



# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 235  
10 September 2024

## Welcome to the AASB Action Alert

The AASB Board met in public and in private on 5–6 September 2024. At the meeting, the Board made key decisions in relation to:

### [Not-for-Profit Private Sector Financial Reporting Framework](#)

### [Conceptual Framework – Not-for-Profit Amendments](#)

### [Annual Improvements \(Volume 11\)](#)

The Board also discussed the following topics:

### [Service Performance Reporting](#)

### [Post-implementation Review – AASB 1060 and AASB 2020-2](#)

## Not-for-Profit Private Sector Financial Reporting Framework

The Board continued its review of a draft Exposure Draft (ED) of a proposed Tier 3 financial reporting framework for not-for-profit (NFP) private sector entities and made the following key decisions regarding the proposals to be included in the ED:

- (a) when it is impracticable for an entity to determine the cumulative effect, as at the beginning of the current period, of applying a new accounting policy to all prior periods or correcting a prior-period error, the entity would:
  - (i) adjust the opening balances of assets, liabilities and items of equity to reflect application of the new accounting policy or correction of the error prospectively from the earliest date practicable; and
  - (ii) disregard the portion of the cumulative adjustments to assets, liabilities and items of equity arising before that date.

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## AASB Action Alert

Issue No: 235  
10 September 2024

In addition, the entity need not disclose an explanation of why it is impracticable to determine the full amount of adjustments to the opening balances for the current period;

- (b) for first-time adopters of the Tier 3 Standard, to extend the disclosure requirements for entities that elect to apply the transitional provisions in Section 29: *Transition to General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* to entities that elect to initially adopt the Tier 3 Standard directly by applying a modified retrospective approach in Section 9: *Accounting Policies, Estimates and Errors*, including:
- (i) an explanation of how the transition from the entity's previous financial reporting framework to the Tier 3 Standard affected its reported financial position, financial performance and cash flows – including the nature of each change in accounting policy, unless the first-time adopter's most recent previous financial statements were special purpose financial statements; and
  - (ii) the requirement to disclose when comparative information is presented on a different basis than the basis required by the Tier 3 Standard for subsequent periods;
- (c) for first-time adopters of the Tier 3 Standard that elect to apply the transitional provisions in Section 29, comparative period information need not be restated, and an entity may elect in its first financial statements prepared using the Tier 3 Standard to include:
- (i) a reconciliation of equity determined in accordance with its previous financial reporting framework to its equity determined in accordance with the Tier 3 Standard; and
  - (ii) a reconciliation of the profit or loss determined in accordance with its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss determined in accordance with the Tier 3 Standard for the same period;
- (d) if a combining entity in an entity combination received a non-financial asset before the combination without paying any consideration in return and elected to initially measure that asset at cost (i.e. nil) in accordance with the Tier 3 Standard, the donated asset is not required to be measured at its fair value as at the deemed combination date;
- (e) not to include guidance on:
- (i) the presentation of comparative information for periods prior to the combination date; and
  - (ii) the impairment of cash-generating units;



## AASB Action Alert

Issue No: 235  
10 September 2024

- (f) to amend AASB 1053 *Application of Tiers of Australian Accounting Standards* to:
  - (i) restrict the scope of Tier 3 reporting requirements for entities applying Australian Accounting Standards to general purpose financial statements of not-for-profit private sector entities that do not have public accountability and are not prohibited from applying Tier 3 reporting requirements by the relevant legislation, constituting document or other document;
  - (ii) require entities applying the Tier 3 reporting requirements for the first time to apply the first-time application requirements set out in the Tier 3 Standard;
  - (iii) require entities reapplying the Tier 3 reporting requirements to apply:
    - (A) all relevant first-time application requirements set out in the Tier 3 Standard if the entity did not apply all applicable recognition and measurement requirements of the Tier 3 Standard in its most recent financial statements; or
    - (B) the Tier 3 reporting requirements directly (i.e. without applying the Tier 3 Standard's first-time application requirements) if the entity applied all applicable recognition and measurement requirements of the Tier 3 Standard in its most recent financial statements;
- (g) to amend AASB 1057 *Application of Australian Accounting Standards* to list the Australian Accounting Standards and Interpretations that would not be applicable to entities applying the Tier 3 Standard;
- (h) to include a non-mandatory illustrative example of a possible methodology for calculating long service leave expense; and
- (i) to seek stakeholder feedback on whether guidance on presenting an analysis of expenses using a classification based on either their nature or function within the entity would be more helpful than developing a more principles-based approach requiring expenses to be disaggregated in a manner that provides useful information consistently to users of the financial statements.

