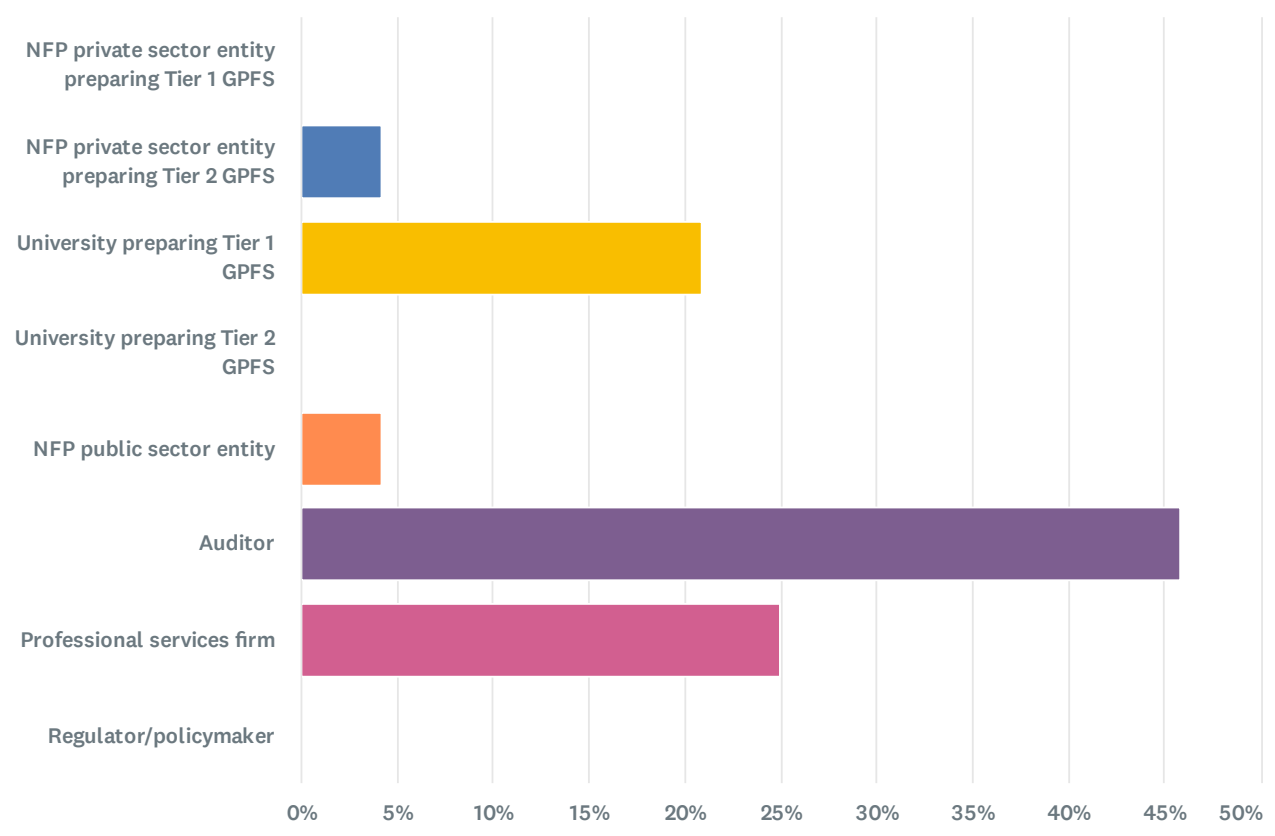


Q5 24 responses

Is your organisation?



#	OTHER (PLEASE SPECIFY)	DATE
1	Accounting Body	4/24/2026 4:27 PM

Q6 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..

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	Response for Q1 to Q3 IPA does not have significant concerns requiring an NFP entity to categorise the items described in the relevant AASB 18 paragraphs in the investing and financing categories in Q1 to Q3. We are of the view that the requirements in an issued accounting standard should not be modified unless there are compelling reasons to do so. To do otherwise would undermine the standard-setting process and open the AASB to criticisms that it set standards for stakeholders with the ability and resources to demand the desired requirements even after a standard is issued for application.	4/24/2026 4:33 PM
2	No significant concerns.	4/24/2026 9:00 AM
3	We support sector neutrality principles and consistent implementation of AASB 18 to provide users of financial statements with similar or equivalent information in a comparable and consistent classification. We understand that the respective timings of funding and expenditure during the reporting period for some NFP private sector entities may mean that the entity could earn interest income. Appropriate disaggregated information on this matter could therefore be useful for users of financial statements.	4/23/2026 5:35 PM
4	No concerns	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	I do not have any significant concerns with this categorisation. However, the inclusion of income and expenses that arises from initial measurement under paragraph 54(b) seems to be a bit conflicting with the proposed categorisation of income from initial recognition from donated assets under operating category. Further clarification will be needed to ensure appropriate and consistent application of this provision under AASB 18.	4/21/2026 12:32 PM
7	No concerns (other than income recognised under AASB 1058). Please note our comments are only in relation to universities and not NFP private sector entities. Our view is that preparers of university financial statements and the Commonwealth Department of Education would be best placed to respond to whether the requirements in AASB 18 should apply or whether an accounting policy choice should be made available to them similar to NFP public sector entities. For comparability purposes we think it is more likely university financial statements would be compared against other private sector universities and educational institutions rather than other NFP public sector entities.	4/17/2026 3:49 PM
8	No	4/9/2026 1:56 PM
9	WELL, I BEILIEVE ALL INCOME SHOULD BE CLASSIFIELD UNDER TWO CATEGORIES. EITHER RESTRICTED INCOME OR UNRESTRICTED INCOME	4/9/2026 1:40 PM
10	If cash is holding primarily fee or grant income the interest on these accounts are not investment returns and in my opinion be excluded. If the NFP actively undertakes investment activities with surplus funds - accumulated - then these returns should be included under AASB18	4/9/2026 10:01 AM
11	No	3/26/2026 11:59 AM
12	Yes Transparent to show what is being done	3/18/2026 11:34 AM
13	This initial description in the paper (para 3) did not include dividend income (it is included in	3/18/2026 8:06 AM

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AASB 18

AASB107). There is no separate discussion addressing the status a refundable franking
credits attached to dividends.

