



Project:	Not-for-Profit Private Sector Financial Reporting Framework	Meeting:	M214
Topic:	Redeliberation – selected sections of the draft Tier 3 Standard	Agenda Item:	4.0
		Date:	29 July 2025
Contact(s):	Maggie Man mman@asb.gov.au Evelyn Ling eling@asb.gov.au Jim Paul jpaul@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Project redeliberations

Objective of this agenda item

- 1 The objective of this agenda item is for the Board to consider an update on its Not-for-Profit Private Sector Financial Reporting Framework (NFP FRF) project and decide how to finalise certain proposals exposed in ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*, having regard to the feedback received on the exposure draft and other developments.

Attachments

- 2 Papers for this agenda item are:
 - (a) Agenda paper 4.1 Redeliberation – Intangible assets, impairment of assets and donated non-financial assets
 - (b) Agenda paper 4.2 Redeliberation – Subsidiaries and notable relationship entities,
 - (c) Agenda paper 4.3 Redeliberation – Entity Combinations; and
 - (d) Agenda paper 4.4 Redeliberation – Associates and Joint Arrangements;

Background and decisions made by the Board

- 3 ED 335 was issued in late October 2024 with a four-month consultation period ending 28 February 2025. The exposure draft contained the Board’s proposals for a Tier 3 Standard with simplified recognition, measurement, presentation and disclosure requirements, transition provisions and effective date. At the same time, the Board issued ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, which exposed the Board’s proposals to extend the application of the *Conceptual Framework for Financial Reporting* to more NFP private and public sector entities.
- 4 At the May 2025 meeting, the Board received a collation of the feedback on the proposals in ED 335 and ED 334 and decided to continue the projects and begin redeliberation.
- 5 At the July 2025 meeting, the Board redeliberated on certain proposals in ED 335 and made decisions about them, in addition to editorial decisions, as summarised in the table below:

Topics	Board decisions
ED 335 proposals	
Section 1: <i>Objective, Scope and Application</i>	<ul style="list-style-type: none"> Clarify that topic-based Accounting Standards apply to specified transactions/events within their scope Reconfirm not to develop financial reporting thresholds on who can apply the Tier 3 Standard
Section 2-7 relating to primary financial statements	<ul style="list-style-type: none"> Add guidance on disclosing liabilities with covenants in Section 3 Permit dual classification of expenses by nature and function if more useful in Section 4 Clarify that cash receipts from investment and cash receipts from/payments under loans held for dealing or trading purposes are cash flows from operating activities in Section 6 Clarify the difference between the alternative approaches to presenting cash flows from operating activities under the indirect method in Section 6
Section 9: <i>Accounting Policies, Estimates and Errors</i>	Require full retrospective application of corrections of prior period errors and related disclosures
Section 11: <i>Fair Value Measurement</i>	Remove 'in general' from para. 11.7 to limit the scope of when an entity considers whether a different use by market participants would maximise the value of the asset
Section 12: <i>Inventories</i>	<ul style="list-style-type: none"> Clarify that the accounting policy choice for initial measurement can be made for each individual item of inventory Remove reference to course materials under development Add reference to net realisable value Move the guidance on measuring a loss of service potential of inventories held for distribution to Section 23: <i>Impairment of Assets</i> and clarify that measurement of recoverable amount is required when one of the impairment indicators is present
Section 14: <i>Investment Property</i>	Remove disclosure requirements of commitments for repairs, maintenance or enhancements
Section 15: <i>Property, Plant and Equipment</i>	<ul style="list-style-type: none"> Clarify that parts of Section 15 apply to investment property measured at cost Remove reference to software and include land and buildings as an example of a class of assets
Section 18: <i>Leases</i>	Lessees are not required to separate cost of services from lease payments
Section 19: <i>Provisions and Contingencies</i>	Clarify that provisions are measured at the entity's best estimate of the undiscounted amount to be paid
Section 21: <i>Expenses</i>	Finalise as exposed in ED 335
Section 22: <i>Borrowing Costs</i>	Finalise as exposed in ED 335
Section 24: <i>Employee Benefits</i>	Finalise as exposed in ED 335
Section 25: <i>Income Taxes</i>	Finalise as exposed in ED 335
Section 26: <i>Foreign Currency Translation</i>	Clarify that exchange gains/losses on monetary items are recognised in profit or loss
Section 27: <i>Events Occurring after the Reporting Period</i>	Finalise as exposed in ED 335
Appendix A: <i>Glossary of terms</i>	Include Tier 2 terminology in the glossary of terms or within the body of the Tier 3 Standard where the same meaning is intended