The Board decided the ED will have a comment period of at least 120 days and delegated the finalisation and approval of the ED to a sub-committee. The ED will be issued in conjunction with the ED on the proposed NFP amendments to the *Conceptual Framework for Financial Reporting*.



## Conceptual Framework – Not-for-Profit Amendments

The Board reviewed a draft ED on extending the application of the *Conceptual Framework for Financial Reporting* to certain NFP entities and limiting their ability to prepare special purpose financial statements. The Board made the following key decisions regarding the proposals to be included in the ED:

- (a) to amend the application clauses of Australian Accounting Standards to extend the scope of the Standards to NFP entities that will be within the scope of the *Conceptual Framework for Financial Reporting*;
- (b) with respect to NFP entities, to amend AASB 1054 *Australian Additional Disclosures* to require only NFP private sector entities that are required only by a constituting document or other document to prepare financial statements that comply with Australian Accounting Standards to disclose the following information in special purpose financial statements, where prepared:
  - (i) the entity is an NFP entity;
  - (ii) the financial statements are special purpose financial statements and the basis on which they have been prepared; and
  - (iii) information to help users understand the extent to which the financial statements are consistent with the recognition and measurement requirements set out in Australian Accounting Standards, including information about material accounting policies and changes in those policies; and
- (c) to extend paragraph 20A of AASB 1053 *Application of Tiers of Australian Accounting Standards* so that NFP entities that currently do not present consolidated financial statements in their Tier 2 general purpose financial statements on the basis that neither the parent nor the group is a “reporting entity” will be able to apply either AASB 1 *First-time Adoption of Australian Accounting Standards* or Tier 2 reporting requirements directly using the requirements in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in presenting their first consolidated financial statements in their Tier 2 GPFS.

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

## Annual Improvements (Volume 11)

The Board voted to make Accounting Standard AASB 2024-3 *Amendments to Australian Accounting Standards – Annual Improvements Volume 11*, which amends AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 7 *Financial Instruments: Disclosures*; AASB 9 *Financial Instruments*;



## AASB Action Alert

Issue No: 235  
10 September 2024

AASB 10 *Consolidated Financial Statements* and AASB 107 *Statement of Cash Flows*. This Standard makes minor improvements to the five Standards to address inconsistencies or to clarify requirements.

The Standard applies to annual periods beginning on or after 1 January 2026, with earlier application of the amendments to individual Standards permitted.

### Service Performance Reporting

The Board considered the structure and content of a working draft of service performance reporting (SPR) key principles and related guidance, primarily based on the NZ Accounting Standard PBE FRS 48 *Service Performance Reporting* and modified for the Australian context.

The Board noted that the purpose of the working draft is to initiate consultation with targeted stakeholders. The Board will form its views on the project's next steps after considering the feedback on the working draft and from other scheduled research and future outreach, including further information on the benefits of improvements in the reporting of service performance information and the associated reporting costs.

### Post-implementation Review – AASB 1060 and AASB 2020-2

The Board decided to conduct the post-implementation review of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and AASB 2020-2 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* in Q3 2025, along with outreach activities on AASB 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability* for Tier 2 entities.

### Recently Approved Documents

Since last reported (Action Alert, 27 August 2024), the Board approved the follow Standards, Exposure Drafts or other proposal documents.

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
5 September 2024	AASB 2024-3 <i>Amendments to Australian Accounting Standards – Annual Improvements Volume 11</i>	1 January 2026



## AASB Action Alert

Issue No: 235  
10 September 2024

### Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ED 331 <a href="#">Climate-related and Other Uncertainties in the Financial Statements</a>	<a href="#">ED 331</a>	4 October 2024	28 November 2024
AASB	ED 332 <a href="#">Classification and Measurement of Financial Instruments: Tier 2 Disclosures</a>	<a href="#">ED 332</a>	11 October 2024	–
IASB	ED/2024/4 <a href="#">Translation to a Hyperinflationary Presentation Currency</a>	–	–	22 November 2024
IPSASB	ED 90 <a href="#">Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement</a>	–	–	29 November 2024
IPSASB	ED 91 <a href="#">Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33)</a>	–	–	13 December 2024

#### AASB Board Future Meeting Dates

x September 2024 (TBD)

7–8 November 2024

#### x September 2024 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure