



Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	M211
Topic:	Preliminary summary of feedback on ED 334	Agenda Item:	6.1
		Date:	13 February 2025
Contact(s):	Evelyn Ling eling@asb.gov.au Maggie Man mman@asb.gov.au	Project Priority:	High
		Decision-Making:	Low
		Project Status:	ED – open for comment

Objective of this paper

- 1 The objective of this agenda item is for the Board to **consider** a summary of the preliminary feedback received on ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*¹ up to 13 February 2025.

Background

- 2 The objective of the Board's Conceptual Framework: Not-for-Profit Amendments project is to apply the *Conceptual Framework for Financial Reporting (Conceptual Framework)* to not-for-profit (NFP) entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards.
- 3 In furtherance of this objective, the Board issued Exposure Draft ED 334 in October 2024. ED 334 exposed the Board's proposals to supersede the *Framework for the Preparation and Presentation of Financial Statements* and extend the application of the *Conceptual Framework* to more NFP entities and make limited NFP modifications to the document. The proposals bring a majority of Australian entities under the aegis of the same conceptual framework documents for guiding the development of accounting policies.
- 4 As part of the proposals to extend the application of the *Conceptual Framework* to NFP private and public sector entities, ED 334 additionally proposed superseding Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* to avoid inconsistency in use of the term 'reporting entity' within Australian accounting pronouncements and, with the reporting entity concept set out in SAC 1 ceasing to be valid for many NFP entities, amendments to AASB 1057 *Application of Australian Accounting Standards* to extend the applicability of Australian Accounting Standards to these NFP private and public sector entities. These amendments were proposed as part of the Board's review of the Australian financial reporting framework and in furtherance of its Not-for-Profit Private Sector Financial Reporting Framework project objectives. However, as the projects overlap in this regard, and given the nature of the proposed amendments, the Board decided² to expose these proposals in ED 334 together with its other proposed amendments to the *Conceptual Framework*.³

1 Link to [ED 334](#) on the AASB website. The questions to stakeholders posed in ED 334 are set out in Appendix A of this paper.

2 Board [Minutes of the 13-14 September 2023 AASB meeting](#)

3 In 2018, following earlier research conducted and recognising feedback received on its agenda consultation, the AASB added a project to its standard-setting work program to review its financial reporting framework for

- 5 The effect of these ED 334 proposals is that more NFP entities will be required to prepare general purpose financial statements when financial statements are prepared in accordance with a directive that they comply with Australian Accounting Standards. In recognition of the impact of the proposal to NFP private sector entities, ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*, issued concurrently to ED 334, proposed requirements for a new reporting Tier of GPFS that is intended to serve as a proportionate reporting response for smaller NFP private sector entities.

Summary of feedback on ED 334 (to 13 February 2025)

- 6 The comment period on ED 334 closes on 28 February 2025. Besides the request for formal submissions, stakeholders were able to provide feedback on the exposure draft via an online survey instrument regarding ED 334. In addition, an online survey instrument regarding ED 335 included a question for stakeholders pertaining to the Board's proposal in ED 334 to extend the population of entities required to prepare general purpose financial statements.⁴
- 7 Virtual and in-person outreach sessions to gain feedback were also conducted to support ED 334 jointly with ED 335. The focus in these sessions were the Board's proposals set out in ED 335 for Tier 3 reporting requirements and, as such, not all aspects of ED 334 were discussed. The ED 334 proposals discussed related to the following topics:
- (a) limiting the ability of certain NFP entities to prepare special purpose financial statements;
 - (b) disclosures in special purpose financial statements;
 - (c) transitional provisions; and
 - (d) effective date of any final requirements.

The key proposals of the Conceptual Framework: Not-for-Profit Amendments project – being to extend the application of the *Conceptual Framework* to NFP entities and make NFP modifications to the *Conceptual Framework* – were not a focus of the jointly conducted ED 334 and ED 335 outreach sessions. This was due to time constraints.