- 6 In addition, the Board redeliberated at its July 2025 meeting on certain proposals in ED 334 and its decisions included that the *Conceptual Framework* and Australian Accounting Standards should, as exposed in ED 334, apply to NFP entities that:
- (a) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after the date a Standard incorporating these proposals first becomes effective; or
 - (c) elect to prepare general purpose financial statements.

Some of these entities, which will be restricted from continuing to prepare special purpose financial statements, are expected to apply the Tier 3 Standard exposed in ED 335.¹

- 7 The [Not-for-Profit Private Sector Financial Reporting Framework Project Summary](#) provides an overview of the Board's decisions in respect of the project resulting in ED 335.
- 8 At this meeting, the Board will continue to consider certain Category B proposals² presented in the Agenda Papers noted in paragraph 2.
- 9 This paper presents a project update for other developments and seeks the Board's consideration of the expected joint timeline for the NFP FRF and Conceptual Framework: Not-for-Profit Amendments projects.

Project update — Other developments

- 10 As noted at the Board's July 2025 meeting, the IASB issued the third edition of the IFRS for SMEs Standard in February 2025. Staff have reviewed the changes from the IFRS for SMEs exposure draft (on which the drafting of various sections of ED 335 was based) to determine their relevance to the NFP FRF project. Any relevant developments are included in the staff analysis for the sections of the draft Tier 3 Standard in the respective agenda papers presented at this meeting for the Board's consideration.

Project timeline and milestones

- 11 The table in paragraph 12 sets out an expected joint timeline for the NFP FRF and Conceptual Framework: Not-for-Profit Amendments projects to facilitate Board member consideration, given the interaction between these two projects.
- 12 The proposed timeline has not changed since it was last presented at the July 2025 Board meeting. Staff will continue to actively consider and make any necessary updates to the project timelines at each Board meeting.

Topics	Date
ED 335 – redeliberations of: <ul style="list-style-type: none"> Section 8: <i>Notable Relationships and Consolidated and Separate Financial Statements</i> (SMC 14) 	At this meeting

- 1 Refer to the [Conceptual Framework: NFP Amendments Project Summary](#) for an overview of the Board's decisions in respect of the project including ED 334.
- 2 Category B proposals are those where the feedback received informs of further points for consideration, such that it is unclear whether the Board proposals will be finalised in the manner exposed. This is based on stakeholders having expressed mixed views or substantive concerns about one or more particular aspects of the proposals.

Topics	Date
<ul style="list-style-type: none"> Section 13: <i>Investments in Associates and Joint Arrangements</i> (SMC 21) Section 17: <i>Entity Combinations</i> (SMC 25) Section 16: <i>Intangible Assets</i> (SMC 24) Section 23: <i>Impairment of Assets</i> (SMC 32) Initial measurement of donated non-financial assets (SMC 2(e) and SMC 23) 	
ED 334 <ul style="list-style-type: none"> Redeliberation: Transitional provisions ED 335 proposals – redeliberations of: <ul style="list-style-type: none"> Section 10: <i>Financial Instruments</i> (SMC 16 – SMC 18) Section 20: <i>Revenue</i> (SMC 28 and SMC 29) Section 28: <i>Related Party Disclosures</i> (SMC 37) Section 29: <i>Transition to Tier 3 General Purpose Financial Statements</i> (SMC 38) 	October 2025 meeting
ED 334 <ul style="list-style-type: none"> Redeliberation: Effective date, and bring a draft amending Standard for consideration ED 335 <ul style="list-style-type: none"> Bring drafting for consideration and make decisions on all remaining technical issues, including setting an effective date Consider amendments needed to the <i>AASB Not-for-Profit Entity Standard-Setting Framework</i> 	November 2025 meeting
Bring sweep and other issues, revised draft Standards, Policy Impact Analysis, explanatory statements, and vote on final pronouncements	H1 2026

Question to Board members

Do Board members have any comments on the project timeline presented in paragraph 12 above, or any other matters noted in this agenda paper?