



- Objective:** The objective of this paper is to seek input on:
- the application of the AASB 18 income statement categorisation requirements by not-for-profit (NFP) private sector entities and universities, including in relation to income recognised under AASB 1058; and
  - whether additional guidance or modifications to AASB 18 are needed for these entities preparing Tier 1 or Tier 2 GPFS.
- Providing input:** Stakeholders are invited to submit comments by completing the online survey by **5pm AEST Friday, 24 April 2026**. [Click here](#) to access the survey.
- Virtual roundtable:** A virtual roundtable will be held on **Thursday, 16 April 2026 (1:00pm–3:00pm AEST)**, to provide an open forum for sharing perspectives and exploring the issues in more depth with AASB staff and other stakeholders. [Click here](#) to register.
- ED 338/ITC 56 respondents:** Stakeholders who have already provided comment letters on ED 338 and ITC 56 regarding NFP private sector entities and universities are also invited to supplement their comments by completing the survey and attending the roundtable to contribute to the discussions.

**Disclaimer: This paper provides AASB staff observations that do not necessarily represent the views of the AASB or of all staff. Its contents do not constitute advice. The AASB expressly disclaims all liability for any loss or damages arising from reliance upon any information in this paper.**

## Introduction

### **Why are AASB staff seeking input?**

As noted in:

- (a) [ED 338](#) *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (closed on 27 February 2026); and
- (b) [ITC 56](#) *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector* (closed on 22 January 2026),

the AASB is seeking feedback on the suitability of [AASB 18](#) *Presentation and Disclosure in Financial Statements* for NFP private sector entities and universities preparing Tier 1 and Tier 2 general purpose financial statements (GPFS).<sup>1</sup>

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1 ED 338 also proposed carve outs from certain AASB 18 requirements for superannuation entities and the following NFP public sector entities:

- (a) governments as defined in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and NFP public sector entities controlled by these governments; and
- (b) local government entities.

During the outreach activities on ED 338 and ITC 56, AASB staff heard the following key points.

- (a) Stakeholders generally consider Tier 2 GPFS presentation and classification requirements should align with those for Tier 1 GPFS within the same sector.
- (b) Stakeholders did not identify compelling reasons for NFP private sector entities to have different presentation and classification requirements from for-profit entities.
- (c) Some stakeholders questioned whether it is appropriate for NFP private sector entities and universities to classify income from donated assets and capital grants within the operating category. They also noted that, because ED 338 and ITC 56 did not specifically address the interaction between [AASB 1058 Income of Not-for-Profit Entities](#) and AASB 18, stakeholders may not have fully understood how AASB 18 might apply and therefore may have found it difficult to comment meaningfully on whether modifications or further guidance are needed.

To help address the concerns noted in point (c), this paper:

- (a) summarises the relevant requirements of AASB 1058 and AASB 18 using a question-and-answer format; and
- (b) sets out key matters for stakeholder consideration, highlighted in the blue “Questions to stakeholders” boxes.

To assist the AASB in assessing whether further guidance or modifications to AASB 18 are needed for NFP private sector entities and universities preparing Tier 1 or Tier 2 GPFS, stakeholders are invited to complete the online survey by **5pm AEST Friday, 24 April 2026**. [Click here to access the survey](#).

The virtual roundtable on **Thursday, 16 April 2026 (1:00pm–3:00pm AEST)**, will provide stakeholders with an opportunity to hear and discuss various perspectives on the application of AASB 18 by NFP private sector entities and universities. [Click here to register](#).

### **How does this consultation fit within the AASB’s project?**

Feedback from the survey, along with insights gathered from the roundtable, will be presented to the AASB at its June 2026 meeting as part of the analysis of input received on ED 338 on the application of AASB 18 by NFP private sector entities and universities.

Although the comment period for ED 338 closed on 27 February 2026, stakeholders from the NFP private and university sectors who have not yet responded are still welcome to provide written feedback. AASB staff will continue accepting late submissions relating to these sectors until Friday, 24 April 2026. However, to support more targeted and efficient analysis, AASB staff encourage these stakeholders to either complete [the survey](#) or address the “Questions to stakeholders” outlined in this staff paper as part of a submission letter to ED 338.

### **What if you have already provided a submission letter on ED 338 or ITC 56?**

If you have previously submitted a letter on ED 338 or ITC 56, you are invited to further share your views through [the survey](#). In Question 11, please indicate that you have already provided a submission letter. When summarising feedback on the application of AASB 18 by NFP private sector entities and universities, AASB staff will treat survey responses as the most up-to-date feedback, even where a submission letter has also been provided.

### **Structure of this paper**

This paper is structured as follows.

- [Topic 1](#): What are the categories for classifying income and expenses included in the statement of profit or loss?
- [Topic 2](#): What items of income and expenses are included in the operating, investing and financing categories
- [Topic 3](#): What are examples of common types of income and expenses that would be categorised in each of the operating, investing and financing categories (for activities outside the specified main business activities)?
- [Topic 4](#): How would income recognised under AASB 1058 be categorised?
- [Topic 5](#): What is a specified main business activity?
- [Topic 6](#): How are income and expenses relating to specified main business activities classified?
- [Topic 7](#): What are the changes to the dividend and interest cash flow classification?

**1. What are the categories for classifying income and expenses included in the statement of profit or loss?**

AASB 18.47 requires an entity to classify income and expenses included in the statement of profit or loss in one of the following five categories:

- (a) the operating category;
- (b) the investing category;
- (c) the financing category;
- (d) the income taxes category; and
- (e) the discontinued operations category.

AASB 18.69 requires an entity to present totals and subtotals in the statement of profit or loss for:<sup>2</sup>

- (a) operating profit or loss (or a corresponding not-for-profit label such as “operating surplus or deficit”);
- (b) profit or loss before financing and income taxes; and
- (c) profit or loss.

**2. What items of income and expenses are included in the operating, investing and financing categories?**

The table below summarises the income and expenses to be included in each category, assuming neither investing nor financing are main business activities.

<b>Operating</b>	All income and expenses not classified in other categories [AASB 18.52]
<b>Investing</b>	<p>Income and expenses rising from:</p> <ul style="list-style-type: none"> <li>(a) investments in associates, joint ventures and subsidiaries that are not consolidated (for entities preparing financial statements in accordance with AASB 127 <i>Separate Financial Statements</i>);</li> <li>(b) cash and cash equivalents; and</li> <li>(c) other assets if they generate a return individually and largely independently of the entity’s other resources (e.g. investment property, debt/equity investments).</li> </ul> <p>The income and expenses from these assets that must be included in the investing category are:</p> <ul style="list-style-type: none"> <li>(a) the income generated by the assets;</li> <li>(b) the income and expenses that arise from the initial and subsequent measurement of the assets, including on derecognition of the assets; and</li> </ul>

<sup>2</sup> Except for entities that provide financing to customers as a main business activity and are electing to apply the accounting policy set out in AASB 18.65(a)(ii).

	<p>(c) the incremental expenses directly attributable to the acquisition and disposal of the assets – for example, transaction costs and costs to sell the assets. [AASB 18.53, 54, B47 and B48]</p>
<b>Financing</b>	<p>Income and expenses from:</p> <p>(a) liabilities that arise from transactions that involve only the raising of finance, which include:</p> <p>(i) income and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities; and</p> <p>(ii) the incremental expenses directly attributable to the issue and extinguishment of the liabilities – for example, transaction costs; and</p> <p>(b) liabilities that arise from transactions that do not involve only the raising of finance (e.g. trade payables, lease liabilities, provisions), which include:</p> <p>(i) interest income and expenses, but only if the entity identifies such income and expenses for the purpose of applying other requirements in Australian Accounting Standards; and</p> <p>(ii) income and expenses arising from changes in interest rates, but only if the entity identifies such income and expenses for the purpose of applying other requirements in Australian Accounting Standards.</p> <p>[AASB 18.59, 60, 61, B53 and B54]</p>

**3. What are examples of common types of income and expenses that would be categorised in each of the operating, investing and financing categories (for activities outside the specified main business activities)?**

<b>Operating</b>	<ul style="list-style-type: none"> <li>• Revenue from customers</li> <li>• Income arising from donated assets and capital grants [this topic is discussed in <a href="#">Topic 4</a>]</li> <li>• Employee related expenses</li> <li>• Depreciation of property, plant and equipment</li> <li>• Gain/(loss) on disposal of property, plant and equipment</li> <li>• Lease expense (excluding interest)</li> </ul>
<b>New subtotal</b>	<b>Operating profit (loss)</b>
<b>Investing</b>	<ul style="list-style-type: none"> <li>• Interest income from cash and cash equivalents</li> <li>• Net gains (losses) on investments</li> <li>• Share of profit (losses) on investments accounted for using the equity method</li> <li>• Depreciation of investment property</li> <li>• Gain (loss) on disposal of investment property</li> </ul>
<b>New subtotal</b>	<b>Profit (loss) before financing and income taxes</b>

<b>Financing</b>	<ul style="list-style-type: none"> <li>• Borrowing costs</li> <li>• Interest expense and income and expenses arising from changes in interest rates on liabilities relating to employee benefits, provisions, leases etc.</li> </ul>
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**Please note:** In respect to income and expenses relating to liabilities arising from transactions that do not involve only the raising of finance, interest-related income and expenses must be categorised as financing, while income and expenses not relating to interest must be categorised as operating.

### **What have we heard so far?**

Of the stakeholders commenting on this matter to date, none have provided compelling reasons for universities or NFP entities in the private sector to be relieved from the requirement to categorise income and expenses into the operating, investing and financing categories in the statement of profit or loss. Some stakeholders commented that segregating investing and financing income and expenses from operating income and expenses would provide a better reflection of NFP entities' financial performance.

However, some stakeholders commented that, in certain cases, classifying income recognised under AASB 1058 within the investing category—where AASB 18 would otherwise require classification as operating—may be more appropriate (and vice versa). This is discussed in [Topic 4](#) below.

#### **Questions to stakeholders**

Other than income recognised under AASB 1058:

- Q1: Do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.53, 54, B47 and B48 in the investing category (for example, interest income from cash and cash equivalents)? Please provide reasons for your response.
- Q2: Do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.59, 60, 61, B53 in the financing category? Please provide reasons for your response.
- Q3: Do you have significant concerns about requiring an NFP entity to categorise interest income and expenses relating to liabilities arising from transactions that do not involve only the raising of finance (e.g., lease interest expense) as financing, while classifying the related non-interest income and expenses (e.g., amortisation of the right-of-use asset) as operating?

## **4. How would income recognised under AASB 1058 be categorised?**

Examples of income recognised under AASB 1058 include:

- (a) grants, donations and bequests
- (b) volunteer services (if recognised)
- (c) taxes, rates, fines
- (d) donated assets.

These types of income would be categorised as operating under AASB 18 (unmodified). This is because:

- (a) they do not meet the 'investing' description in AASB 18.53 since they are not income from:
  - investments in associates, joint ventures or unconsolidated subsidiaries;

- cash and cash equivalents – while grants, donations and bequests could be received in cash, it does not fall within AASB 18.53(b) (and therefore not within AASB 18.54(b)) because AASB 18.53(b) refers to income **from** cash and cash equivalents, not the receipt of cash or a cash equivalent itself; and
- assets that generate a return individually and largely independently of the entity’s other resources – while an NFP entity may receive an asset that could be held as an investment property, it does not fall within AASB 18.53(c) (and therefore not within AASB 18.54(b)) because AASB 18.53(c) refers to income **from** such assets, not the receipt of the asset itself; and

(b) they do not meet the ‘financing’ description in AASB 18.59 since they are not arising from liabilities.

AASB 1058.15–16 requires an NFP entity to recognise a liability on initial recognition of a transfer of a financial asset to enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity (for the purposes of this paper, such transfers are referred to as ‘capital grants’).

The income recognised by the NFP entity as it unwinds a liability arising from a receipt of a capital grant is also categorised as operating. In addition to the reasons noted above, it could also be argued that the income is excluded from being investing income by analogy with AASB 18.B48(a) and B49(e), which together exclude from the investing category the income and expense from the derecognition of property, plant and equipment. That is, classification of income and expense from the initial recognition of property, plant and equipment would follow the classification of income and expense from the derecognition of property, plant and equipment, as operating.

### **What have we heard so far?**

The comments of stakeholders who provided feedback specifically on the categorisation of income recognised under AASB 1058 included:

- (a) **Income from initial recognition of donated assets and from the unwinding of a liability relating to capital grants** – several stakeholders suggested that such income should be permitted to be classified within the investing category. They considered this approach is more appropriate because it would exclude non-recurrent income from the “operating profit or loss” subtotal and provide a clearer indication of an NFP entity’s underlying operating performance. In contrast, one stakeholder noted that certain NFP entities—particularly large charities and universities—may regularly receive donated assets. For these entities, it would be more appropriate to classify the related income within the operating category, as such income is not “investing” in nature and is related to the receipt of assets to help NFP entities further their objectives.
- (b) **Earnings from donated assets** – some stakeholders noted that bequests requiring bequeathed assets to be used for a particular charitable purpose might also stipulate that any related earnings (for example, interest on donated cash or dividends on donated shares) are also used for the same purpose. In such cases, they argued that such earnings should be classified within the operating category, as the related expenditure—incurred for charitable purposes—is classified as operating. They also noted that the same rationale should apply to the classification of the related cash flows: because the earnings ultimately fund charitable activities, an operating classification for both inflows and outflows would be more appropriate.

AASB staff observed that AASB 18:

- (a) specifies the items to be categorised in the investing and financing categories, with all remaining income and expenses required to be classified as operating. Accordingly, classifying income from donated assets and capital grants as investing would be a departure from AASB 18; and

- (b) does not prohibit an entity from distinguishing, within a category, income and expenses arising from recurrent transactions from those arising from non-recurrent transaction. However, additional subtotals and clear labelling would be needed to ensure the financial statements are understandable.

#### Questions to stakeholders

Q4: Given that AASB 18 does not prohibit an entity from distinguishing, within a category, income and expenses arising from recurrent transactions from those arising from non-recurrent transactions, is there a need for the AASB to modify AASB 18 or provide further guidance on this matter? Please provide reasons for your response.

Q5: Have you identified any NFP-specific circumstances that would justify departing from the income statement classification requirements in AASB 18—for example:

- (a) presenting items in operating that AASB 18 would otherwise classify as investing, or
- (b) presenting items in investing that AASB 18 would otherwise classify as operating?

If so, please describe these circumstances and explain why an alternative classification would be more appropriate.

## 5. What is a specified main business activity?

AASB 18.49 requires an entity to assess whether it has a specified main business activity – that is a main business activity of:

- (a) investing in particular types of assets; or
- (b) providing financing to customers.

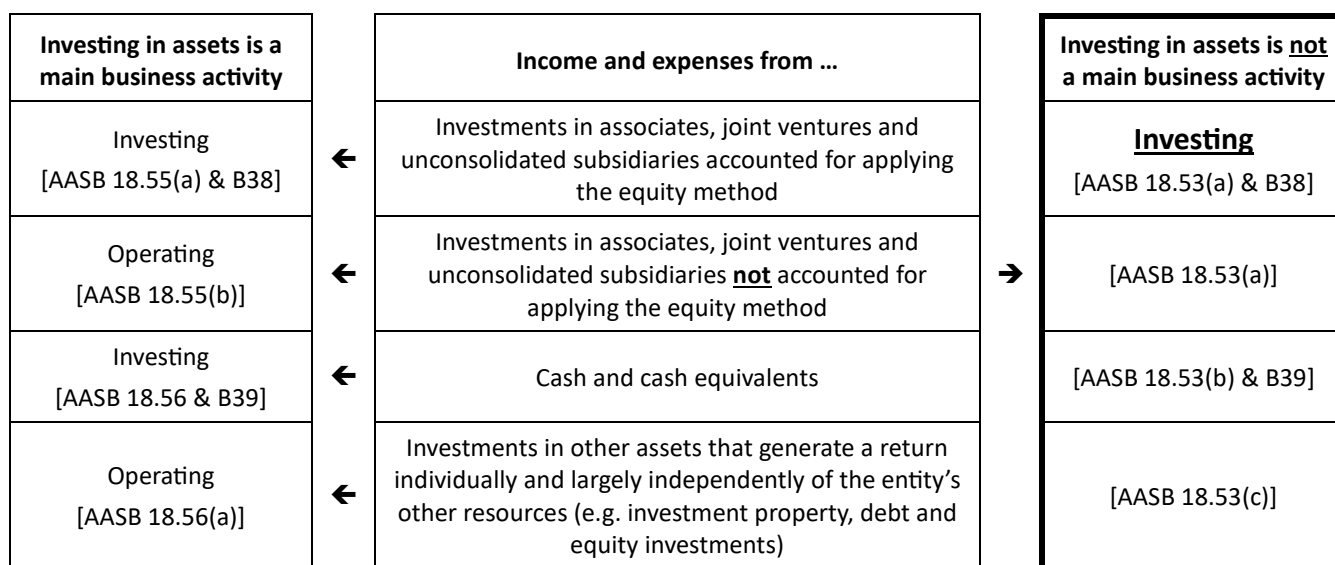
AASB 18.B34–B35 states that, in general, investing in assets or providing financing to customers is likely to be a main business activity of an entity if it uses a particular type of subtotal relating to investing or financing as an important indicator of operating performance. Important indicators of operating performance might be subtotals that:

- (a) help explain operating performance externally; or
- (b) assess or monitor operating performance internally.

Whether investing in assets or providing financing to customers is a main business activity of the entity is a matter of fact and not merely an assertion. An entity shall use its judgement to assess whether investing in assets or providing financing to customers is a main business activity and that assessment shall be based on evidence. [AASB 18.B33]

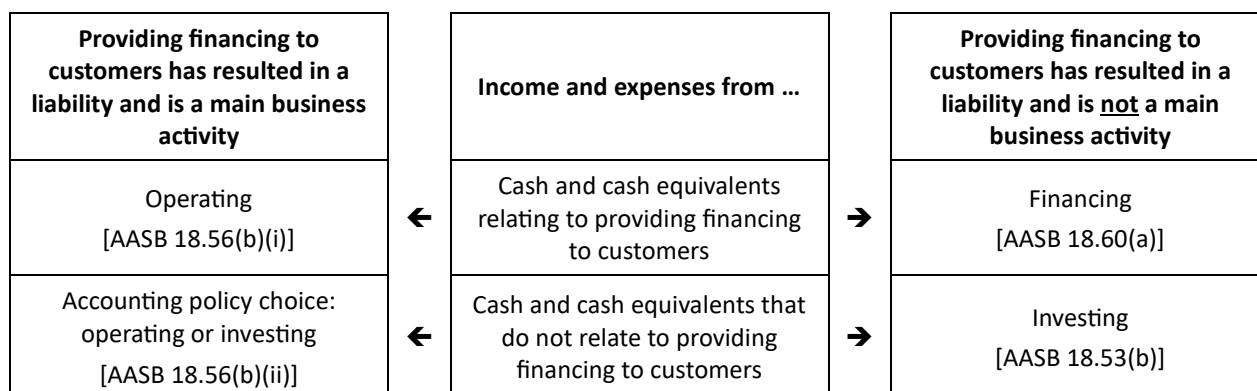
## 6. How are income and expenses relating to specified main business activities classified?

The following diagram summarises the categorisation of income and expenses for investment in specified assets, depending on whether investing in assets is a main business activity.



**Please note:** Income and expenses arising from cash and cash equivalents and investments in associates, joint ventures and unconsolidated subsidiaries accounted for applying the equity method are required to be categorised as investing, irrespective of whether investing in such assets is considered a main business activity.

The following diagram summarises the categorisation of income and expenses from cash and cash equivalents, depending on whether providing financing to customers is a main business activity.



### **What have we heard so far?**

Some stakeholders provided verbal feedback on classifying income and expenses into main business activities during the roundtables held on 18 February and 27 February. Their comments include the following:

- (a) Determining an entity's "main business activity" may be challenging for certain NFP entities whose operations do not align neatly with traditional operating, investing or financing categories. For example, microfinance charities provide loans to deliver social benefits rather than operate as financial service providers.

- (b) Further to point (a), some NFP entities hold only cash and investments and use the returns solely to fund donations, creating potential mismatches if investment income and the related charitable expenditures fall into different categories, which could confuse users of GPFS and obscure the net outcome.
- (c) The comparability of GPFS would diminish if entities with similar activities classify income and expenses differently based on their assessment of whether they invest in specified assets or provide financing as a main business activity. Several stakeholders emphasised the importance of maintaining comparability, particularly among universities.

### **ED 338 perspective**

ED 338 does not propose any NFP entity-specific requirements or guidance to be included in AASB 18 for assessing whether an entity invests in assets or provides financing to customers as a main business activity and notes the following.

- (a) The guidance in AASB 18.B34 and B35 (and related paragraphs) can be applied directly in an NFP context. Specifically, if an NFP entity uses a subtotal of income and expenses arising from investing or financing activities to assess or monitor its operating performance, this provides evidence that investing in assets or providing financing to customers is a main business activity.
- (b) AASB 18.B33 states that “Whether investing in assets or providing financing to customers is a main business activity of the entity **is a matter of fact and not merely an assertion**. An entity shall use its **judgement** to assess whether investing in assets or providing financing to customers is a main business activity and that assessment shall be based on evidence.” [emphasis added]

From a practical perspective, staff make the following observations regarding investing in specified assets.

- (a) Where an NFP entity invests in associates, joint ventures and unconsolidated subsidiaries accounted for applying the equity method, or cash and cash equivalents, classifying such investing as a main business activity does not affect income statement classification. Under AASB 18, income and expenses relating to these assets are always classified in the investing category, regardless of whether the investing activity is considered a main business activity.
- (b) It is typically less common for NFP entities (relative to for-profit entities) to hold significant balances (relative to their overall balance sheet) in the following types of assets. Therefore, it would be relatively uncommon that income and expenses from the following assets would be used as important indicators of an NFP entity’s operating performance.
  - (i) financial assets other than cash and cash equivalents;
  - (ii) investments in associates, joint ventures and unconsolidated subsidiaries not accounted for applying the equity method; and
  - (iii) other assets that generate a return individually and largely independently of the entity’s other resources (e.g. investment property).
- (c) Those limited cases in which an NFP entity might have investing as a main business activity would typically be relatively straight forward.

With respect to providing financing to customers, staff consider it uncommon for NFP entities to incur significant liabilities (relative to their overall balance sheet) for the purpose of providing financing to **customers**. Accordingly, it would be uncommon for financing activities to be regarded as a main business activity.

### Questions to stakeholders

- Q6: Do you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity for the purposes of categorising income and expenses? Please provide reasons for your response.
- Q7: If you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity, aside from the guidance in AASB 18.B34–B35 (and related paragraphs), have you identified any additional guidance that would assist an NFP entity in making the assessment? If so, please describe the guidance and explain why it would be helpful.
- Q8: Overall, do you agree NFP entities should be required to classify income and expenses into the operating, investing and financing categories, including that the benefits would outweigh the costs? Please provide reasons for your response.

## 7. What are the changes to the dividend and interest cash flow classification?

The following table summarises the relevant requirements in AASB 107 *Statement of Cash Flows*, before and after incorporating the AASB 18 amendments.

	Current classification choices in AASB 107	Classification after incorporating AASB 18 amendments
<b>Dividends paid</b>	Operating or financing	Financing [AASB 107.33A]
<b>Dividends received</b>	Operating or investing	Investing* [AASB 107.34A(b)]
<b>Interest paid</b>	Operating or financing	Financing [AASB 107.34A(a)]
<b>Interest received</b>	Operating or investing	Investing* [AASB 107.34A(b)]

\* If an entity's main business activities include investing this would be classified in operating.

### **What have we heard so far?**

Some stakeholders commented that, conceptually, aligning cash flow classifications with the corresponding categories in the statement of profit or loss could improve the usefulness of GPFS for users. However, consistent with the views described in [Topic 4](#) and [Topic 6](#), several stakeholders also noted that dividends and interest received—whether from the entity's own investments or from bequeathed assets—ultimately support an NFP entity's core objectives. Accordingly, they considered it more appropriate to classify the related cash inflows and outflows as operating cash flows.

### **ED 338 perspective**

ED 338 does not propose any modifications to the revised AASB 107 for NFP private sector entities or universities. AASB staff observed that a for-profit entity may also use dividends and interest received to fund its operations; and therefore, unless the entity has a specified main business activity, related cash inflows and outflows are categorised differently. Such cash inflow and outflow mismatches are not specific to NFP entities.

**Questions to stakeholders**

Q9: Do you have significant concerns about requiring an NFP entity to classify cash flows from dividends and interest paid as financing cash flows, and dividends and interest received as investing cash flows? Please provide reasons for your response. If you consider an alternative classification would be more appropriate, please explain why.

Q10: Do you have any comments on applying other aspects of AASB 18 to NFP private sector entities or universities (e.g. presenting operating expenses to provide a useful structured summary, disclosing information about management-defined performance measures, and aggregation and disaggregation requirements)?

Q11: Have you submitted a comment letter on ED 338 or ITC 56?

24 April 2026

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

Via online submission: [www.aasb.gov.au](http://www.aasb.gov.au)

Dear Kieth

**Supplementary comments on application of the AASB 18 income statement categorisation requirements by not-for-profit (NFP) private sector entities and universities, including in relation to income recognised under AASB 1058**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the additional consultation on the application of the AASB 18 income statement categorisation requirements by not-for-profit (NFP) private sector entities and universities, including in relation to income recognised under AASB 1058. We restrict our feedback to NFP entities as we have not had the opportunity to gain sufficient feedback from universities on this consultation.

Overall, as noted in our [submission](#) in response to Exposure Draft - *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation for entities preparing Tier 1 general purpose financial statements* (ED 338), we received mixed views from stakeholders, but on balance agreed we agree that the core classification framework under AASB 18 should apply to Tier 1 and 2 NFP entities. In our view, the operating, investing and financing categories should continue to apply to these entities, although we acknowledge that some aspects of the framework may be less intuitive in an NFP context and would benefit from further implementation support. We also note the recommendation that a post-implementation review should explicitly assess the cost-benefit balance and comparability impacts of applying AASB 18 to NFP private sector entities and for-profit public sector entities, including consolidation effects.

Our key recommendations are as follows:

- Income recognised under AASB 1058 should generally be classified based on its nature at the point of receipt or recognition, rather than by reference to how the related funds or assets may later be used. Concerns about volatility or uneven outcomes are better addressed through clearer disaggregation, labelling and explanatory disclosure than through reclassification.
- The concept of specified main business activities should remain unchanged for NFP entities where the facts and circumstances support its application. Rather than removing the concept or introducing broad accounting

policy choices, the AASB should consider providing sector-specific illustrative examples and practical guidance where necessary to support more consistent application in an NFP context.

Further detail on our above comments, including our responses are included in the Attachment. If you require further information, please contact me at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

**Ram Subramanian FCPA  
Financial Reporting Lead  
CPA Australia**

## ATTACHMENT – CPA AUSTRALIA’S RESPONSES

### Topic 3: What are examples of common types of income and expenses that would be categorised in each of the operating, investing and financing categories (for activities outside the specified main business activities)?

Q1: Do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.53, 54, B47 and B48 in the investing category (e.g. interest income from cash and cash equivalents)? Please provide reasons.

Q2: Do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.59, 60, 61, B53 in the financing category? Please provide reasons.

Q3: Do you have significant concerns about requiring an NFP entity to classify interest income and expenses relating to liabilities (e.g. lease interest) as financing, while related non-interest items (e.g. depreciation of ROU asset) are classified as operating?

As noted in our [submission](#) in response to ED 338, we received mixed feedback from members on the application of the core classification model in AASB 18 *Presentation and Disclosure in Financial Statements* (the "Standard"). On balance, however, we do not object to applying the Standard's operating, investing and financing categories to these entities, recognising the potential transparency benefits while also noting the importance of clear implementation guidance and illustrative examples.

We note that users of NFP financial statements often assess performance differently from users in the for-profit context. They may focus more on principal activities, stewardship and the sustainability of funding, rather than the narrower notion of "operating activities" under the Standard. As a result, strict application of the framework may sometimes produce outcomes that are technically consistent with the Standard but not immediately intuitive to users of NFP financial statements.

However, based on feedback we have received, this does not justify changing the classification model itself at present. Rather, it highlights the importance of clear disaggregation, appropriate line-item labelling and explanatory disclosures so that users can better understand the nature of significant income and expense items, particularly where results may appear volatile or uneven between periods. Consistent with this, we support the view that financial reporting should reflect the underlying economics of transactions, rather than 'smoothing' or obscuring those effects through reclassification.

We also note that some views raised in the discussion appear to reflect a preference to distinguish income based on restrictions, designated purposes or intended use of funds. While we understand why those distinctions may be useful from the perspective of external users who want to see restricted funds being used for the intended purpose, and from an internal management, governance or stewardship perspective, we do not think they should determine classification outcomes under AASB 18. In our view, classification should continue to follow the principles in the Standard, rather than be driven by whether funding is restricted, unrestricted or earmarked for a particular purpose. Appropriate disaggregation of line items to illustrate the nature of restricted or designated funds, complemented with additional note disclosures, may assist with any additional user information needs on this matter.

Accordingly, our preliminary view is that NFP entities (and universities) should continue to apply the general framework in the Standard. To support implementation, the AASB could usefully provide illustrative examples and practical guidance (including disaggregation presentation and disclosures) showing how the framework applies to common NFP fact patterns.

## Topic 4: How would income recognised under AASB 1058 be categorised?

Q4: Given AASB 18 allows distinguishing between recurrent and non-recurrent items within a category, is there a need for the AASB to modify AASB 18 or provide further guidance? Please explain.

Q5: Have you identified any NFP-specific circumstances that would justify departing from AASB 18 classification requirements (e.g. classifying items differently between operating and investing)? If so, describe and explain why.

Based on the discussion and feedback received, we understand the concern that including income recognised under AASB 1058, particularly bequests, donations, donated non-cash assets and capital grants, within operating may, in some cases, make the operating result appear volatile or less reflective of what some users regard as the entity's underlying or principal activities.