- 8 As of 13 February 2025:
- (a) 0 (nil) formal submissions have been received;
 - (b) 17 survey respondents have responded to at least one question pertaining to ED 334;
 - (c) 2 of 3 planned virtual outreach sessions have been conducted, on 11 December 2024 and 29 January 2025; and
 - (d) 2 of 2 planned in-person outreach sessions have been held, in Melbourne on 6 February 2025 and in Sydney on 11 February 2025.

In addition, staff have attended 2 stakeholder meetings/events where the ED proposals were (in part) discussed. Staff will provide a verbal update at the Board meeting of any further feedback received between the date of this agenda paper and the Board meeting.

Australian entities. The primary project driver was to address the stakeholder concern that the reporting entity concept, long embedded into the Australian financial reporting framework, was not working as originally envisaged. Rather, there remained a large population of Australian entities preparing special purpose financial statements, instead of the general purpose financial statements that facilitate comparability of financial reporting for entities in similar economic circumstances. The proposals to extend the applicability of Australian Accounting Standards to more NFP entities were made in furtherance of the Board's work to improve the quality of reporting by Australian entities as part of its staged review of the Australian financial reporting framework.

- 4 See Question 2 in the ED 335 survey instrument. The question relates to Specific Matter for Comment 4 in ED 334.

- 9 Feedback from the various outreach avenues is summarised in the following groupings:
- (a) survey instrument (refer paragraphs 10 – 13);
 - (b) virtual and in-person outreach sessions (refer paragraphs 14 – 30); and
 - (c) other stakeholder meetings/events (refer paragraphs 31 and 32).

Feedback from the online survey instrument

- 10 As of 13 February 2025, the AASB has received 4 ‘completed’ surveys and 3 ‘incomplete’ surveys regarding its ED 334 proposals.⁵ In addition, up to 10 further unique respondents responded to the question in the ED 335 survey instrument relating to the ED 334 proposals to amend AASB 1057 to extend the application of Australian Accounting Standards to more NFP entities.⁶
- 11 10 of these 16 stakeholders represent preparers or accounting advisors. The remaining survey respondents did not provide any identifying information.
- 12 Staff’s preliminary summary of the survey feedback to 13 February 2025 regarding the ED 334 Specific Matters for Comment is set out below:
- (a) applying the *Conceptual Framework for Financial Reporting* to certain NFP public and private sector entities (ED 334, SMC 1 and SMC 2): 5 of 6 ED 334 survey respondents responded to the survey questions pertaining to SMC 1 and SMC 2(a)-2(c), and 4 of 6 survey respondents responded to the survey question pertaining to SMC 2(d). All of these respondents agreed with the Board’s proposals to extend the application of the *Conceptual Framework for Financial Reporting* to certain NFP public and private sector entities and to introduce limited Australian guidance in that pronouncement for NFP entities.

A survey respondent⁷ observed that it is necessary to consider both ED 335 and ED 334 together as ED 335 alleviates the potential additional cost burden resulting from the ED 334 proposals. (That respondent is of the view that if the disclosures in, or costs of preparing, general purpose financial statements complying with Tier 3 reporting requirements are higher than the costs of preparing special purpose financial statements, the resultant financial statements will become meaningless to their users. As such, the Board’s objective in introducing the reporting Tier would not be achieved.)
 - (b) no longer undertaking a project that would consider the more significant and complex conceptual issues affecting NFP entities (ED 334, SMC 3): 4 of 6 ED 334 survey respondents responded to the survey question pertaining to SMC 3. 3 respondents agreed with the Board’s decision to no longer undertake a project that would consider the more significant and complex conceptual issues affecting NFP entities. 1 respondent⁸ considered that a project should proceed if it would provide more clarity to the preparers of Tier 3-compliant general purpose financial statements, but agreed that it should not be undertaken if these conceptual issues are not relevant to that preparer group.
 - (c) limiting the ability of certain NFP entities to prepare special purpose financial statements (ED 334, SMC 4): 14 of 17 survey respondents supported the Board’s proposal to limit the ability of certain NFP entities to prepare special purpose financial statements; one of which

5 A survey is considered completed if the respondent progressed to the end of the survey. A survey is considered incomplete otherwise. These numbers do not include the:

- (a) 1 ‘completed’ survey that was abandoned by the respondent following the instrument’s direction to do (as the respondent indicated they intend to submit a comment letter); and
- (b) 4 ‘incomplete’ surveys that do not respond to any of the questions posed.