Q7 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.

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	Refer to our response for Q1.	4/24/2026 4:33 PM
2	No significant concerns.	4/24/2026 9:00 AM
3	We support sector neutrality principles and believe consistent implementation of AASB 18 will provide clearly identified and comparable information which is important.	4/23/2026 5:35 PM
4	No concerns	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	I do not have any significant concerns with this provision. There is a logical as well as a technical consistency associated with the application of this provision.	4/21/2026 12:32 PM
7	As above.	4/17/2026 3:49 PM
8	No	4/9/2026 1:56 PM
9	ALL FINANCE ACTIVITIES SHOULD BE CLASSIFIED UNDER TWO CATEGORIES. EITHER RESTRICTED FINANCE OR UNRESTRICTED FINANCE	4/9/2026 1:40 PM
10	No - it would be beneficial to many organisations as it would separate the operational from other activities	4/9/2026 10:01 AM
11	No	3/26/2026 11:59 AM
12	Yes To understand any pressure from the financier and the terms of financing	3/18/2026 11:34 AM
13	No	3/18/2026 8:06 AM

Q8 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?

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	Refer to our response for Q1.	4/24/2026 4:33 PM
2	No significant concerns.	4/24/2026 9:00 AM
3	We support sector neutrality principles and consistent implementation of AASB 18 as it will provide clearly identified and comparable information. We also note the type and nature of expenses in the above question is different therefore a different classification is acceptable.	4/23/2026 5:35 PM
4	No concerns	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	I do not have any significant concerns with this provision. There is a logical as well as a technical consistency associated with the application of this provision. Nonetheless, this provision introduces additional complexity for NFP entity and as such consideration may be given to materiality threshold for the categorisation provision to maintain simplicity for NFP entities for whom such categorisation may not result in the provision of decision useful information.	4/21/2026 12:32 PM
7	As above.	4/17/2026 3:49 PM
8	No	4/9/2026 1:56 PM
9	No, I do not have significant concerns about this specific classification requirement for NFP entities. This approach aligns directly with the principles in AASB 18 Presentation and Disclosure in Financial Statements (issued June 2024, mirroring IFRS 18), which requires a structured statement of profit or loss with operating, investing, and financing categories (plus income tax and discontinued operations). Paragraphs 59–61 and B53–B55 of AASB 18 explicitly distinguish: Liabilities arising only from raising finance (e.g., pure borrowings) → all related income/expenses in the financing category. Other liabilities (those arising from transactions that do not involve only the raising of finance, such as lease liabilities under AASB 16, contract liabilities with a significant financing component under AASB 15, or certain provisions) → only the interest income/expenses (and effects of changes in interest rates, where identified under other standards) go to financing; everything else (e.g., amortisation/depreciation of the related right-of-use asset) stays in operating. The lease example in the question is the classic case: lease interest expense (unwinding of the discount on the liability) is financing, while amortisation of the ROU asset is operating. This is not new conceptually—it builds on AASB 16’s existing requirement (para. 49) to present interest and depreciation separately in profit or loss, and it mirrors the economics of a financed purchase (depreciation in operating, interest on debt in financing). Why this is conceptually sound for NFPs Substance over form and consistency: Leases (or similar arrangements) are not “pure financing”; the entity receives an asset/right-of-use for its operations, not cash/equity for general financing purposes. Splitting the cost separates the operational consumption of the resource (amortisation in operating) from the time value of money (interest in financing). This matches how NFPs (and all entities) already treat owned assets financed by debt. It avoids distorting the operating category with financing elements while keeping the majority of the lease cost (amortisation) where it belongs—reflecting day-to-day activities. Better information for users: Donors, grantors, regulators, and other NFP stakeholders get a clearer view of “core”	4/9/2026 1:40 PM

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operating performance (e.g., program delivery costs) versus financing decisions. This improves comparability between NFPs that lease vs. own assets, or lease vs. receive peppercorn/donated assets. No fundamental mismatch with NFP objectives: NFPs still present a surplus/deficit (not “profit”), and AASB 18’s operating category is designed to capture income/expenses from the entity’s main activities. The financing category is narrowly defined and does not imply commercial debt-raising; it simply isolates time-value costs. Many NFPs already voluntarily separate such items in their performance measures. The carve-out for AASB 1058 income is appropriate: The question correctly excludes initial income recognition under AASB 1058 (e.g., the residual difference when assets are received significantly below fair value, or certain grant liabilities). Subsequent measurement of related liabilities (e.g., interest on a lease liability created under AASB 1058/AASB 16) follows the general rule without creating special NFP distortions. Potential counter-arguments and why they are not significant Some might argue that NFPs view entire lease costs as “operational” (no commercial financing intent) and that splitting reduces the usefulness of an “operating surplus” subtotal. However, this is outweighed by the benefits of consistency and economic representation. The amortisation component (often the larger ongoing expense) remains in operating, so the impact is limited. IFRS 18 also allows management performance measures (MPMs) with reconciliation (paras. 113–141), so NFPs can supplement with alternative views if needed. Cost/complexity for smaller NFPs is a broader Tier 2/Tier 3 issue (AASB is consulting on reliefs in projects aligning AASB 1060 and Tier 3 proposals), but the principle itself is not problematic. In short, the requirement is principled, consistent with existing lease accounting, and enhances rather than hinders decision-useful information. It does not create unique or material issues for NFPs beyond those already addressed by the AASB 1058 carve-out.

10	No - for many organisation the lease transactions are confusing. Removing the interest component away from the operational costs ie amortising the lease reflecting rental expenses - would enable the statements to be clearer for users.	4/9/2026 10:01 AM
11	No	3/26/2026 11:59 AM
12	Yes all these are important to understand off-balance sheet financing ...etc	3/18/2026 11:34 AM
13	No	3/18/2026 8:06 AM

Q9 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.

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	IPA is of the view that there is no need for the AASB to modify AASB 18, given the standard does not prohibit an entity from distinguishing, within a category, income and expenses arising from recurrent transactions from those arising from non-recurrent transactions. We think a better approach would be to provide further guidance on this matter if clarification is required.	4/24/2026 4:33 PM
2	No.	4/24/2026 9:00 AM
3	We do not believe there is a need to modify AASB 18 or provide more guidance for more disaggregated information. Since AASB 18 does not prohibit an entity from further disaggregating the information between recurrent and non-recurrent, there is room for judgement which is useful. However, an illustrative example addressing this issue could be helpful.	4/23/2026 5:35 PM
4	No, I would limit changes to AASB 18 in this regard	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	Yes, it would be needful for such subcategorisation to be considered in the reporting process. However, to avoid the presentation of too many subtotals, this issue may be addressed through the use of note to the financial statement.	4/21/2026 12:32 PM
7	We have a different view from the AASB Staff's view on AASB 1058 income immediately recognised on the initial recognition and measurement of donated assets in para 53 (e.g. cash, investments, investment property) of AASB 18. Such AASB 1058 income meets para 54(b) being income arising from the initial measurement of the asset, and therefore should be classified in the investing category. This AASB Staff view that the income does not meet the 'investing' description appears to be based on the fact that it is not income from the cash/investment/investment property (but rather is income from receipt of the asset itself). However, in our view, the AASB Staff view only appears to consider para 54(a) (income generated by the assets) and fails to consider para 54(b) (income and expenses that arise from the initial and subsequent measurement of the assets). However, we acknowledge that our view (based on our reading of AASB 18) will result in some inconsistencies (which is not desirable) such as: - AASB 1058 income from initial recognition and measurement of donated PPE does not meet para 53 and therefore should be classified as operating. - AASB 1058 income from unwinding a capital grant liability initially recognised on receipt of a cash grant for acquisition/construction of an investment property does not meet para 54(b) and therefore should be classified as operating. In order for the AASB Staff view of 'operating classification' for AASB 1058 income that is immediately recognised on the initial recognition and measurement of donated para 53 assets to become the correct conclusion and consequently avoid the above inconsistencies, an amendment may be required by the AASB to delete (or disregard) para 54(b) from AASB 18 for NFP entities (including universities). We agree that AASB 18 does not prohibit distinguishing recurrent v. non-recurrent transactions within a category.	4/17/2026 3:49 PM
8	Yes, this would be helpful for users to understand YoY performance of the organisation excluding the non-recurring transactions. However, this would mean more work for preparers of the financial statements in big organisations to try to isolate the non-recurring transactions.	4/9/2026 1:56 PM
9	No, there is no need for the AASB to modify AASB 18 or provide further guidance on this matter. AASB 18 already contains a clear, principles-based framework for aggregation and	4/9/2026 1:40 PM

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disaggregation that explicitly supports (and does not prohibit) distinguishing recurrent from non-recurrent items within any category (including the operating category). Paragraph 41 and the application guidance in paragraphs B16–B20 (mirroring IFRS 18) require entities to: aggregate items that share similar characteristics; and disaggregate items that have dissimilar characteristics (in the primary statements where necessary for useful structured summaries, and in the notes for material information). One of the key characteristics explicitly considered is persistence — i.e., the frequency or recurrence of the item (recurrent vs non-recurrent). Other characteristics include nature, function, measurement basis, and measurement uncertainty. This is confirmed in practice guidance and commentary on AASB 18/IFRS 18, which lists “persistence (including the frequency of the item of income or expense or whether it is recurring or non-recurring)” as a relevant factor. Entities therefore already have the flexibility to present, for example: separate line items or subtotals in the operating category for recurrent operating income/expenses versus non-recurrent items (e.g., one-off grants, unusual donations, restructuring costs, or litigation settlements); or additional disaggregation in the notes, with appropriate explanations. This approach aligns with the overall objective of AASB 18 (useful structured summaries of financial performance) without needing prescriptive rules or new definitions of “recurrent”/“non-recurrent”. Why modification or further guidance is unnecessary Principles-based sufficiency — The standard is intentionally flexible. Mandating or further prescribing the distinction would risk reducing comparability across entities (especially given judgment involved in classifying items as recurrent/non-recurrent) and could conflict with the aggregation/disaggregation principles already in place. NFP-specific context already addressed — ED 338 (the current exposure draft on AASB 18 application for NFPs and superannuation entities) proposes targeted NFP guidance (e.g., Aus9.1, AusB5.1, AusB80.1) requiring entities to consider common user needs under the Conceptual Framework and to focus on “operations or main activities” when classifying expenses in the operating category. This broader lens already supports disaggregation based on recurrence where it is relevant to NFP users (donors, grantors, regulators assessing sustainability). ED 338 does not identify recurrent/non-recurrent distinction as an area requiring additional clarification, confirming it is not a gap. No demonstrated practice issues or stakeholder concerns — The deferral of AASB 18 for NFPs (to 1 January 2028) and the consultation in ED 338/ITC processes have focused on category classification (operating/investing/financing), expense nature/function presentation, and MPM disclosures — not intra-category recurrence. The existing framework has proven adequate for similar distinctions in other standards (e.g., AASB 101 legacy requirements and voluntary NFP performance reporting). Alignment with IFRS 18 — Modifying AASB 18 or adding NFP-specific guidance here would unnecessarily diverge from IFRS 18, undermining the AASB’s commitment to transaction-neutral standards unless a clear cost-benefit case exists (which is not evident). NFPs can (and many already do) supplement with management performance measures (MPMs) under AASB 18 paragraphs 113–141, with full reconciliations, if they wish to emphasise recurrent performance further. The current requirements strike the right balance: they enable useful information without imposing rigidity. In summary, the existing text of AASB 18 is sufficient, proportionate, and aligned with both general and NFP user needs. No change is warranted.

10	No	4/9/2026 10:01 AM
11	Perhaps some further guidance could be provided to NFPs wanting to distinguish between grants relating to the service they are providing and fundraising activities - as an example.	3/26/2026 11:59 AM
12	Yes extraordinary transactions are important	3/18/2026 11:34 AM
13	No	3/18/2026 8:06 AM

Q10 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.

Answered: 12 Skipped: 15

#	RESPONSES	DATE
1	IPA has not identified any NFP specific circumstances that would justify departing from the income statement classification requirements in AASB 18. We think the classification is conceptually sound.	4/24/2026 4:33 PM
2	Yes. In particular, where income arising from assets recognised under AASB 1058 Income of Not-for-Profit Entities represents a primary and ongoing source of funding for the entity's activities, it may be more appropriate to classify that income within the operating category, even if AASB 18 might otherwise indicate an investing classification. We note, however, that in many cases this outcome could be achieved through the existing AASB 18 framework by appropriately identifying specified main business activities, rather than through a general departure from the classification principles. Also refer to our responses to Question 6 and 7.	4/24/2026 9:00 AM
3	We have not identified significant circumstances that would justify an NFP entity departing from the AASB 18 income statement classification requirements. We are of the view that sector neutrality and consistency remain the priority.	4/23/2026 5:35 PM
4	No	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	Not to the best of my knowledge.	4/21/2026 12:32 PM
7	5(a) - See Q4 above. 5(b) - No.	4/17/2026 3:49 PM
8	No	4/9/2026 1:56 PM
9	AASB 18 is built on the principle that classification in the statement of profit or loss should reflect how an entity generates and uses cash flows. For not-for-profit (NFP) entities, however, that principle can sometimes produce outcomes that don't faithfully represent their operating performance, because their objectives are service delivery rather than profit generation. Yes—there are NFP-specific circumstances where departing from the default classification in AASB 18 could be justified, provided this results in more relevant and faithfully representative information. (a) Presenting items in operating that AASB 18 would otherwise classify as investing 1. Investment income that funds core service delivery Many NFPs (e.g. charities, universities, foundations) hold endowments or reserves invested in financial assets. Returns (interest, dividends, fair value gains) may be: The primary or a significant source of funding for operations Directly used to finance service delivery activities 👉 In such cases, classifying these returns as investing (per AASB 18 default) may understate operating performance. Why operating classification is more appropriate: The investment portfolio is integral to the entity's mission, not incidental Returns are functionally equivalent to revenue from operations Users (donors, regulators) assess performance based on the entity's ability to sustain services, which depends on these returns 2. Disposal of assets routinely used in service delivery Some NFPs (e.g. social enterprises, public sector entities) may: Regularly replace program-related assets (e.g. medical equipment, vehicles) Dispose of them as part of ongoing operations 👉 Gains/losses on disposal might technically fall under investing. Why operating classification may be justified: Asset turnover is part of normal service delivery activities These transactions are recurring and operational in nature (b) Presenting items in investing that AASB 18 would	4/9/2026 1:40 PM

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otherwise classify as operating 1. Capital grants and donations for long-term assets NFPs often receive: Government grants Donor contributions Specifically restricted for acquiring or constructing long-term assets 👉 AASB 18 might treat these as operating income. Why investing classification may be more appropriate: These inflows are capital in nature, not related to period performance Aligns with the use of funds (i.e. acquiring long-term assets) Improves clarity by separating: Operating performance (service delivery) Capital funding activities 2. One-off or non-recurring donations not linked to operations Large bequests or windfall donations: Not expected to recur Not linked to ongoing programs 👉 Default classification may place them in operating. Why investing classification may be justified: Including them in operating could distort performance trends Users may misinterpret sustainability of operations Key justification principle Any departure from AASB 18 classifications should be grounded in: Faithful representation: Does the classification reflect the entity's true activities? Relevance: Does it help users assess financial performance and stewardship? Consistency with the entity's mission: Particularly important for NFPs Important considerations Such departures should be rare and well-justified Entities should provide: Clear disclosure of the policy Explanation of why it better reflects performance Consistency over time is critical unless circumstances change Bottom line Yes—NFP entities can justify alternative classifications where: Investment-related items are central to funding operations, or Operating items are capital or non-recurring in nature

10	No	3/26/2026 11:59 AM
11	N/A	3/18/2026 11:34 AM
12	No	3/18/2026 8:06 AM

Q11 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.

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	IPA agrees that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity (MBA) for the purposes of categorising income and expenses. We think the assessment of an entity's MBA is no different to assessing other accounting concepts, in that they require the exercise of judgment that is based on fact and evidence and not based on management's assertion or preference.	4/24/2026 4:33 PM
2	Yes, for the reason provided under Question 5.	4/24/2026 9:00 AM
3	Yes, we agree that NFP entities should be required to assess whether they invest in assets or provide finance to customers as a main business activity. In most instances, the business activity will be readily determinable and the "business activity" principle provides a reasonable basis for the assessment. However, some illustrative examples using NFP scenarios could be helpful.	4/23/2026 5:35 PM
4	Yes, reporting should be consistent and comparable to the extent possible.	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	I do agree for NFP entities to assess and determine their main business activity for consistency and better clarity in the application of the provisions of AASB 18.	4/21/2026 12:32 PM
7	Agree.	4/17/2026 3:49 PM
8	No	4/9/2026 1:56 PM
9	es—requiring NFP (not-for-profit) entities to assess whether investing in assets or providing finance to customers is a main business activity is a reasonable and useful requirement. It improves the quality, comparability, and transparency of financial reporting. Here's why: 1. Improves faithful representation If an NFP's core operations include financing activities (e.g., microfinance, loan programs, or investment management), then income such as interest or investment returns is operating in nature, not incidental. Requiring an assessment ensures financial statements reflect the true economic substance of what the entity does, rather than treating all such income as peripheral. 2. Enhances comparability across entities Different NFPs operate in very different ways—some rely mainly on donations, while others actively invest or lend. Without this assessment, two similar entities might classify similar income differently. A required evaluation promotes consistent classification, making it easier for users (donors, regulators, analysts) to compare performance. 3. Provides more decision-useful information Users of NFP financial statements care about how sustainable and repeatable income sources are. If investment or financing activities are core to operations, classifying related income and expenses appropriately helps users better assess: Financial sustainability Risk exposure Operational efficiency 4. Aligns with principles-based accounting Modern accounting frameworks emphasize judgment based on substance over form. Requiring entities to assess whether an activity is "main" aligns with this approach, rather than imposing rigid rules that might misrepresent certain NFP business models. 5. Increases transparency and accountability This requirement encourages NFPs to clearly articulate their business model. That transparency helps stakeholders understand: Whether the entity is mission-driven, investment-driven, or hybrid How resources are being deployed to achieve objectives Potential drawback (and why it's manageable) The main concern is subjectivity—determining what counts as a "main business activity" requires judgment. However, this can be mitigated through: Clear guidance and indicators (e.g., proportion of income, resources allocated) Disclosure requirements explaining the judgment made Conclusion Overall, requiring this assessment strikes a good balance between flexibility and accountability. It ensures that	4/9/2026 1:40 PM

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income and expense classification reflects the actual operations of the NFP, leading to more meaningful and reliable financial reporting.

10	Yes and the intent of the activity should be the basis for classification.	4/9/2026 10:01 AM
11	Yes	3/26/2026 11:59 AM
12	Yes shows the impact of going concern with incoming revenue stream	3/18/2026 11:34 AM
13	Yes - gives users more complete disclosure of sources of income.	3/18/2026 8:06 AM

Q12 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.

Answered: 12 Skipped: 15

#	RESPONSES	DATE
1	IPA has not identified any additional guidance that would assist an NFP entity in making the assessment.	4/24/2026 4:33 PM
2	Yes. We believe additional guidance could be helpful for NFP entities in assessing whether investing in assets or providing finance to customers constitutes a specified main business activity, beyond the factors listed in AASB 18.B34–B35. As part of ED 338, the AASB has already acknowledged that NFP entities apply AASB 18 in a different context to for profit entities. In particular: <ul style="list-style-type: none"> Proposed paragraph Aus9.1 requires NFP private sector entities, when assessing the objective of financial statements, to consider the common information needs of users that are focused on the entity’s ability to achieve its objectives (whether financial or non financial), rather than on obtaining a financial return on an investment in the entity; and Proposed paragraph AusB80.1 requires an NFP entity, when presenting expenses, to consider which line items provide the most useful information about the entity’s operations or main activities, which is broader than focusing on the main components or drivers of profitability as contemplated by AASB 18.B80. Similar principles could usefully be reflected in the guidance on identifying a specified main business activity. In particular, it may be helpful to explicitly require NFP entities to consider factors that go beyond those in AASB 18.B34–B35, such as: <ul style="list-style-type: none"> how the activity supports or is integral to the achievement of the entity’s service objectives or mission; whether the activity is undertaken primarily as a means of delivering services, managing resources entrusted to the entity, or facilitating access to goods or services for beneficiaries, rather than to generate a financial return; and how users of NFP financial statements are expected to assess the entity’s performance and stewardship, including whether they would view the activity as part of the entity’s core operations. We believe that additional guidance would benefit a wide range of NFP entities that may otherwise find it challenging to justify the identification of a specified main business activity under AASB 18, including: <ul style="list-style-type: none"> Universities Universities may receive land, buildings or other assets through government or philanthropic arrangements and may use income generated from such assets to support core teaching and research activities. Charities and service delivery organisations with endowment-style assets Some charities receive assets or funds under AASB 1058 that are intended to be invested to generate ongoing income to fund programs. Faith-based and community organisations holding significant property portfolios Many such entities receive donated or subsidised property under arrangements accounted for under AASB 1058 and use the associated income to support core community services. We believe that these and similar NFP entities have a main business activity of investing in assets and therefore should present the income/expenses related to these assets as operating rather than investing. 	4/24/2026 9:00 AM
3	We have not identified additional guidance that would assist a NFP entity in making this assessment. At this stage, we believe the guidance in AASB 18 is adequate and in most cases the main business activity will be readily determinable. However, some illustrative examples using NFP scenarios could be helpful.	4/23/2026 5:35 PM
4	No	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	N/A	4/21/2026 12:32 PM
7	No.	4/17/2026 3:49 PM

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8	N/A	4/9/2026 1:56 PM
9	<p>Yes—beyond the specific indicators in AASB 18.B34–B35, there is additional guidance (both within AASB/IFRS 18 and related standards) that could meaningfully assist NFP entities in making this assessment. These sources don't override B34–B35 but complement them by broadening the evidence base and improving consistency of judgment. Below are the most useful additional guidance areas and why they help.</p> <p>1. "Matter of fact based on evidence" (B33 + Basis for Conclusions) A key extension comes from the broader principle that the assessment is not merely an assertion but must be evidence-based. What this adds Emphasises objective evidence over management intent Encourages use of: observable metrics documented business activities externally communicated information Why helpful for NFPs NFPs often have mixed funding models (grants + investments + lending). This principle: Prevents opportunistic classification Forces alignment with actual activities and resource deployment Supports auditability and defensibility of judgments</p> <p>2. Segment reporting guidance (AASB 18.B36 / IFRS 8 linkage) The standard explicitly points to segment reporting (AASB 8 / IFRS 8) as evidence. What this adds If a segment: represents a single activity, and is used to assess performance → that activity may be a main business activity Why helpful for NFPs Many NFPs internally track: program services investment arms financing programs (e.g., microfinance) Segment data provides: structured, already-audited evidence a link between internal management views and external reporting</p> <p>3. "Reporting entity as a whole" perspective (B37) The assessment must be made at the level of the reporting entity, not just parts of it. What this adds Prevents overemphasis on a single division Requires holistic evaluation of activities Why helpful for NFPs NFP groups often have: foundations + subsidiaries investment vehicles + operating charities This guidance: avoids misclassification based on one dominant sub-activity ensures consistency across consolidated vs separate financial statements</p> <p>4. Nature of assets and how they generate returns (B40) The standard highlights assessing whether assets: generate returns independently of other resources What this adds Distinguishes: passive investment activities vs mission-driven or integrated activities Why helpful for NFPs For example: Endowment portfolios → likely "investing as a business activity" Social impact assets tied to programs → may not be This helps NFPs: avoid over-classifying all investment income as operating focus on economic function of assets</p> <p>5. Consistency with cash flow classification principles (AASB 107) General classification principles from AASB 107 Statement of Cash Flows provide additional context. Activities are classified based on their role in the entity's operations Classification should reflect how activities affect financial position and performance Why helpful for NFPs This reinforces a key interpretive anchor: "Operating" = what the entity does as its core purpose It helps NFPs: align profit or loss classification with cash flow logic maintain internal consistency across statements</p> <p>6. IFRS 18 rationale: avoiding misleading "operating profit" The Basis for Conclusions explains that the main business activity exception exists to ensure operating profit reflects core value generation. What this adds A conceptual objective: → Don't strip core income out of operating results Why helpful for NFPs NFPs often rely on: investment income to fund programs financing activities as part of mission delivery This rationale helps determine: whether excluding such income from operating would misrepresent performance</p> <p>7. Observable performance metrics and external communication IASB discussions highlight: use of public performance measures internal KPIs as evidence Why helpful for NFPs NFPs frequently report: program efficiency ratios return on endowment loan portfolio performance If these metrics are central: → they strongly indicate the activity is "main" Overall synthesis (why this additional guidance matters) Together, these sources suggest a multi-factor assessment framework beyond B34–B35: An NFP should consider: How performance is measured (B34–B35, KPIs) How activities are organised internally (segments) What the entity actually does in substance (evidence-based) Whether activities drive core value/mission delivery (IFRS 18 rationale) Whether the activity is significant at the whole-entity level Conclusion Yes—there is meaningful additional guidance beyond B34–B35, and it is highly useful for NFPs. In particular, guidance on: evidence-based judgment segment reporting entity-wide assessment asset characteristics and the objective of reflecting core performance collectively provides a more robust, structured, and defensible basis for determining whether investing or financing activities constitute a main business activity.</p>	4/9/2026 1:40 PM
10	No, but some NFP examples may be helpful as guidance.	3/26/2026 11:59 AM
11	Yes check out the reliance on the customers	3/18/2026 11:34 AM
12	No	3/18/2026 8:06 AM

Q13 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.

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	IPA is of the view that the consistent application of conceptually sound concepts, such as those of classifying income and expenses into the operating, investing and financing categories means the benefits of doing so would outweigh the costs of modifying the standard without compelling reasons.	4/24/2026 4:33 PM
2	Yes	4/24/2026 9:00 AM
3	Yes, we agree that NFP entities should classify income and expenses according to AASB 18. The overarching sector neutrality principle means comparable information in the financial statements can be consistently identified. We are of the view that consistency of presentation is important, therefore the benefits would outweigh the costs. However, some illustrative examples using common NFP scenarios, such as non-recurrent funding could be helpful.	4/23/2026 5:35 PM
4	Yes, reporting should be consistent and comparable to the extent possible.	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	I agree with the provision to classify income and expenses into operating, investing and financing categories and believe that the associated benefits would outweigh the related costs. This categorisation would provide stakeholders a better understanding of which aspect of NFP entities' business activities drive their performance and provide a better perspective for the evaluation of entity performance from a holistic standpoint.	4/21/2026 12:32 PM
7	See Q1 above.	4/17/2026 3:49 PM
8	Yes, this would align more to the internal reporting performed by organisations	4/9/2026 1:56 PM
9	Yes—overall, I agree that NFP entities should be required to classify income and expenses into operating, investing, and financing categories, and that the benefits are likely to outweigh the costs, provided the requirements are applied with appropriate guidance and proportionality. Why the requirement is beneficial 1. Improves clarity about financial performance Categorising income and expenses helps distinguish: Operating: core mission-related activities Investing: returns from assets/endowments Financing: funding structure (e.g., borrowings) For NFPs, this is particularly valuable because financial statements often mix: donations and grants investment income program-related expenses Without categorisation, it can be difficult to understand what is driving performance versus what is incidental. 2. Enhances comparability and consistency Currently, NFP reporting practices can vary widely. Requiring standard categories: reduces inconsistency in presentation enables more meaningful comparisons across entities (e.g., charities, foundations, social enterprises) This is especially important for: donors regulators grant-making bodies who often assess multiple organisations side-by-side. 3. Supports better decision-making by users Users of NFP financial reports want to understand: sustainability of operations reliance on volatile income (e.g., investments) cost structure of delivering services Separating categories helps users: evaluate recurring vs non-recurring income assess financial resilience identify risk exposures 4. Aligns NFP reporting with broader accounting frameworks The classification approach is consistent with for-profit reporting frameworks, promoting: conceptual consistency improved understandability for users familiar with general-purpose financial statements This alignment is helpful where: NFPs compete for funding stakeholders compare NFPs with private-sector service providers 5. Increases transparency and accountability Clear categorisation makes it easier to see: how funds are generated how resources are allocated This strengthens accountability, particularly where NFPs manage: public funds donor contributions endowments Costs and challenges 1.	4/9/2026 1:40 PM

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Judgment and complexity Determining what is “operating” vs “investing” can be complex, especially for NFPs with hybrid models (e.g., investment-funded charities or microfinance organisations). However: this judgment already exists implicitly structured guidance (e.g., on “main business activities”) helps manage it 2. Implementation costs NFPs may face: system changes staff training policy development These costs are more significant for: smaller entities with limited resources Mitigation: proportional application simplified guidance for smaller NFPs transitional reliefs 3. Risk of reduced comparability if judgment varies While the goal is comparability, excessive flexibility could lead to inconsistent application. Mitigation: clear disclosure requirements illustrative examples tailored to NFPs audit scrutiny Overall assessment: benefits vs costs The benefits outweigh the costs because the requirement: significantly improves usefulness and transparency of financial information provides decision-relevant insights to stakeholders introduces discipline and consistency into reporting While there are real costs and judgment challenges, these are: manageable, and largely one-off or diminishing over time Conclusion Requiring NFP entities to classify income and expenses into operating, investing, and financing categories is a positive development. It enhances the quality of financial reporting and better reflects how NFPs operate, and with appropriate guidance and proportionality, the long-term benefits clearly outweigh the implementation and ongoing costs.

10	Yes - this would enable a clearer picture of what the organisation is actually doing and what those areas represent in terms of activity/returns etc.	4/9/2026 10:01 AM
11	Yes, the benefits of being consistent with the FP sector in this regard would be useful.	3/26/2026 11:59 AM
12	Of course yes, basic disclosure	3/18/2026 11:34 AM
13	This is nuanced - it should be linked to capacity based on the relative the size of the organisation	3/18/2026 8:06 AM

Q14 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.

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	IPA does not 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. We do not support the departure from the requirements of the standard, such as offering alternative classifications, for similar reasons as those stated in our responses above.	4/24/2026 4:33 PM
2	No. However, we do point out that, in our experience, NFP entities currently generally already classify distributions received as investing activities, despite having an accounting policy choice to classify dividends received as either operating or investing. This may be seen as inconsistent with the view that such items should be classified as operating in the income statement where it represents a primary and ongoing source of funding for the entity's activities (See Question 5). We note that NFP entities that have a main business activity of investing in assets will classify dividends and interest received in a single category as either operating or investing activities based on how the entity classifies the related income or expenses in the statement of profit or loss. We further note that NFP entities generally do not pay dividends.	4/24/2026 9:00 AM
3	We do not have significant concerns about NFP entities classifying dividends and interest paid as financing cash flows, and dividends and interest received as investing cash flows. We are of the view that applying the sector neutrality principle will provide more accessible financial statements, and comparable information can be consistently identified. Perceived "mismatches" is an inherent problem with financial reporting, whether applying sector neutral or sector specific standards. However, this mismatch is conceptually sound and is acceptable on that basis.	4/23/2026 5:35 PM
4	No	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	I do not have any significant concerns with this provision. The provision is logical consistent with the use of funds and source of funds model applied in the proposed standard (AASB 18).	4/21/2026 12:32 PM
7	No.	4/17/2026 3:49 PM
8	No	4/9/2026 1:56 PM
9	Yes—overall, I agree that NFP entities should be required to classify income and expenses into operating, investing, and financing categories, and that the benefits are likely to outweigh the costs, provided the requirements are applied with appropriate guidance and proportionality. Why the requirement is beneficial 1. Improves clarity about financial performance Categorising income and expenses helps distinguish: Operating: core mission-related activities Investing: returns from assets/endowments Financing: funding structure (e.g., borrowings) For NFPs, this is particularly valuable because financial statements often mix: donations and grants investment income program-related expenses Without categorisation, it can be difficult to understand what is driving performance versus what is incidental. 2. Enhances comparability and consistency Currently, NFP reporting practices can vary widely. Requiring standard categories: reduces inconsistency in presentation enables more meaningful comparisons across entities (e.g., charities, foundations, social enterprises) This is especially important for: donors regulators grant-making bodies who often assess multiple organisations side-by-side. 3. Supports better decision-making by users Users of NFP financial reports want to understand:	4/9/2026 1:40 PM

sustainability of operations reliance on volatile income (e.g., investments) cost structure of delivering services Separating categories helps users: evaluate recurring vs non-recurring income assess financial resilience identify risk exposures 4. Aligns NFP reporting with broader accounting frameworks The classification approach is consistent with for-profit reporting frameworks, promoting: conceptual consistency improved understandability for users familiar with general-purpose financial statements This alignment is helpful where: NFPs compete for funding stakeholders compare NFPs with private-sector service providers 5. Increases transparency and accountability Clear categorisation makes it easier to see: how funds are generated how resources are allocated This strengthens accountability, particularly where NFPs manage: public funds donor contributions endowments Costs and challenges 1. Judgment and complexity Determining what is “operating” vs “investing” can be complex, especially for NFPs with hybrid models (e.g., investment-funded charities or microfinance organisations). However: this judgment already exists implicitly structured guidance (e.g., on “main business activities”) helps manage it 2. Implementation costs NFPs may face: system changes staff training policy development These costs are more significant for: smaller entities with limited resources Mitigation: proportional application simplified guidance for smaller NFPs transitional reliefs 3. Risk of reduced comparability if judgment varies While the goal is comparability, excessive flexibility could lead to inconsistent application. Mitigation: clear disclosure requirements illustrative examples tailored to NFPs audit scrutiny Overall assessment: benefits vs costs The benefits outweigh the costs because the requirement: significantly improves usefulness and transparency of financial information provides decision-relevant insights to stakeholders introduces discipline and consistency into reporting While there are real costs and judgment challenges, these are: manageable, and largely one-off or diminishing over time Conclusion Requiring NFP entities to classify income and expenses into operating, investing, and financing categories is a positive development. It enhances the quality of financial reporting and better reflects how NFPs operate, and with appropriate guidance and proportionality, the long-term benefits clearly outweigh the implementation and ongoing costs. 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. Yes—I do have moderate (but not fatal) concerns about requiring all NFP entities to classify: interest and dividends received as investing cash flows, and interest and dividends paid as financing cash flows. The issue is not that the requirement is conceptually wrong—it is internally consistent—but that it can misrepresent the economics of many NFPs unless supplemented with flexibility (e.g., a “main business activity” exception). Key concerns 1. Misrepresentation of core operating activities For many NFPs, investment or financing activities are not peripheral—they are central to achieving their mission. Examples: Endowment-funded foundations relying on investment income to fund programs Microfinance or social lending organisations where interest income is core revenue If all interest/dividends received are classified as investing, this: excludes core income from operating cash flows understates operating performance and sustainability Why this matters Users often focus heavily on operating cash flows as an indicator of: ongoing viability ability to fund services Misclassification could therefore distort key assessments. 2. Inconsistency with the “main business activity” concept There is a tension between: requiring fixed classification of cash flows, and allowing flexibility in profit or loss classification based on main business activities If: interest income is treated as operating in profit or loss (because it’s core), but classified as investing in cash flows → this creates internal inconsistency across financial statements. 3. Reduced decision-usefulness for stakeholders Users of NFP reports (donors, grantors, regulators) are often less concerned with: technical distinctions (investing vs financing), and more with: how the entity generates and uses cash to deliver its mission Rigid classification may: obscure how operations are actually funded make it harder to distinguish: mission-driven inflows passive or incidental returns 4. Limited relevance of “financing” classification for NFPs Classifying interest and dividends paid as financing cash flows assumes: a capital structure similar to for-profit entities However, many NFPs: have minimal debt do not distribute dividends in the traditional sense This means: the “financing” category may be less meaningful or less frequently used, reducing its informational value. 5. Volatility and interpretability issues Investment income (especially for endowments) can be: volatile yet essential to operations Classifying it as investing cash flows may: make operating cash flows appear artificially stable or weak obscure the true risk profile and funding model When the requirement does work well The prescribed classification is appropriate where: investment and financing activities are clearly ancillary, such as: charities holding surplus cash entities with incidental investment portfolios In these cases, the classification: improves clarity aligns with intuitive expectations Preferred alternative approach 1. Introduce (or extend) a “main business activity” exception for cash flows Allow NFPs to

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classify: interest/dividends received as operating cash flows interest paid as operating cash flows when those activities are a core part of operations. Why this is better Aligns cash flow classification with profit or loss classification Reflects the economic substance of the entity Improves consistency across statements 2. Require robust disclosures instead of rigid rules If flexibility is allowed, require disclosure of: classification judgments nature of investment/financing activities reliance on such income Why this works preserves comparability through transparency avoids misleading rigidity 3. Consider a hybrid model (default + override) A practical compromise: Default classification: received → investing paid → financing Override permitted: if activity is a main business activity This balances: comparability relevance Overall conclusion Yes, there are meaningful concerns, primarily around misrepresentation and reduced decision-usefulness for NFPs whose core activities involve investing or financing. The requirement is conceptually consistent and workable for many entities, but too rigid if applied universally. A more appropriate approach would: retain the default classification, but allow an exception based on main business activity, supported by clear disclosures This would better reflect the diverse ways NFPs operate while maintaining transparency and comparability.

10	No	4/9/2026 10:01 AM
11	No - not significant concerns - since other than interest associated with leases, it is unlikely there will be significant interest or dividends.	3/26/2026 11:59 AM
12	Not really important unless it is very significant	3/18/2026 11:34 AM
13	No - should also address franking credit refunds	3/18/2026 8:06 AM

Q15 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)?

Answered: 13 Skipped: 14

#	RESPONSES	DATE
1	IPA does not have further comments to those already stated in the previous questions.	4/24/2026 4:33 PM
2	We believe that, where relevant to NFP private sector entities and universities, they should apply the unmodified AASB 18 requirements.	4/24/2026 9:00 AM
3	Please see our submission on ED 338 on the application of AASB 18 to the NFP private sector entities or universities. Our views remain unchanged.	4/23/2026 5:35 PM
4	No	4/23/2026 1:28 PM
5	x	4/22/2026 4:29 PM
6	management-defined performance measures disclosure may be considered to address specific performance measures for NFP to help ensure that implementation of the provisions of AASB 18 by NFP does not take any previous relevant disclosure.	4/21/2026 12:32 PM
7	No. Re Q11 below, the OAGWA has contributed to the ACAG submissions.	4/17/2026 3:49 PM
8	no	4/16/2026 5:51 PM
9	No	4/9/2026 1:56 PM
10	Yes—overall, applying other aspects of AASB 18 to NFP private sector entities and universities is appropriate and beneficial, but some elements would need targeted adaptation or clarification to ensure they remain meaningful in an NFP context. Below are focused comments on the key areas you highlighted. 1. Presenting operating expenses in a structured way General view: supportive, with NFP-specific tailoring Requiring a structured summary of operating expenses is a strong improvement for NFP reporting. Benefits Enhances visibility of how resources are used to deliver mission outcomes Improves consistency across entities Supports analysis of: program vs support costs cost efficiency and service delivery NFP-specific considerations Unlike for-profit entities, NFPs often need to present expenses in ways that reflect: functional classifications (e.g., program services, fundraising, administration) nature of expenses (e.g., salaries, grants, depreciation) Suggested refinement Allow or encourage a dual presentation: by nature (as required under AASB 18), and by function (commonly used in NFP reporting) Why helpful Users of NFP reports often prioritise functional information A dual approach balances standardisation and relevance 2. Management-defined performance measures (MPMs) General view: valuable, but requires safeguards Disclosing MPMs can significantly improve transparency—but in the NFP sector, it introduces some risks. Benefits Provides insight into how management: evaluates performance communicates results internally and externally Bridges the gap between: statutory reporting, and metrics used in annual reports or donor communications Key concerns for NFPs Risk of biased or overly optimistic measures, especially in fundraising contexts Potential lack of standardisation across entities Metrics may emphasise: efficiency ratios “impact narratives” that are hard to verify financially Suggested safeguards Clear reconciliation to statutory figures Transparent explanation of: why the measure is used how it is calculated Consistency over time Why this matters NFP stakeholders rely heavily on trust—MPMs must enhance, not undermine, credibility. 3. Aggregation and disaggregation requirements General view: strongly supportive These requirements are particularly useful for NFPs, where financial statements can otherwise be: highly aggregated difficult to interpret Benefits Improves visibility of: different income streams (donations, grants, investments) types of expenses (grants paid, employee costs,	4/9/2026 1:40 PM

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overheads) Helps users distinguish: recurring vs non-recurring items restricted vs unrestricted funding NFP-specific considerations NFPs often manage: restricted funds (tied to specific purposes) multiple programs or activities Suggested refinement Encourage disaggregation that reflects: funding restrictions program-level activities Why helpful This aligns financial reporting with how NFPs: manage resources internally report to donors and regulators 4. Universities: specific considerations Universities are a useful sub-category because they: operate at scale have diversified revenue streams (fees, grants, investments, research funding) Key observations Structured expense presentation would: improve transparency around teaching vs research vs administration MPM disclosures could: align with internal metrics (e.g., research income, operating surplus excluding certain items) Disaggregation would: clarify dependence on international student revenue vs government funding Caution Universities already provide extensive disclosures, so: duplication should be avoided alignment with existing reporting frameworks is important 5. Cost-benefit considerations Benefits (overall) Improved transparency and comparability Better alignment with how entities are managed More decision-useful information for stakeholders Costs System and process changes Additional judgment and documentation Potential reporting burden for smaller NFPs Mitigation Proportional application (e.g., reduced requirements for smaller entities) Implementation guidance tailored to NFPs Illustrative examples Overall conclusion Applying these aspects of AASB 18 to NFP private sector entities and universities is largely appropriate and beneficial. The strongest benefits arise from: structured expense presentation enhanced disaggregation increased transparency around performance measures However, to maximise usefulness, the standard should: accommodate NFP-specific reporting practices (especially functional expense reporting) include clear guidance and safeguards (particularly for MPMs) ensure proportionality to avoid undue burden With these refinements, the requirements would significantly enhance the quality, transparency, and relevance of NFP financial reporting

11	We do not see MPMs as being overly relevant for the NFP sector - i think i have only seen it used once in my long career! the other areas provide useful guidance/disclosures.	3/26/2026 11:59 AM
12	Not necessary	3/18/2026 11:34 AM
13	No	3/18/2026 8:06 AM

Q16 16 responses

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

