



Project:	Updating AASB 1060 to Align with AASB 18 Classification and Presentation Requirements	Meeting:	AASB October 2026 (M223)
Topic:	Detailed Feedback Summary on ED 341	Agenda Item:	3.5
		Date:	15 October 2026
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		Decision-Making:	Low
		Project Status:	Update the Board on the detailed feedback summary on ED 341

Objective of this paper

- 1 The objective of this paper is to provide the Board with the consolidated detailed summary of feedback received from submissions and other outreach activities in response to questions in [ED 341](#) *Updating AASB 1060 to Align with AASB 18 Classification and Presentation Requirements*.
- 2 This paper supports Agenda Paper 3.1 and does not contain any questions for the Board.

Structure of this paper

- 3 The paper is structured as follows:
 - (a) [Overview](#): Overview of outreach activities performed and profile of responding stakeholders (paragraph 6);
 - (b) [Part 1](#): Classification and presentation requirements (paragraphs 7 to 12);
 - (c) [Part 2](#): Proposed approach for alignment (paragraphs 13 to 19);
 - (d) [Part 3](#): Transition requirements (paragraphs 20 to 26);
 - (e) [Part 4](#): Reliefs for NFP public sector entities (paragraphs 27 to 32);
 - (f) [Part 5](#): Reliefs for NFP private sector entities (paragraphs 33 to 39);
 - (g) [Part 6](#): Application date (paragraphs 40 to 49);
 - (h) [Part 7](#): Other feedback (paragraph 50); and
 - (i) [Part 8](#): General matters for comments (paragraphs 51 to 59).
- 4 Each section includes: a summary of the relevant proposals in ED 341; an overview of stakeholder feedback; detailed statistics on the distribution of feedback across roundtables, surveys, written submissions and targeted outreach.
- 5 ED 341 received generally strong support from stakeholders. Feedback broadly fell into three categories:

- (a) stakeholders who agreed with the proposals;
- (b) stakeholders who agreed with the proposals and provided additional comments, suggestions or matters for the Board's consideration; and
- (c) stakeholders who disagreed with the proposals.

As most stakeholders supported the proposals, the detailed feedback included in this paper primarily relates to categories (b) and (c). This feedback is presented for completeness and to inform the Board's consideration of the comments received.

Overview

Table 1: Overview of outreach activities performed and profile of responding stakeholders

Outreach activities	Number of stakeholders	Profile of stakeholders (where possible)
Roundtable (July 2026)	64	Mixed (participant profiles were not available)
Survey (June – August 2026)	11	Participants were mainly preparers, auditors alongside one user
Written submissions (June – August 2026)	10	- Three professional bodies: CA ANZ, IPA, CPA Australia - Five professional service firms: Deloitte, EY, KPMG, PwC, Pitcher Partners - One group of auditor-general: ACAG - One regulator: ACNC
Other targeted outreach (July – September 2026)	2	These included meetings with an accounting expert within an audit office and a regulator
Other sources (September 2026)	5	Staff sought informal feedback through the CA ANZ Accounting Research Group meeting held in September 2026. Feedback was received from five members. ¹

- 6 Not all respondents commented on all questions in ED 341. To ensure consistent and proportionate language when summarising stakeholder views, this guide defines commonly used quantifiers, such as 'some,' 'many,' and 'most', based on the number of stakeholders involved. Because the number of respondents differs from topic to topic, what qualifies as "most" or "many" can vary accordingly. The quantifier table below explains how these terms have generally been applied across all topics.

Table 2: Quantifier usage guide for stakeholder references

Term	Suggested Definition	Example Usage
A few	10% to < 30% stakeholders	"A few preparers commented ..."
Some	30% to < 50% stakeholders	"Some stakeholders observed. "
Many	50% to < 70% stakeholders	"Many stakeholders raised concerns ..."
Most	70% to < 100% stakeholders	"Most stakeholders supported ..."
All	100% stakeholders	"All stakeholders agreed ..."

¹ Full details of the informal feedback obtained from members of the CA ANZ Accounting Research Group in September 2026 are discussed in paragraph 33 of Agenda Paper 3.1 and are not repeated in this agenda paper. The context for obtaining this feedback is discussed in paragraphs 27–32 of Agenda Paper 3.1.

Part 1: Classification and presentation requirements

- 7 ED 341 proposed that Tier 2 entities should be subject to the same classification and presentation requirements, including aggregation requirements, for the financial statements as Tier 1 entities (except for the current concessions).

ED 341 included the following question to stakeholders:

ED 341 SMC Question 1

Do you agree that Tier 2 entities should be subject to the same classification and presentation requirements, including aggregation requirements, for the financial statements as Tier 1 entities, except for the current concessions of:

- (a) not having to present a third statement of financial position when the entity has applied an accounting policy retrospectively, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements; and
- (b) the option to present a statement of income and retained earnings in place of a separate statement of comprehensive income and a statement of changes in equity under certain circumstances?

If you disagree, please explain why

Overall feedback

- 8 Most respondents were in favour of the proposal of aligning the same classification and presentation requirements, including aggregation requirements, for the financial statements between Tier 1 and Tier 2 entities.

Statistics

- 9 Polling results at the roundtable were:
- (a) 40 out of 41 respondents (98%) agreed;²
 - (b) 1 out of 41 respondents (2%) disagreed.
- 10 Of the 11 survey responses received, all provided feedback on Question 1. Most survey respondents (8 out of 11) agreed.
- 11 Of the 10 comment letters received, nine provided feedback on Question 1. All respondents generally agreed with the proposal (noting that one of these stakeholders, while generally supportive of the proposal, provided further comment on the suitability of presentation concessions).

Detailed feedback

- 12 Key issues raised by stakeholders, who did not agree or agree with further feedback, are presented below:
- (a) a professional service firm suggested to remove presentation concessions. The stakeholder was of the view that classification and presentation requirements to Tier 1

2 Staff noted that, in the virtual roundtable, the “yes” response option for the SMC 1 polling question was split into two categories (yes and yes, subject to relief proposal for NFP public and private sector entities). This distinction was intended to accommodate stakeholders who were concerned only with the for-profit sector, and those who considered both the for-profit and NFP sectors. As a result, of the 41 respondents, 13 selected Yes, 27 selected Yes, subject to the proposed relief proposal for NFP public and private sector entities and one selected Disagreed. Relief proposals for NFP public and private sector entities are presented in SMCs 4-5.

and Tier 2 entities should be the same. Therefore, the concessions should be removed for Tier 2 entities; and

- (b) a roundtable participant and three survey respondents were of the view that the proposal would increase complexity, reporting and compliance costs without delivering proportionate benefits to users. They considered the proposal would be particularly burdensome for smaller and less complex entities.

Part 2: Proposed approach for alignment

13 ED 341 proposed that:

- (a) Including all relevant classification and presentation requirements from the body of the AASB 18 into AASB 1060; and
- (b) Including a new Appendix B application guidance in AASB 1060, which is drawn from Appendix B of AASB 18.

ED 341 included the following question to stakeholders

ED 341 SMC Question 2

Do you agree with the approach proposed to achieve alignment of the classification and presentation requirements, including the consequential amendments proposed to guidance currently included in AASB 1060?

Overall feedback

14 Most respondents were in favour of the proposed approach for alignment.

Statistics

15 Polling results at the roundtable were:

- (a) 32 out of 37 respondents (86%) agreed; and
- (b) 5 out of 37 respondents (14%) disagreed.

16 Of the 11 survey responses received, all provided feedback on Question 2. Most survey respondents (8 out of 11) agreed.

17 Of the 10 comment letters received, nine provided feedback on Question 2. All respondents agreed with the proposal (noting that one respondent, while generally supportive of the proposal, provided additional suggestions in relation to relocation of selected Appendix B paragraphs).

Detailed feedback

18 A few stakeholders disagreed with the proposal for the following reasons:

- (a) one survey respondent was not in favour of duplicating the same requirements across AASB 18 and AASB 1060 as it adds unnecessary maintenance efforts; and
- (b) two stakeholders disagreed with the approach for alignment, for reasons similar to those outlined in paragraph 12(b).

19 Three stakeholders generally supported the proposed approach but provided the following additional feedback:

- (a) in one written submission from a group of auditor generals, one jurisdiction of the group suggested relocating selected application guidance paragraphs from Appendix B back to the main body of AASB 1060 to improve usability for Tier 2 preparers, explaining

that it will improve usability for Tier 2 preparers.³ A similar suggestion was also raised by a roundtable stakeholder, although no specific paragraphs were provided during the discussion; and

- (b) one written submission and two roundtable stakeholders recommended that the AASB should provide a reconciliation identifying the requirements and guidance proposed to be included or excluded from AASB 1060 and the rationale. This identifies which AASB 18 requirements are proposed to be incorporated into AASB 1060, which are proposed to be excluded, and which disclosure requirements remain subject to future assessment for inclusion in AASB 1060.

Part 3: Transition requirements

- 20 ED 341 proposed that AASB 1060 should apply the same transition requirements as those for AASB 18. ED 341 included the following question to stakeholders:

ED 341 SMC Question 3

Do you agree that the transition requirements should be the same as those for AASB 18:

- (a) the amendments should be applied retrospectively;
- (b) entities should disclose a reconciliation for each line item in the statement of profit or loss between the restated amounts and the amounts previously reported for the comparative period, but not for the current period or earlier periods presented. Entities are not required to comply with paragraph 106(b) of AASB 1060;
- (c) and when first applying the amendments, eligible entities may change their elections for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss (see paragraph BC42)?

If you disagree, please explain why.

Overall feedback

- 21 Most respondents were in favour of the proposed transition requirements.

Statistics

- 22 Polling results at the roundtable were:
- (a) 27 out of 32 respondents (84%) agreed;
 - (b) 5 out of 32 respondents (16%) disagreed.
- 23 Of the 11 survey responses received, all provided feedback on Question 3. Most survey respondents (8 out of 11) agreed.

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- 3 Specifically, the jurisdiction recommended following application guidance to be included in the main body of AASB 1060 (instead of the new Appendix B of AASB 1060):
- paragraphs B2-B5 (materiality guidance relevant to the existing paragraph 22 of AASB 1060);
 - paragraphs B109-B111 (guidance relevant to the application of existing paragraph 36 of AASB 1060);
 - paragraph B111 (illustrative statement of financial position line items relevant to proposed existing paragraph 44 of AASB 1060); and
 - paragraph B112 (guidance on presenting notes in a systematic manner relevant to existing paragraph 92 of AASB 1060).

- 24 Of the 10 comment letters received, nine provided feedback on Question 3. All respondents agreed with the proposal (noting that one respondent, while generally supportive of the proposal, provided additional suggestions regarding additional transition relief).

Detailed feedback

- 25 Three survey respondents who disagreed with the transition requirements were of the view that retrospective application makes additional compliance burden for no return from improved reporting.
- 26 Two stakeholders generally supported the proposal but provided the following additional feedback:
- (a) a stakeholder encouraged the Board to consider whether additional practical transition relief may be appropriate for smaller Tier 2 entities or NFP entities where retrospective restatement would involve disproportionate cost or effort. For example, relief from full restatement of comparative information or simplified initial application for smaller NFPs. The stakeholder recommended that any such relief be targeted, without undermining comparability; and
 - (b) a roundtable stakeholder supported proceeding with the proposals in ED 341 as drafted but suggested that the AASB monitor the implementation experience of Tier 1 entities applying AASB 18 and remain open to opportunities to simplify transition requirements and/or providing additional guidance for Tier 2 entities, if warranted, before the proposed effective date.

Part 4: Reliefs for NFP public sector entities

- 27 ED 341 proposed that the same reliefs relating to AASB 18 and AASB 107 provided to Tier 1 NFP public sector entities should also be extended to Tier 2 NFP public sector entities. ED 341 included the following question to stakeholders:

ED 341 SMC Question 4

In ED 338, the AASB sought stakeholder feedback on the suitability of applying AASB 18 and the revised AASB 107 Statement of Cash Flows requirements to not-for-profit (NFP) private and public sector entities preparing Tier 1 General Purpose Financial Statements (GPFS).

In May 2026, the AASB decided in respect of NFP public sector entities (excluding universities) preparing Tier 1 GPFS to:

- (a) require governments to continue presenting the GPFS of the Whole of Government and the General Government Sector in accordance with the formats specified in AASB 1049 Whole of Government and General Government Sector Financial Reporting, rather than the formats required by AASB 18;
- (b) provide accounting policy choices for NFP public sector entities to elect to apply certain AASB 18 requirements – such as the requirements for categorising income and expenses into the operating, investing and financing categories and the requirements for identifying and disclosing information about management-defined performance measures – thereby allowing relevant regulators to continue prescribing presentation formats that best meet users' information needs;
- (c) require NFP public sector entities to apply the AASB 18 requirements on labelling and aggregation;
- (d) permit NFP public sector entities to reconcile cash flows from operating activities to the profit or loss total presented in the statement of profit or loss if the entity does not present the operating profit or loss subtotal;

- (e) and retain the existing accounting policy choice for classifying cash flows from dividends received and interest paid and received, for example as cash flows from operating activities.

Do you agree that the reliefs granted to NFP public sector entities preparing Tier 1 GPFS should also be provided to NFP public sector entities preparing Tier 2 GPFS? If you disagree with this approach, please explain why.

Overall feedback

- 28 Most respondents agreed that the reliefs granted to NFP public sector entities preparing Tier 1 GPFS should also be provided to NFP public sector entities preparing Tier 2 GPFS.

Statistics

- 29 Polling results at the roundtable were: all respondents 32 out of 32 respondents (100%) agreed
- 30 Of the 11 survey responses received, 10 provided feedback on Question 4. Of those who answered the NPF public-sector reliefs question in ED341, if relief is provided to Tier 1 NFP public-sector entities, most respondents (9 out of 10) agreed that the same relief should also be available to Tier 2 entities.
- 31 Of the 10 comment letters received, eight provided feedback on Question 4. All respondents agreed with the proposal.

Detailed feedback

- 32 Only one stakeholder disagreed with the proposal. This respondent opposed providing any relief for NFP entities, noting that applying the full Standard is not burdensome for NFP entities, can enhance internal reporting, and the cash flow statement and income statement are fundamental to all entities. The stakeholder also argued that the principles used in for-profit businesses should be the same across all not-for-profits including government enterprises, charities and not-for-profit businesses. Even though not-for-profits are labelled as not making a profit, understanding financial performance and whether a business is sustainable is critical.

Part 5: Reliefs for NFP private sector entities

- 33 ED 341 proposed that if the AASB provide any relief to Tier 1 NFP private sector entities in relation to the new presentation requirements in AASB 18 and AASB 107, the same relief should be extended to Tier 2 NFP private sector entities.
- 34 At its May 2026 meeting, the AASB decided to proceed with developing an ED to address the following matters:
- (a) how the income and expense categorisation requirements in AASB 18 should be applied to NFP private sector entities and universities, including how income recognised under AASB 1058 *Income of Not-for-Profit Entities* should be categorised; and
 - (b) whether, and in what circumstances, NFP private sector entities or universities might be considered to be investing in assets or providing financing as a specified main business activity.

As the outcome of that forthcoming ED was not known at the time when ED 341 was issued (June 2026), ED 341 sought stakeholders' views on whether if reliefs are provided to Tier 1 NFP private sector entities, the same reliefs should be extended to Tier 2 NFP private sector entities.

ED 341 included the following question to stakeholders:

ED 341 SMC Question 5

ED 338 did not propose any specific reliefs for NFP private sector entities preparing Tier 1 GPFS but sought feedback on whether applying AASB 18 and the revised AASB 107 requirements is suitable for these entities. Do you agree with the approach that, should the AASB decide, in view of stakeholder feedback, to provide any relief to NFP private sector entities from complying with the new presentation requirements in AASB 18 and AASB 107, the same relief should also be provided to NFP private sector entities preparing Tier 2 GPFS? If you disagree with this approach, please explain why.

Overall feedback

- 35 Most respondents agreed that, if any relief is provided to NFP private sector entities preparing Tier 1 GPFS from complying with the new presentation requirements in AASB 18 and AASB 107, the same relief should also be provided to NFP private sector entities preparing Tier 2 GPFS.

Statistics

- 36 Polling results at the roundtable were: all respondents 32 out of 32 respondents (100%) agreed.
- 37 Of the 11 survey responses received, 10 provided feedback on Question 5. Of those who answered the NFP private-sector reliefs question in ED341, if relief is provided to Tier 1 NFP entities, most respondent (8 out of 10) agreed that the same relief should also be available to Tier 2 entities.
- 38 Of the 10 comment letters received, six provided feedback on Question 5. All of these respondents agreed with the proposal. A stakeholder did not respond directly to this question but commented more broadly on the application of AASB 18 to NFP private sector entities.

Detailed feedback

- 39 Key issues raised by stakeholders are presented below:
- (a) A regulator did not respond directly to question 5 but commented more broadly on the application of AASB 18 to NFP private sector entities. The stakeholder proposed exempting charities, and potentially other private-sector NFPs, from AASB 18 presentation and classification requirements. They cite concerns about suitability, implementation costs, limited user need, inappropriate terminology, cumulative regulatory burden, and the need for simple, proportionate reporting.
 - (b) One survey respondent who is preparer opposed providing any relief for NFP entities, noting that applying the full Standard is not burdensome for NFP entities, can enhance internal reporting, and the cash flow statement and income statement are fundamental to all entities.
 - (c) In contrast to the feedback described in paragraph 39(b), another preparer was of the view that the burden of AASB 18 on not-for-profits will increase significantly if applied without real understanding and limitations imposed. They commented that a single set of Tier 2 reporting requirements may not be appropriate across all sectors, noting that requirements should be driven by users' information needs.

Part 6: Application date

- 40 Under ED 341, the Board proposed that the amendments are made effective for annual periods beginning on or after 1 July 2030 with earlier application permitted.

Overall feedback

- 41 Many respondents were in favour of the application date on 1 July 2030. Some respondents were in favour of the application date on 1 July 2029.

Statistics

- 42 Polling results at the roundtable were:
- (a) 17 out of 29 respondents (59%) were in favour of 1 July 2030 (As proposed in ED 341);
 - (b) 12 out of 29 respondents (41%) were in favour of 1 July 2029.
- 43 Of the 11 survey responses received, eight respondents did not express any concerns with the proposed application date of 1 July 2030. The remaining respondents expressed the following views:
- (a) one stakeholder preferred an effective date of 1 July 2029;
 - (b) one other stakeholder suggested an effective date of 1 July 2028 for Tier 2 for-profit entities and 1 July 2029 for Tier 2 NFP entities; and
 - (c) one stakeholder suggested a same application date should be applied to both Tier 1 and Tier 2 entities.
- 44 Of the 10 comment letters received, two stakeholders were in favour of earlier application date (1 July 2029). Another stakeholder supported 1 July 2030 with earlier application permitted, while noting that this approach would result in a period of inconsistency between Tier 1 and Tier 2 NFP entities. The remaining seven stakeholders did not express any concern with the proposed application date on 1 July 2030.

Detailed feedback

Comments supporting the proposed application date of 1 July 2030 (with early application permitted)

- 45 Stakeholders who supported proposed effective date of annual reporting periods beginning on or after 1 July 2030, as set out in ED 341, cited the following reasons:
- (a) a stakeholder was of the view that additional time would help Tier 2 entities update systems, remap charts of accounts, redesign financial statement templates, and prepare restated comparative information without placing an undue burden on their normal reporting activities. This is particularly meaningful for Tier 2 entities, which typically have fewer financial reporting resources than Tier 1 entities;
 - (b) a stakeholder and virtual roundtable attendees stated that the proposed date gives the Board the opportunity to align the effective date of its remaining AASB 1060 work, including the AASB 18 disclosure amendments with the changes arising from the third edition of the *IFRS for SMEs* Accounting Standard and any adoption of IFRS 19. One of these stakeholders proposed a common mandatory effective date of 1 July 2030 and, where practicable, a single coordinated package of amendments to reduce implementation costs and change fatigue for Tier 2 entities, auditors and users.
 - (c) three stakeholders noted that, with an early application option available, the proposed effective date in ED 341 provides an appropriate transition period for Tier 2 entities while accommodates entities wishing to adopt the amendments sooner. One of these stakeholders encouraged the Board to finalise the amendments early enough for entities to plan for early application; and
 - (d) a stakeholder who did not support an earlier application date (e.g. 1 July 2029) was of the view that timing of Tier 3 reporting is still uncertain, which depends on when regulators permit entities to adopt the Tier 3 frameworks.

Comments supporting an earlier application date of 1 July 2029

- 46 Stakeholders who preferred an earlier application date of 1 July 2029 for the following reasons.
- 47 Stakeholders who supported an application date of 1 July 2029 noted that this aligns with the application date of AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* and AASB 2026-2 *Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*. Stakeholders were of the view that aligning the application date with would:
- (a) streamline the transition from special purpose financial statements to Tier 2 general purpose financial statements for those impacted not-for-profit entities (reducing the risk of entities transitioning twice); and
 - (b) minimise the period of inconsistency between Tier 1 and Tier 2 NFP entities to by 12 months.
- 48 A few stakeholders acknowledged the availability of early application but highlighted practical challenges:
- (a) smaller entities do not normally use the early adoption option in practice; and
 - (b) early adoption would require users of the standards to refer to both AASB 1060 and the amending Standard, which may be inconvenient and difficult to navigate.

Other application date suggestions

- 49 A stakeholder suggested an effective date of 1 July 2028 for Tier 2 for-profit entities while another stakeholder supported applying the same effective date for both Tier 1 and Tier 2 entities. The main reason cited was to minimise the inconsistency between Tier 1 and Tier 2 entities.

Part 7: Other feedback

- 50 A few stakeholders provided feedback outside the SMC questions 1-5 and application date. Feedback is noted as below:
- (a) acknowledging that ED 341 only addresses the alignment of classifications and presentation requirements, three stakeholders encouraged the Board to proceed considering the impact of the new disclosure requirements of AASB 18 on Tier 2 reporting, any changes on Tier 2 reporting arising from the latest *IFRS for SME's* standard and addressing how IFRS 19 will impact the Australian financial reporting landscape;
 - (b) two professional bodies urged the Board to develop a Tier 3 general purpose financial reporting standard for for-profit entities, which rebalances the cost versus benefit of reporting reform and provides a more nuanced and fit-for-approach for the for-profit private sector; and
 - (c) a professional body encouraged the AASB to continue monitoring developments relating to the IFRS Interpretations Committee's consideration of a number of IFRS 18 interpretation and application issues and ensure the implications of those developments to be considered when finalising the amendments to AASB 1060.

Part 8: General matters for comment

- 51 ED 341 includes six general matters for comments (GMCs 1-6) on whether the proposals appropriately apply its for-profit and not-for-profit standard-setting frameworks, address

Australian regulatory considerations, present any auditing or assurance challenge; their usefulness for users, economic impacts in Australia and cost-benefit considerations.

52 ED 341 included the following question to stakeholders:

ED 341 General matters for comment

The AASB would also particularly value comments on the following general matters:

7. 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?
8. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?
9. Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?
10. Overall, would the proposals result in financial statements that would be useful to users?
11. Are the proposals in the best interests of the Australian economy?
12. 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, and are they appropriate relative to the existing requirements? 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.

53 Feedback on general matters mainly originates from submission letters as below.

Appropriate application of standard-setting framework in the ED

54 Of the 10 comment letters received, five provided feedback on this matter. All five respondents agreed that the AASB standard-setting frameworks have been applied appropriately in developing ED 341. One of these respondents, however, further encouraged the AASB to continue to have regard to the specific information needs and circumstances of NFP entities as it finalises the proposals, including any further developments arising from the application of AASB 18 and the outcomes of ED 338.

Regulatory issues

55 Of the 10 comment letters received, five provided feedback on this matter. Their comments included:

- (a) three respondents were not aware of any regulatory or other issues in the Australian environment that would affect implementation of the proposals; and
- (b) two professional accounting bodies noted Australia's fragmented financial reporting framework and legislative thresholds may require some smaller entities to prepare Tier 2 financial statements without a clear cost-benefit justification. It is necessary to carefully consider interactions between AASB 18 presentation and classification requirements and regulator-prescribed reporting formats for NFP entities. The stakeholders recommended:
 - (i) stronger impact and effects analysis;
 - (ii) proactive engagement with relevant regulators;
 - (iii) ongoing monitoring of regulatory frameworks to identify and mitigate unintended consequences of changes to AASB 1060; and

- (iv) considers a new Tier 3 for-profit standard to be a more holistic long-term solution to the financial reporting needs of smaller for-profit entities.

Audit and assurance

56 Of the 10 comment letters received, six provide feedback on this matter. Specifically:

- (a) five respondents commented that they do not expect the proposal to create significant auditing or assurance challenges. In particular:
 - (i) a professional service firm, while acknowledging that some additional audit effort would be required in the year of transition, did not expect the audit challenges for Tier 2 entities to be any greater than those encountered by Tier 1 entities; and
 - (ii) a professional body noted that any future challenges are more likely to relate to implementation guidance and the exercise of judgement rather than auditing standards themselves. Clear implementation guidance and illustrative examples would therefore assist preparers and auditors in applying the requirements consistently, particularly during the transition period; and
- (b) a group of auditors general noted that one audit office considered that implementation may present some practical challenges for preparers and auditors of for-profit public sector entities, particularly in the initial years of application. These challenges may include the exercise of judgement in classifying income and expenses into the operating, investing and financing categories, together with the development of any centrally issued guidance and related processes to support consistent application.

Usefulness and interest of Australian economy

57 Of the 10 comment letters received, six provide feedback on this matter. All respondents agreed that the proposal will result in financial statements that will be useful to users and are in the best interest of Australian economy.

Costs and benefits

58 Of the 10 comment letters received, six provide feedback on this matter. Overall, stakeholders acknowledged that implementation of the proposals would involve some costs for Tier 2 entities but were of the view that expected benefits will outweigh potential costs. Stakeholders identified the following costs and benefits:

- (a) regarding **costs**, stakeholders noted that Tier 2 entities would be required to undertake implementation efforts similar to those required for Tier 1 entities applying AASB 18, including:
 - (i) updating financial reporting systems, processes and control;
 - (ii) remapping the chart of accounts to new categories;
 - (iii) documenting classification judgements;
 - (iv) restating comparatives and preparing transition reconciliations;
 - (v) guidance materials; and
 - (vi) staff training; and
- (b) regarding **benefits**, the stakeholders considered that the proposals would:
 - (i) enhance consistency and comparability between Tier 1 and Tier 2 financial statements;
 - (ii) improve the understandability for users;

- (iii) enable preparers, auditors and users to work from a single presentation framework; and
- (iv) support transition between reporting tiers, including by entities that are considering an initial public offering.

59 Two professional service firms further noted that with the proposed implementation date is on annual reporting period beginning on or after 1 July 2030, Tier 2 entities' effort may be offset by the available experience and reference materials developed through the Tier 1 implementation journey. Retaining the existing Tier 2 concessions and the paragraph 106(b) transition relief also helps with limiting the cost for Tier 2 entities.