6 These numbers do not include a further 1 respondent who responded to the same question in both the ED 334 and ED 335 online surveys.

7 Preparer/advisor

8 Preparer/ advisor

expressed conditional support dependent on the adoption of the ED 335 proposals.⁹ These respondents did not otherwise expand on their response. 3 of 17 respondents disagreed, for the following reasons:

- *Diversion of limited resources and limited user base.* A survey respondent¹⁰ who disagreed with the proposal was concerned that as smaller NFP entities compared to for-profit private sector entities would be required to prepare general purpose financial statements, resource constraints – including systems and financial expertise – would result in the proposals necessitating the diversion of funds and focus from delivery on NFP objectives. That respondent also observed that charitable organisations that have dependent users are already preparing GPFS.

Reflecting on the Board’s 2018 decision to revisit and amend a requirement for concessionary leases to be measured at fair value in response to stakeholder feedback received during the implementation period, that respondent also urged the Board to perform more work with regard to its proposal to limit entities from preparing special purpose financial statements before finalising requirements in this regard. This would limit the potential for the entity’s resources to be wasted.

Another survey respondent disagreed with the proposal as they were concerned about the further cost and compliance burden on micro entities staffed by elderly volunteers;¹¹ and

- *General purpose financial reporting may not have been anticipated.* A survey respondent¹² who disagreed with the proposal observed that the constituting documents of many smaller NFP entities may have been prepared years ago without forethought of potential time and financial implications of future reporting requirements.

- (d) requiring disclosures in special purpose financial statements (ED 334, SMC 5): 4 of 6 ED 334 survey respondents responded to the survey question pertaining to SMC 5. All of these respondents agreed with the Board’s proposals regarding the NFP entity population that must make disclosures in special purpose financial statements and the specified disclosure requirements.
- (e) developing limited further transitional relief (ED 334, SMC 6 and SMC 7): 4 of 6 ED 334 survey respondents responded to the survey questions pertaining to SMC 6 and SMC 7. All of these respondents agreed with the Board’s proposals regarding the first-time adoption of an amending standard resulting from the exposure draft.
- (f) setting an effective date that is at least 3 years after issue of any final requirements (ED 334, SMC 8): 3 of 6 ED 334 survey respondents responded to the survey question pertaining to SMC 8. All of these respondents agreed with the Board’s proposals regarding a future effective date.

9 This survey respondent did not provide any identifying information, and responded only to Specific Matter for Comment 1 in ED 334. SMC 1 pertains to the extension of the scope of the *Conceptual Framework for Financial Reporting*. However, staff think it is clear from the respondent’s accompanying comments that the respondent meant to respond to SMC 4, which pertains to the amendments to AASB 1057 to require more NFP entities to prepare general purpose financial statements, and have applied this interpretation to the preparation of this summary of feedback.

10 This survey respondent did not provide any identifying information, and responded only to Specific Matter for Comment 1 in ED 334. SMC 1 pertains to the extension of the scope of the *Conceptual Framework for Financial Reporting*. However, staff think it is clear from the respondent’s accompanying comments that the respondent meant to respond to SMC 4, which pertains to the amendments to AASB 1057 to require more NFP entities to prepare general purpose financial statements, and have applied this interpretation to the preparation of this summary of feedback.

11 Preparer

12 Preparer

13 4 respondents to the ED 334 survey responded to the ED 334 General Matters for Comment. The survey feedback to 13 February 2025 regarding ED 334 General Matters for Comment 9 to 14 is summarised below:

- (a) application of the AASB Not-for-Profit Standard-setting Framework (GMC 9): All 4 respondents agreed that the *AASB Not-for-Profit Entity Standard-Setting Framework* had been applied appropriately in developing the ED 334 proposals
- (b) identification of regulatory or other issues potentially affecting implementation (GMC 10): 3 respondents did not identify any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals. 1 respondent¹³ indicated their view that the proposal to require general purpose financial statements for some, but not all, NFP entities would create further confusion for preparers, and commented that greater harmonisation between state and territory legislative obligations and federal obligations in this regard should continue to be prioritised.
- (c) challenges for auditing or assurance activities (GMC 11): 3 respondents did not identify the proposals to create any audit or assurance challenges. 1 respondent¹⁴ qualified their response, noting the need for early education for auditors and clear guidelines.

