‘structured summaries’ mirrors the wording in IFRS 18).

Amendments to AASB 1049 arising from the FRC's PIR of AASB 1049

As noted in paragraph BC86, in response to the feedback the FRC received on its PIR of AASB 1049, the AASB decided to propose amending the following paragraphs in AASB 1049 to align with recent Accounting Standards:

(a) AASB 1049.14(f) – to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received;

(b) AASB 1049.14(g) – to refer to AASB 1058 *Income of Not-for-Profit Entities* instead of AASB 1004 *Contributions* because AASB 1058 and AASB 15 *Revenue from Contracts with Customers* supersede the income recognition requirements previously contained in AASB 1004; and

(c) AASB 1049.31(a)(ii) – to refer to the phrase 'fair value through other comprehensive income' instead of 'available-for-sale' to align with the terminology in AASB 9 *Financial Instruments*.

Q.27 Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

HoTARAC agrees with amending paragraph AASB 1049.14(f) to remove redundant references relating to dividends paid and further explaining the effect of AASB 1049.31 on the application of the proposed paragraph Aus34D.1 in AASB 107.

Consistent with our response to Question 26, this addresses concerns around the interaction of AASB 18 with AASB 1049.

Q.28 Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

HoTARAC supports the update to terminology in AASB 1049.14(g) and 31(a)(ii) to remove superseded references and ensure consistency and avoid confusion in applying Australian Accounting Standards.

For-profit public sector entities

AASB 18 amended AASB 107 to require entities that do not either invest in assets or provide financing to customers as a main business activity to classify:

- (a) dividends paid as financing cash flows (AASB 107.33A);
- (b) interest paid as financing cash flows (AASB 107.34A(a));
- (c) dividends received as investing cash flows (AASB 107.34A(b)); and
- (d) interest received as investing cash flows (AASB 107.34A(b)).

As noted in paragraphs BC93–BC94, the AASB considered that the stakeholder feedback received to date did not indicate a public-sector-specific reason for for-profit public sector entities to depart from the revised AASB 107 or from AASB 18.

Q.29 Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

Refer to Q.30 for HoTARAC's combined response to both questions.

Q.30 Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

HoTARAC's consensus position is consistent classification and presentation of cash flow information, including dividends and interest received, between for-profit public and private sector entities is sufficiently important to be maintained with the commencement of AASB 18. Our reasons are set out in the following dot points:

- Determining the optimum capital structure and dividend policy of for-profit public sector entities is essential to returning financial value to the government whilst ensuring commercial viability, competitive neutrality and public policy outcomes from Government ownership.
- For-profit public sector entities are a source of income for the government through the payment of dividends and the National Tax Equivalent Regime (NTER) to ensure competitive neutrality between government businesses and private sector competitors. As both items are recognised as revenue for the General Government Sector, capital structure and dividend policy plays a key role in the budget process.
- Historically, the classification and presentation of dividend and interest transactions in the financial statements of for-profit public sector entities has been consistent with the for-profit private sector.

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- Under the GFS framework, for-profit public sector entities in the Public Non-Financial Corporations (PNFC) and Public Financial Corporations (PFC) sectors are aligned with the for-profit private sector because they operate primarily on a market basis and, unlike General Government entities, typically recover all or most of their production costs through sales to consumers on a commercial or price-regulated basis. (In some cases, certain entities may even operate in full competition with private sector entities.) Comparability and accuracy remains vital for GFS reporting and statistical macroeconomic analysis undertaken by the Australian Bureau of Statistics.
- One HoTARAC jurisdiction observed that some financial statement users of for-profit public sector entities may, in practice, make little practical distinction between equity injected by government and debt borrowed through government treasury corporations when assessing capital structure and associated cash flows. Further, some entities within the for-profit public sector consider that interest received and interest paid reflects cash management policies that are not designed to reflect investing and financing considerations that the private sector might apply and are more reflective of operational controls. Notwithstanding this, on balance, consistent classification and presentation of financing and investing cashflows by for-profit public sector with other for-profit private sector entities may better meets the needs of all users.

As a result of our analysis, informed by varying degrees of outreach with for-profit public sector entities across jurisdictions, HoTARAC has not identified any strong conceptual grounds to provide relief or exemptions to for-profit public sector entities in the same manner as for not-for-profit public sector entities.

Q.31 Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

HoTARAC considers that existing consolidation systems across jurisdictions already map public sector entity financial data correctly and efficiently for whole-of-government reporting purposes. Consequently, the cost and effort to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements is expected to be minimal.

33 Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

HoTARAC's initial concerns around impacts on whole-of-government reporting and potential conflicts with GFS requirements have been addressed through the AASB's ED 338 proposals.

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34 Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

HoTARAC considers there would far greater auditing and assurance challenges if the proposed accounting policy relief proposed was not offered; or there was inconsistent reporting between the for-profit public and private sectors.

35 Overall, would the proposals result in financial statements that would be useful to users?

Yes.

End of Submission.