However, in our view, this does not justify reclassifying such income outside the operating activities category. We consider that the nature of the income should be determined at the point it is received or recognised, rather than by reference to how the related funds or assets may later be used. On that basis, bequests, donations and grants received by NFP entities should generally be classified as operating income (assuming they do not meet the definitions relevant for classification under the investing or financing category), as they arise from the entity's mission-driven activities, fundraising activities or broader funding model. Where those funds are subsequently invested, or the related assets generate investment returns, those later outcomes should be classified separately in accordance with the relevant principles in the Standard.

We recognise that some stakeholders may view this outcome as creating volatility or "lumpiness" in reported operating results, particularly where receipts are large or non-recurring. Nevertheless, we do not regard that as a reason to alter the underlying classification. Rather, such outcomes reflect the economic reality of many NFP entities, and financial reporting should faithfully represent that reality rather than smoothing or obscuring it through reclassification.

Instead, we consider that the more appropriate response is clear disaggregation and explanation. Where income recognised under AASB 1058 is significant, unusual or non-recurring, entities should be able to present and explain those amounts in a way that helps users understand their nature and effect. In our view, this would better support transparency and comparability than introducing alternative classification outcomes or accounting policy choices.

We also do not support introducing an accounting policy choice in this area. Allowing similar receipts to be classified differently across entities would risk reducing comparability and could undermine the consistency that the Standard is intended to promote. If further support is needed, we believe it would be more helpful for the AASB to provide additional illustrative examples or explanatory guidance, including clarification, where necessary, on how the relevant paragraphs in AASB 18 apply to income recognised under AASB 1058.

## Topic 6: How are income and expenses relating to specified main business activities classified?

Q6: Do you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity for classification purposes? Please explain.

Q7: If yes, is additional guidance (beyond AASB 18.B34–B35) needed to assist NFP entities in making this assessment? If so, what guidance and why?

Q8: Overall, do you agree that NFP entities should be required to classify income and expenses into operating, investing and financing categories, and that the benefits outweigh the costs? Please explain.

We do not consider that NFP entities should be excluded from assessing whether investing in assets or providing finance to customers constitutes a specified main business activity.

In our view, the concept remains relevant in the NFP sector where the facts and circumstances support its application. Some NFP entities may, in substance, have investing or financing as a significant, or even dominant, activity, notwithstanding that those activities are undertaken to support charitable, educational or religious purposes rather than commercial profit-making. Examples include ancillary funds managing large investment balances with mandatory distributions, religious development funds and church-related lending vehicles, some credit unions, microfinance charities and other hybrid mission-driven entities, as well as universities or schools with significant endowment or investment structures. These examples suggest that such cases may be more common, and more complex, than implied by the assumption that they would arise only infrequently or be relatively straightforward to identify.

We acknowledge that, in the NFP context, investing or financing activities may often be undertaken in support of broader service delivery objectives. This can make it more difficult in practice to determine whether such activities constitute a specified main business activity in their own right. Stakeholders also raised concerns that similar entities may reach different conclusions in making that assessment, which could reduce comparability, particularly among universities and other entities with similar structures. In addition, where investment income is classified separately from the related charitable or educational expenditure it supports, this may create a mismatch that could confuse users and obscure the overall picture of performance. However, while we recognise these practical challenges, we do not consider that they justify removing the concept altogether or introducing broad accounting policy choices, as either approach would risk undermining consistency and comparability across the sector.

Accordingly, our view is that NFP entities should continue to classify income and expenses into operating, investing and financing categories, including assessing specified main business activities where relevant. The more appropriate response would be for the AASB to consider providing clearer implementation support, particularly through additional illustrative examples and practical guidance tailored to common NFP fact patterns. This would better assist entities in applying the requirements consistently in practice, while preserving the integrity of the overall classification model.

## **Topic 7: What are the changes to the dividend and interest cash flow classification?**

Q9: Do you have significant concerns about requiring dividends and interest paid to be classified as financing cash flows, and dividends and interest received as investing cash flows? If so, what alternative classification would be more appropriate and why?

Q10: Do you have any comments on applying other aspects of AASB 18 to NFP entities (e.g. operating expense presentation, MPM disclosures, aggregation/disaggregation)?

Q11: Have you submitted a comment letter on ED 338 or ITC 56?

In our view, the classification of dividends and interest cash flows should continue to follow the principles set out in the Standard. Although such cash flows may be important in funding an entity's broader activities, that does not necessarily mean they should be classified according to their eventual use. As with other areas of the Standard, classification should be determined by principle, rather than by management intention or by how funds are ultimately applied.

Accordingly, we do not presently see a strong basis for special amendments for NFP entities and universities in relation to Topic 7. If the AASB considers that further support would be helpful, illustrative examples showing how the requirements apply in common NFP circumstances may assist implementation. However, on the information presently available, we do not think substantive changes to the existing classification approach are warranted.



24 April 2026

Claire Thomson  
Technical Fellow  
Australian Accounting Standards Board  
Email: [cthomson@asab.gov.au](mailto:cthomson@asab.gov.au)

Dear Ms Thomson

**Re:** AASB 18 staff paper

The University of New South Wales (UNSW) took the opportunity to provide feedback on ED338 at your 27 February 2026 roundtable consultation. Thank you for the opportunity to provide feedback on AASB's AASB 18 staff paper.

UNSW's responses to questions in the AASB's AASB 18 staff paper are provided in **Attachment 1**. Our responses are based on the available information at the time of this letter. We will undertake a detailed impact assessment during the year and as our understanding of AASB 18 evolves, our responses may change.

In addition to our responses to the staff paper, we would like to convey that we strongly support application of AASB 18 for universities in line with not-for-profit public sector from 1 January 2028 given UNSW was established under *the University of NSW Act 1989 No 125* and similar to not-for-profit public sector entities, UNSW is required to follow the *Government Sector Finance Act 2018 and Government Sector Finance Regulation 2024*.

Moreover, it is our view that comparability of general purpose financial statements should be maintained in the Higher Education sector. The main mechanism is through the Australian Government Department of Education's *Financial Statement Guidelines for Australian Higher Education Providers*. This would help to:

- minimise universities classifying income and expenses differently
- ensure a consistent definition of underlying results (a management-defined performance measure).

If you have any questions please contact Joy Milag, Director, Financial Control & Compliance ([j.milag@unsw.edu.au](mailto:j.milag@unsw.edu.au)).