1 respondent¹⁵ responded that the proposals would create audit or assurance challenges, and observed that the Australian Charities and Not-for-profits Commission (ACNC) should consider increasing the threshold before an audit of the financial statements is required. That survey respondent indicated that their expectation that it will be easier to audit Tier 3-compliant general purpose financial statements compared to Tier 2-compliant general purpose financial statements.
- (d) result overall in financial statements that are useful to users (GMC 12): All 4 respondents agreed that the proposals would result overall in financial statements that are useful to users. However, 1 respondent¹⁶ observed that the users of NFP financial statements are not the same as for listed entities and, as such, that there is a need to balance the costs and impacts of the proposals for NFP entities.
- (e) proposals are in the best interest of the Australian economy (GMC 13): All 4 respondents agreed that the proposals would result overall in financial statements that are useful to users. 1 respondent¹⁷ commented that, for reasons of transparency, some form of general purpose financial reporting should be required for member-based organisations.
- (f) costs and benefits of the proposals (GMC 14): 2 respondents commented on costs of the proposals, but shared contrasting views. 1 respondent¹⁸ indicated that the proposals could see an increase in costs of between 20% to 40% increase in costs, while another respondent¹⁹ observed that they would not expect the proposals to result in extra costs.

Feedback from virtual and in-person roundtable sessions

14 41 participants attended the two virtual outreach sessions held to date and 17 participants attended the Melbourne (10) and Sydney roundtable sessions (7).²⁰ The roundtable participants

13 Preparer/ advisor

14 Preparer/ advisor

15 Preparer/ advisor

16 Preparer/advisor

17 Preparer/ advisor

18 Preparer/advisor. Staff note that this respondent is aware of the Board's proposal to introduce Tier 3: Australian Accounting Standards – Simplified Accounting as a further reporting Tier.

19 Preparer

20 These sessions include participants who attended more than one virtual or in-person session. Staff have cleansed the data as best able.

were from professional bodies (5), regulators (1), audit firms (2), preparers (4), and accounting advisors (3).²¹

- 15 Staff used polling questions with regard to the following ED 334 Specific Matters for Comment at the virtual outreach sessions to solicit feedback from participants. Respondents were not polled at the in-person outreach sessions. Staff's interpretation and preliminary summary of the feedback received is set out in paragraphs 16 – 30 below.²²

Limiting the ability of certain NFP entities to prepare special purpose financial statements (ED 334, SMC 4)

- 16 13 of 21 polling question respondents supported the Board's proposal to limit the ability of certain NFP entities to prepare special purpose financial statements. 1 respondent disagreed, and 7 respondents were unsure. The participants at the roundtable sessions were supportive of the proposal in part, but expressed some significant reservations/disagreement.
- 17 Of the polling question respondents that agreed with the proposal, 1 polling question respondent²³ noted that regulators need to decide which entities may prepare Tier 3-compliant general purpose financial statements. The 1 respondent who disagreed with the proposal observed that there may be potential issues with maintaining two conceptual framework documents indefinitely, and would prefer that only one conceptual framework document be applicable to all Australian entities.²⁴
- 18 These sentiments were echoed by some (4) participants at the roundtable events, including representatives of professional bodies, audit firms and preparers. The lack of clarity as to whether Tier 3-compliant general purpose financial statements will eventually be restricted for application by some NFP private sector entities was seen as a significant implementation concern to several (3) participants, and a proposal was mooted for the AASB to develop temporary 'guidance' until relevant legislation is further developed in this regard. Similarly, the "constituting date exemption" resulting in the maintenance of two conceptual framework documents was questioned by a stakeholder.
- 19 A participant observed that without clear thresholds for entities preparing financial statements under a legislative requirement, entities would be able to self-decide which Tier of Australian Accounting Standards to comply with. That participant observed the similarities of such state to a stakeholder concern about the reporting entity concept: that entities might prepare financial statements that are not "appropriate" given, for example, the size of the entity. Another participant observed that constituting documents may similarly not specify which reporting Tier of general purpose financial statements must be prepared.
- 20 Besides concerns about maintaining two conceptual framework documents, a participant (audit firm) at the roundtable events queried whether there is a need for NFP entities that are required only by their constituting document to prepare financial statements that comply with Australian Accounting Standards to prepare general purpose financial statements. A participant (audit firm) opined that the cost-benefit balance is unlikely to be met for such entities, and questioned whether the Board's proposal was sufficiently evidence-backed, noting that the population of impacted entities is presently unknown to the AASB and that a post-implementation review of a similar requirement applying to for-profit private sector entities has not yet occurred.
- 21 Similarly, some (3) participants (audit firms, professional bodies) expressed reservation about whether the Board's proposal to require more entities to prepare general purpose financial

21 One further participant who attended an in-person outreach session indicated they worked in the public sector. Another participant did not identify themselves. These participants did not provide any feedback during the session.

22 Staff note that the comments and concerns heard during the virtual outreach and in-person roundtable sessions may not necessarily represent the stakeholder's final views reflected in a future comment letter.

23 Respondent from a professional body

24 That respondent also observed that for-profit public sector entities are still treated differently.

statements should extend to NFP public sector entities at this time. 2 of these participants observed that the extent of impact the proposal would have on the public sector was not clear and encouraged the Board to undertake further work in this regard. A participant (professional bodies) noted that 'static' nature public sector entities (such as cemetery trusts) could potentially be treated differently to public sector entities that have a 'growth' nature.

- 22 2 other roundtable participants (advisors) were concerned about the costs associated with interpreting and applying Accounting Standards, should general purpose financial statements be required.

Requiring disclosures in special purpose financial statements (ED 334, SMC 5)

- 23 21 of 22 polling question respondents supported the Board's proposal to require certain NFP entities to make specified disclosures in their special purpose financial statements. 1 respondent was unsure.
- 24 The participants at the roundtable sessions provided mixed feedback. Many were supportive of the proposal. However, some (3) participants (preparers, regulators, audit firms) considered that that the disclosures should not be specified by the Board or that the disclosure is warranted only where of benefit to users, for example, where the financial statements are publicly available.

Developing limited further transitional relief (ED 334, SMC 6 and SMC 7)

- 25 18 of 22 polling question respondents supported the Board's proposal in SMC 6 to develop transitional relief only for early adopters preparing Tier 2-compliant general purpose financial statements. 3 respondents disagreed, and 1 respondent was unsure. 2 of the respondents who disagreed were of the opinion that the proposed relief should not be limited to early adopters.
- 26 Some (3) participants (professional bodies, audit firms) at the roundtable events similarly indicated that the proposed relief should not be limited to early adopters, or were unsure whether to support the proposal. Reasons for their view included that such limitation might be inappropriate when it is unknown at this time which entities may prepare Tier 3-compliant general purpose financial statements, and that a 3-year implementation period is not a long time if legislation might be amended. Other participants at the roundtable sessions, including preparers, did not object to the proposal.
- 27 18 of 21 polling question respondents supported the Board's proposal in SMC 7 to clarify that the relief set out in AASB 1 *First-time Adoption of Australian Accounting Standards* is available to an NFP entity transitioning from preparing unconsolidated Tier 2-compliant general purpose financial statements to consolidated Tier 2-compliant general purpose financial statements on adoption of the proposed amendments. 3 respondents were unsure. Attendees did not expand on why they supported or were unsure whether to support the Board's proposal.
- 28 Participants at the roundtable events did not provide any specific feedback regarding SMC 7.

Setting an effective date that is at least 3 years after issue of any final requirements (ED 334, SMC 8)

- 29 17 of 22 polling question respondents supported the Board's proposal regarding the selection of an effective date. 2 respondents disagreed and 3 were unsure. One 'unsure' respondent commented that providing transition relief appears incongruous with the longish implementation period. They queried whether the Board should instead set a closer effective date and allow all entities preparing Tier 2-compliant general purpose financial statements access to the proposed further transition relief in the year of adoption.
- 30 In general, participants at the roundtable events supported or did not object to the effective date proposal. 2 roundtable participants (preparers, professional bodies) observed that the implementation period needed to be of sufficient length to allow for legislation/ regulations to be amended, and for entities to accept the new requirements. Another participant noted that an effective date could be deferred in the future if it became apparent that it was necessary to do so.

Stakeholder meetings/events

- 31 Staff obtained the following feedback from other meetings in which the ED proposals were discussed:

Limiting the ability of certain NFP entities to prepare special purpose financial statements

- (a) A stakeholder (auditor) noted the rationale for the proposal to require general purpose financial statements to be prepared if triggered by amendments to “another document” following the effective date of the proposals, but observed that – as a learning from the similar requirements in place for for-profit private sector entities – such requirement can be challenging to apply. Auditors may not have access to all documents and clients may not be aware of the requirement.
- (b) A stakeholder (advisor) supported the proposal to extend general purpose financial reporting to NFP private sector entities on the same basis as for-profit private sector entities, noting that the consistency is helpful for stakeholder understanding and training.
- (c) A stakeholder (auditor) considered that the “constitution date exemption” should not be available to entities in perpetuity.

Disclosures in special purpose financial statements

- (d) Regarding the Board’s proposal to specify disclosures in special purpose financial statements, a stakeholder (auditor) commented that anecdotally, accountants consider it easier to comply with Tier 1 recognition and measurement requirements compared to identifying and quantifying the difference between an entity’s policies and Tier 1 recognition and measurement requirements as part of a financial statement note disclosure.

That stakeholder also queried the usefulness of the proposed special purpose financial statement disclosures if the Board’s proposals to extend the population of NFP entities preparing general purpose financial statements are finalised, especially once Tier 3-compliant general purpose financial statements are introduced. That stakeholder recommended that the proposed disclosure be period limited, if retained in the Board’s final amendments. This is because in their view, offering different options adds to complexity rather than simplifying and making the requirements cleaner and more understandable.

Transitional provisions and proposed effective date

- (e) A stakeholder (auditor) disagreed with the proposal to allow certain entities to not restate comparative information when transitioning from special purpose financial statements to financial statements that comply with Tier 2 Australian Accounting Standards: Simplified Disclosures. This stakeholder considered that comparative information may be “meaningless” if the applied accounting policies differed significantly, offering AASB 16 *Leases* as an example. However, that stakeholder observed that note disclosure to provide this transparency to users of the financial statements might be a sufficient compromise.
- (f) A stakeholder (auditor) supported the proposal to limit the further transitional relief for Tier 2-compliant general purpose financial statements only for early adopters of the proposals, as this restriction facilitates being able to have earlier conversations with their clients about the amendments.
- (g) Three stakeholders (advisor, auditors) observed that a 3-year implementation period may be too long, such that entities may forget about the proposals. However, another stakeholder (auditor) noted that this period has been widely communicated to date and that to shorten it could be problematic. This stakeholder also noted that there will be significant work involved for both entities and their accounting advisors to transition entities from special purpose financial statements, especially when it is still unknown

whether certain entities might be required to prepare Tier 2-compliant general purpose financial statements. That stakeholder observed that there will be a financial cost involved that will need to be incorporated into an NFP's future budget (for example, to upgrade computer software).

- 32 Staff have not received any other specific feedback regarding the Board's ED 334 proposals gathered from the various stakeholder meetings/events attended by staff up to 13 February 2025, including any feedback about its proposed amendments to the *Conceptual Framework for Financial Reporting*.

Next steps and proposed timeline

- 33 As noted in Agenda Paper 6.0, staff will bring an updated summary of feedback on ED 334 and staff's detailed analysis of the feedback and recommendations to a future meeting for the Board's consideration and decision-making.
- 34 Staff note that, as highlighted in paragraph 4 above, the supersede of SAC 1 and amendments to AASB 1057 to extend the applicability of Australian Accounting Standards to NFP private and public sector entities overlap with the scope of the Board's Not-for-Profit Private Sector Financial Reporting Framework project. Staff have not yet determined whether an analysis of the feedback and recommendations in this regard should be included in future Board papers as part of this Board project (Conceptual Framework: Not-for-Profit Amendments) or the Board's Not-for-Profit Private Sector Financial Reporting Framework project.

Question to Board members

Do Board members have any questions or comments on the preliminary summary of ED 334 feedback or other matters set out in this agenda paper?

APPENDIX: ED 334 Specific Matters for Comment and General Matters for Comment

The following questions were included in ED 334. The accompanying online survey also included these questions, numbered differently. Only SMCs 4 – 8 were discussed in the virtual and in-person outreach sessions.

Specific Matters for Comment

Applying the *Conceptual Framework* to not-for-profit entities

1. Paragraph Aus1.1 of the proposed amendments to the *Conceptual Framework for Financial Reporting (Conceptual Framework)* extends the applicability of the pronouncement to apply also to not-for-profit private and public sector entities that:
 - (a) are required by legislation to 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 relevant document was created or amended on or after a specified date; or
 - (c) elect to prepare general purpose financial statements.

The *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 *Definition of the Reporting Entity* are superseded for an entity when the *Conceptual Framework* applies to the entity.

Do you agree with the proposed amendments to extend the application of the *Conceptual Framework* to not-for-profit entities, including the proposed amendments to the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1? If you disagree, please explain why.

2. The AASB is proposing to insert a number of 'Aus' paragraphs into the *Conceptual Framework* so that the pronouncement is suitable for use as a conceptual framework document for not-for-profit entities.
 - (a) Do you agree with the proposed 'Aus' paragraphs to be added to Chapter 1 *The objective of general purpose financial reporting* and Chapter 2 *Qualitative characteristics of useful financial information* of the *Conceptual Framework*, including the amendments to:
 - (i) distinguish donors from other funders (see proposed paragraph Aus1.2.1);
 - (ii) clarify that transactions in equity instruments and distributions to investors typically do not occur in not-for-profit entities (see proposed paragraph Aus1.15.1);
 - (iii) clarify that information about a not-for-profit entity's past financial performance and how its management discharged its stewardship responsibilities is usually helpful for predicting the volume and cost of future services and the sustainability of future service delivery (see proposed paragraph Aus1.16.1); and
 - (iv) delink, for not-for-profit entities, the results of confident, more informed user decision making and more efficient functioning of capital markets and a lower cost of capital (see proposed paragraph Aus2.41.1)?

If you disagree, please explain why.

- (b) Do you agree with the proposed 'Aus' paragraphs to be added to Chapter 4 *The elements of financial statements*, including the amendments to:
 - (i) clarify, for a not-for-profit entity, the relationship between the potential to produce economic benefits and service potential (see proposed paragraph Aus4.4.1);
 - (ii) clarify, for a not-for-profit entity, the relationship between cash inflows and the definition of an asset (see proposed paragraphs Aus4.16.1 and Aus4.16.2); and

- (iii) explain how references in the Conceptual Framework to an equity claim should be interpreted, because a not-for-profit entity would not typically have equity claims on its assets (see proposed paragraph Aus4.67.1)?

If you disagree, please explain why.

- (c) Do you agree with the proposed 'Aus' paragraphs to be added to Chapter 6 *Measurement*, including the amendments to:
 - (i) clarify that, for a not-for-profit entity, the predictive value of historical cost information and current cost information is not limited to predicting future margins (see proposed paragraphs Aus6.30.1 and Aus6.41.1); and
 - (ii) clarify that the selection of an appropriate measurement basis for non-financial assets held by a not-for-profit entity for their service potential rather than their potential to generate cash inflows is not necessarily informed by how those cash inflows are generated (see proposed paragraph Aus6.56.1)?

If you disagree, please explain why.

- (d) Do you agree, overall, with the limited proposed amendments to the *Conceptual Framework*?

If you disagree, please explain why.