Yours sincerely,

Elizabeth Stratford  
Chief Financial Officer

**Encl.** Attachment 1

## Attachment 1: Questions to stakeholders and UNSW response

Other than income recognised under AASB 1058:

Q1: Do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.53, 54, B47 and B48 in the investing category (for example, interest income from cash and cash equivalents)? Please provide reasons for your response.

UNSW has no strong preference for treatment of interest received from cash and cash equivalents. It could be viewed that the interest received whilst in the bank is a form of passive investment and therefore should be classified as investing. On the other hand, the income received will be used to fund operations and forms part of the entity's working capital. If not considered already, could the AASB clarify whether management's assessment is to consider 'generating/source activity' or to consider the 'intended use' of the generated income/expense.

Some of our major research grant funding bodies provide substantial funding in advance, explicitly requiring that the grant includes any interest earned on the grant and that UNSW must account for that interest as part of the grant. In these circumstances, the interest earned is therefore economically and contractually linked to the underlying research activity and funding arrangement and is not considered income in its own right but rather forms part of the overall research grant. It is therefore accounted as part of the grant (part of transaction price) in accordance with AASB 15. Classifying this interest income within investing activities would result in an inconsistency in presentation, as the original receipt of the grant funding will be classified as operating activities. Whereas, if use of the interest received on grants is not stipulated, it could be viewed as an investing activity.

Q2: Do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.59, 60, 61, B53 in the financing category? Please provide reasons for your response.

Interest expense/paid in relation to a liability, such as a loan, is easily understood as a financing activity since borrowing is a form of funding.

Q3: Do you have significant concerns about requiring an NFP entity to categorise interest income and expenses relating to liabilities arising from transactions that do not involve only the raising of finance (e.g., lease interest expense) as financing, while classifying the related non-interest income and expenses (e.g., amortisation of the right-of-use asset) as operating?

Refer to Q2 response.

Q4: Given that AASB 18 does not prohibit an entity from distinguishing, within a category, income and expenses arising from recurrent transactions from those

arising from non-recurrent transactions, is there a need for the AASB to modify AASB 18 or provide further guidance on this matter? Please provide reasons for your response. (b)

No. In our view the concept of recurrent and non-recurrent could be captured instead as part of management-defined performance measures or if the entity provides these as additional classification of in their primary statements, then additional sub-totals and labelling is appropriate.

Q5: Have you identified any NFP-specific circumstances that would justify departing from the income statement classification requirements in AASB 18—for example: (a) presenting items in operating that AASB 18 would otherwise classify as investing, or presenting items in investing that AASB 18 would otherwise classify as operating? If so, please describe these circumstances and explain why an alternative classification would be more appropriate.

Refer to responses to Q1, 2 and 9

Q6: Do you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity for the purposes of categorising income and expenses? Please provide reasons for your response.

Yes, given the assessment should be based on the entity's facts and circumstances. Our main business activities are teaching and research. Investing and financing are business activities but not our main activities. We don't view providing scholarships to students (our customers) as providing finance to students. Income or losses arising from investing activities are excluded by UNSW when presenting externally our underlying results.

Q7: If you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity, aside from the guidance in AASB 18.B34–B35 (and related paragraphs), have you identified any additional guidance that would assist an NFP entity in making the assessment? If so, please describe the guidance and explain why it would be helpful.

Additional guidance would be helpful on what constitutes 'finance' in this context, including whether scholarships, debt waivers or fee discounts would be regarded as providing finance to customers. Refer to response to Q6.

Q8: Overall, do you agree NFP entities should be required to classify income and expenses into the operating, investing and financing categories, including that the benefits would outweigh the costs? Please provide reasons for your response.

Yes, as it aligns the primary statement presentations which an end-user could readily understand.

Q9: Do you have significant concerns about requiring an NFP entity to classify cash flows from dividends and interest paid as financing cash flows, and dividends and interest received as investing cash flows? Please provide reasons for your response. If you consider an alternative classification would be more appropriate, please explain why.

No significant concerns. Supportive of classifying dividends and interest received as investing or operating depending if investing activity is a main business activity or not is appropriate. However, it would be helpful for guidance on classification of interest earned on research grants mentioned above.

Q10: Do you have any comments on applying other aspects of AASB 18 to NFP private sector entities or universities (e.g. presenting operating expenses to provide a useful structured summary, disclosing information about management-defined performance measures, and aggregation and disaggregation requirements)?

UNSW is supportive of:

- A structured summary. The content of the staff paper was very useful to understand core concepts, UNSW would appreciate that consideration of its inclusion in the structure summary in the order of assessment, for example determine the main business activities; then assess activities for financing classification, then investing with the remaining activities being operating.
- Management defined performance measures (MDMs). MDM would align to our current voluntary disclosure of underlying results in our Annual Report. AASB 18 will bring the disclosure into the financial statements instead.
- Disclosure aggregation and disaggregation as long as materiality is considered without reducing the understandability of the financial information to users. In addition, for simplicity and comparability in the Higher Education sector UNSW would prefer, similar to not-for-profit public sector entities, a policy choice is provided of either nature or function only, rather than a mixture.

More generally, UNSW applies Federal Department of Education financial statement guidelines to ensure comparability in the Higher Education sector. In applying AASB 18 UNSW would also seek guidance from the Federal Department of Education.

Q11: Have you submitted a comment letter on ED 338 or ITC 56?

No. Instead, UNSW attended the AASB's consultation meeting on the 27 February 2026

## Patricia Au

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**From:** Aletta Boshoff <Aletta.Boshoff@bdo.com.au>  
**Sent:** Sunday, 26 April 2026 7:03 PM  
**To:** Patricia Au  
**Cc:** Helena Simkova; Angus Thomson  
**Subject:** FW: Draft responses to survey a bit more fleshed out

Some people who received this message don't often get email from aletta.boshoff@bdo.com.au. [Learn why this is important](#)

Dear Patricia

Please find our BDO Australia comments below. Thank you very much for the opportunity to submit our comments.

We have discussed the questions with our not-for-profit partners and our IFRS Advisory team.

Best wishes

Aletta

### BDO Australia responses:

1. Other than income recognised under AASB 1058, do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.53, 54, B47 and B48 in the investing category (for example, interest income from cash and cash equivalents)? Please provide reasons for your response..

[We don't have any significant concerns.](#)

2. Other than income recognised under AASB 1058, do you have significant concerns about requiring an NFP entity to categorise the items described in AASB 18.59, 60, 61, B53 in the financing category? Please provide reasons for your response.

[We don't have any significant concerns.](#)

3. Other than income recognised under AASB 1058, do you have significant concerns about requiring an NFP entity to categorise interest income and expenses relating to liabilities arising from transactions that do not involve only the raising of finance (e.g., lease interest expense) as financing, while classifying the related non-interest income and expenses (e.g., amortisation of the right-of-use asset) as operating?

[We don't have any significant concerns.](#)

4. Given that AASB 18 does not prohibit an entity from distinguishing, within a category, income and expenses arising from recurrent transactions from those arising from non-recurrent transactions, is there a need for the AASB to modify AASB 18 or provide further guidance on this matter? Please provide reasons for your response.

[Given that sub-totals of recurring vs non-recurring income and expenses is not specifically addressed in AASB 18, it would be helpful if the Board provided some illustrative examples to show recurring vs non-recurring transactions can be separated within the operating category.](#)

[In addition, we recommend guidance be added to confirm that subtotals of recurring vs non-recurring income or expenses is not a management-defined performance measure \(MPM\) because paragraph B116 notes that an MPM is a subtotal of income AND expenses. However, a measure of recurring net income could be an MPM, and require additional disclosure if it meets the definition of an MPM in paragraph 117.](#)

5. Have you identified any NFP-specific circumstances that would justify departing from the income statement classification requirements in AASB 18—for example:

- (a) presenting items in operating that AASB 18 would otherwise classify as investing, or
- (b) presenting items in investing that AASB 18 would otherwise classify as operating?

If so, please describe these circumstances and explain why an alternative classification would be more appropriate.

We have not identified any NFP-specific circumstances that would justify departing from the five categories of income and expense classifications in AASB 18 income. However, see our further comments for question 6 below regarding identifying specified main business activities.

In addition, there seems to be disagreement in practice regarding the application of paragraph 53(b) and 53(c), as well as paragraph 54(b), to cash grants and grants of other assets if they generate a return individually and largely independently of the entity's other resources (e.g. investment properties or share portfolios). Read one way, paragraph 54 requires certain specified income and expenses to be included in the investing category if they relate to assets specified in paragraph 53. In particular, paragraph 54(b) refers to 'income and expenses that arise from the initial measurement ... of the assets'. This initial measurement could refer to the income from cash grants, as well as from grants of investment properties or shares. Read another way (the AASB staff's interpretation), both paragraph 53 and 54 refer to income and expenses from the specified assets, implying that the assets in paragraph 53(b) and (c) must exist and be recognised, prior to recognising any income in the investing category. We therefore recommend that an 'Aus' paragraph be added to avoid confusion and clarify that all grants received by NFPs will be recognised in the operating category.

We also noted a comment from the round table where AASB staff suggested that, if a NFP purchases an asset at significantly below fair value, the resulting AASB 1058 income (being the difference between the fair value of the asset and the consideration paid), would be recognised under paragraph 54(b) relating to 'initial measurement' of the asset, and therefore classified in the operating category. We fail to see how there is a substantive difference between 'grant income' relating to a purchase discount where the recipient could pay as little as \$1 for the asset, and grant income when paying no consideration for a straight grant of an asset. We recommend that the Board provide illustrative examples to ensure consistency in application of all grant income, regardless of the extent of purchase consideration paid.

6. Do you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity for the purposes of categorising income and expenses? Please provide reasons for your response.

The main business activity of a NFP is usually to provide goods or services, give grants or conduct activities to serve the community or to advance a social cause:

- Any investing activities involving portfolio management is usually conducted in order to earn income to fund the provision of the NFP's activities (which is its main business activity), rather than to earn income as a specified main business activity of investing in assets. We therefore consider that an 'Aus' paragraph is warranted to clarify that a NFP cannot have a specified main business activity of investing in assets (or alternatively some strict criteria to assist users in making this determination in limited circumstances)
- While there may be some NFPs that provide financing to customers in order to fulfill their social mission, there is one view that this is considered specified main business activities, but there is another view that this activity is just its normal NFP business activity to serve the community or advance a social cause. Additional guidance may be useful, as well as some practical examples of when (if at all) this might be considered specified main business activities.

7. If you agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity, aside from the guidance in AASB 18.B34-B35 (and related paragraphs), have you identified any additional guidance that would assist an NFP entity in making the assessment? If so, please describe the guidance and explain why it would be helpful.

We don't have specific suggestions for additional guidance but preparers may well do. However, if one takes the view that investing in assets or providing financing to customers is merely part of the NFP's main business activity (and not a specified main business activity which generates income requiring use of a separate sub-total), then guidance or an 'Aus' paragraph could simply say that NFPs don't have specified main business activities.

8. Overall, do you agree NFP entities should be required to classify income and expenses into the operating, investing and financing categories, including that the benefits would outweigh the costs? Please provide reasons for your response.

Yes, we agree because we think that most NFPs wouldn't have specified main business activities (which result in most income and expenses classified as operating).

9. Do you have significant concerns about requiring an NFP entity to classify cash flows from dividends and interest paid as financing cash flows, and dividends and interest received as investing cash flows? Please provide reasons for your response. If you consider an alternative classification would be more appropriate, please explain why.

No concerns.

10. Do you have any comments on applying other aspects of AASB 18 to NFP private sector entities or universities (e.g. presenting operating expenses to provide a useful structured summary, disclosing information about management-defined performance measures, and aggregation and disaggregation requirements)?

No concerns.

\*11. Have you submitted a comment letter on ED 338 or ITC 56? (Required.)

Yes, on both ED 338 and ITC 56.

#### ALETTA BOSHOFF

Lead Partner  
IFRS & Corporate Reporting  
Sustainability Reporting  
Direct: +61 3 9603 1808  
Mobile: +61 422 970 458  
[Aletta.Boshoff@bdo.com.au](mailto:Aletta.Boshoff@bdo.com.au)

BDO  
Collins Place  
Level 25, 35 Collins Street  
Melbourne Victoria 3000  
AUSTRALIA  
[www.bdo.com.au](http://www.bdo.com.au)

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