- 3. The AASB reviewed the adequacy of the not-for-profit modifications in the *Framework for the Preparation and Presentation of Financial Statements* to address a view that further consideration should be given to the identification of users of financial statements and to the emphasis given to stewardship/accountability, amongst other matters. The AASB concluded that, with minor updates, those modifications are suitable for inclusion in the *Conceptual Framework* as applicable to Australian not-for-profit entities. The AASB observed that the *Conceptual Framework* gives greater emphasis to stewardship/accountability than the *Framework for the Preparation and Presentation of Financial Statements*. Therefore, the AASB decided not to add a project to its work program to further develop the *Conceptual Framework* for these or other more significant or complex conceptual issues affecting not-for-profit entities. The AASB made this decision on considering the effort involved with undertaking a project in this regard versus the urgency of such a project when considered against its existing other work program priorities.

Do you agree with the AASB's decision to no longer undertake a project that would consider the more significant and complex conceptual issues affecting not-for-profit entities? If you disagree, please explain why.

Limiting the ability of certain not-for-profit entities to prepare special purpose financial statements

- 4. The AASB is proposing to extend the application of Australian Accounting Standards to more not-for-profit entities by no longer predicating the applicability of a Standard on such an entity's identification as a reporting entity (as defined by SAC 1). The proposals amend requirements for not-for-profit public sector entities but do not affect for-profit public sector entities, except where these entities are consolidated or otherwise incorporated into a not-for-profit public sector entity's financial statements.

Do you agree with the proposed amendments to AASB 1057 *Application of Australian Accounting Standards* to extend the application of Australian Accounting Standards to, in general, not-for-profit entities that are required:

- (a) by legislation to comply with either Australian Accounting Standards or accounting standards; or
- (b) only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document is created or amended on or after a specified date;

such that these entities are required to prepare general purpose financial statements?

If you disagree, please explain what you suggest instead and why.

For the purposes of this question, the specified date would be the first effective date of a Standard resulting from this Exposure Draft. For example, if the effective date of a final Standard is for annual periods beginning on or after 1 January 2029, the specified date would be 1 January 2029.

Disclosures in special purpose financial statements

5. The AASB is proposing to amend AASB 1054 *Australian Additional Disclosures* and AASB 1057 to require a not-for-profit private sector entity that is required only by its constituting document or another document to prepare financial statements that comply with Australian Accounting Standards to disclose the information specified by paragraphs 8, 9 and 9A of AASB 1054 in special purpose financial statements, including information about its adopted accounting policies and changes in those accounting policies (proposed paragraphs 9A(b) and 9A(c) of AASB 1054).

Do you agree with this proposal? If you disagree, please explain why.

Transitional provisions

6. The AASB is proposing to provide limited transitional relief to an entity that is a first-time adopter of Australian Accounting Standards and that elects to apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Do you agree with the proposals set out in Appendix F in AASB 1053 and paragraph Aus12.2 of AASB 1 *First-time Adoption of Australian Accounting Standards*? If you disagree, please explain why.

7. The AASB is proposing to amend paragraph 20A of AASB 1053 to allow not-for-profit entities transitioning from unconsolidated Tier 2 – Simplified Disclosures general purpose financial statements to consolidated Tier 2 – Simplified Disclosures general purpose financial statements to apply AASB 1 when preparing consolidated financial statements for the first time.

Do you agree with the proposed amendments to paragraph 20A of AASB 1053? If you disagree, please explain why.

Effective date of the proposals

8. The AASB is proposing that the effective date of a final Standard would be at least three years after the issue of that pronouncement (for example, if the Standard is issued in December 2025, the effective date would not be earlier than annual periods beginning on or after 1 January 2029). Earlier adoption would be permitted.

Do you agree with this proposal? If you disagree, please explain why.

General matters for comment

9. Has the *AASB Not-for-Profit Entity Standard-Setting Framework* been applied appropriately in developing the proposals in this Exposure Draft?
10. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
- (a) not-for-profit entities; and
 - (b) public sector entities, including GAAP/GFS implications?
11. Do the proposals create any auditing or assurance challenges? If so, please explain those challenges.
12. Would the proposals result overall in financial statements that are useful to users?
13. Are the proposals in the best interests of the Australian economy?
14. Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, 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.