



Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	M213
Topic:	Redeliberation – Scoping of the <i>Conceptual Framework</i> and the proposed amendments to AASB 1057 to extend the population of NFP entities to which Australian Accounting Standards apply	Agenda Item:	4.1
		Date:	17 June 2025
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		Decision-Making:	High
		Project Status:	Project redeliberations

Objective of this paper

- 1 The objective of this agenda item is for the Board to **decide** how to finalise the proposed requirements exposed in ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* regarding:
 - (a) extending the application of the *Conceptual Framework for Financial Reporting (Conceptual Framework)* to not-for-profit (NFP) entities; and
 - (b) extending the population of NFP entities required to prepare general purpose financial statements.
- 2 This agenda paper does not address other aspects related to these proposals. In particular, this paper does not address stakeholder feedback received seeking further AASB direction as to the entities that may prepare general purpose financial statements that comply with Tier 3 reporting requirements, except to the extent that feedback is relevant to evaluating the costs and operability of the Board's ED 334 proposal to extend the population of NFP entities required to prepare general purpose financial statements. Whether 'thresholds' should be developed to restrict the use of the Tier 3 Standard is addressed as part of Agenda Item 5 (refer Agenda Paper 5.1).
- 3 The Board's decisions regarding matters addressed by this paper may impact its decision-making on the ED 334 aspect addressed in Agenda Paper 4.3. This is because the proposed cohort of entities subject to disclosures in special purpose financial statements are those entities exempted from preparing general purpose financial statements under the 'constituting date relief' / grandfathering provisions discussed in this paper. Consequently, a change in Board's proposals regarding scoping may inform its redeliberations of those proposals.

Structure of this paper

- 4 This paper is set out as follows:
 - (a) background and reasons for bringing this paper to the Board – paragraphs 5 – 8;
 - (b) summary of the proposed application requirements – paragraphs 9 – 15;
 - (c) overview of the stakeholder feedback received – paragraphs 16 – 19;

- (d) staff analysis of the feedback received: scoping of the *Conceptual Framework* – paragraphs 20 – 39;
- (e) staff analysis of the feedback received: extending the application of Australian Accounting Standards to more NFP entities (amendments to AASB 1057) – paragraphs 40 – 72; and
- (f) Appendix A: Relevant extracts from ED 334; and
- (g) Appendix B: Stakeholder feedback on ED 334.

Background and reasons for bringing this paper to the Board

- 5 ED 334 exposed proposals to extend the application of the *Conceptual Framework for Financial Reporting (Conceptual Framework)* to more NFP private and public sector entities. The proposals would bring a majority of Australian entities under the aegis of the same conceptual framework document for guiding the development of accounting policies.
- 6 As part of the proposals to extend the application of the *Conceptual Framework*, ED 334 proposed superseding Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*. The amendment was proposed to avoid inconsistency in use of the term ‘reporting entity’ within Australian accounting pronouncements. Because the reporting entity concept set out in SAC 1 would then cease to be valid for many NFP entities, ED 334 consequentially proposed amendments to AASB 1057 *Application of Australian Accounting Standards* to amend the applicability of Australian Accounting Standards. The effect of the proposed amendments to AASB 1057 is to require more NFP private and public sector entities to prepare general purpose financial statements, when the financial statements are held out as complying with Australian Accounting Standards.¹
- 7 At its 1 May 2025 meeting, the Board considered a summary of the feedback received on the Exposure Draft.² Having regard to that feedback, the Board decided to continue its Conceptual Framework: Not-for-Profit Amendments project and develop a final Standard based on ED 334.³
- 8 This paper analyses the stakeholder feedback received about the Board’s proposals regarding its amendments to the *Conceptual Framework* and Australian Accounting Standards to extend the application of these pronouncements to more NFP entities, and seeks a Board decision as to how to finalise its requirements on these matters.

Summary of the proposed application requirements

- 9 For NFP entities, ED 334 proposes amendments to the *Conceptual Framework* and Australian Accounting Standards so that the pronouncements, in the main, apply to:
 - (a) NFP entities required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) NFP entities required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document is created or amended on or after the date a Standard containing these proposals first becomes effective; and

1 These amendments were in part proposed as part of the Board’s review of the Australian financial reporting framework and in furtherance of its Not-for-Profit Private Sector Financial Reporting Framework project objectives. However, as the projects overlap in this regard, and given the nature of the proposed amendments, the Board decided to expose these proposals in ED 334 together with its other proposed amendments to the *Conceptual Framework*. This decision allowed the Board to keep ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* contained to its Not-for-Profit Private Sector Financial Reporting Framework project proposals for a new reporting Tier.

2 Refer [Agenda Paper 3.2](#) of the 1 May 2025 AASB meeting

3 Refer Agenda Paper 2.2 for draft minutes of the 1 May 2025 AASB meeting

- (c) NFP entities that elect to prepare general purpose financial statements.
- 10 Per the ED 334 proposals and similar to the scenario for for-profit private sector entities, the effect of the amendments is that NFP entities subject to the *Conceptual Framework* are required to prepare general purpose financial statements when preparing financial statements that are held out to be complying with Australian Accounting Standards. In addition, some NFP entities continuing to be subject to the *Framework for the Preparation and Presentation of Financial Statements* may also prepare general purpose financial statements.
- 11 As noted in paragraph 9(b) above and similar to the scenario for for-profit private sector entities, for entities preparing financial statements that comply with Australian Accounting Standards only because of a constituting document or other document requirement to do so, ED 334 proposed an exemption from preparing general purpose financial statements if the relevant document was created and last amended before a Standard based on ED 334 first becomes effective. The effect of this scope exemption is to grandfather the *Framework for the Preparation and Presentation of Financial Statements*, SAC 1 and special purpose financial reporting for some NFP entities. The Board considered that relief was warranted because these entities would have limited, specific, users and that the benefits of general purpose financial reporting in these cases would not exceed the costs of the additional reporting burden.
- 12 ED 334 proposed that the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 are superseded when the *Conceptual Framework* applies. Therefore, similar to the scenario for for-profit private sector entities, there will be two conceptual framework documents operating concurrently as those entities that fall outside the application of the *Conceptual Framework* will continue to prepare financial statements (that comply with Australian Accounting Standards) under the aegis of the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1.
- 13 In developing its proposals, the Board considered but rejected an alternative approach to having two conceptual framework documents maintained indefinitely. Under that alternative approach, the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 would be fully superseded for all entities and application relief provided in the topic-based Australian Accounting Standards to relieve certain entities from needing to comply with a Standard; allowing those entities to continue to prepare special purpose financial statements.⁴
- 14 The Board rejected the mooted alternative approach as the Board preferred the exposed approach which limits amendments of the current text. As noted in paragraph BC16 of ED 334, the Board made its decision on consideration of reasons including that it would maintain the project's focus on NFP entities and best facilitate NFP stakeholder engagement with the project proposals. Additionally, the Board observed that an approach of having two conceptual framework documents maintained indefinitely could be reviewed and addressed as part of a future limited or narrow scope project following completion of its planned project to review the public sector financial reporting framework.

4 [Agenda Paper 7.1 of the 6-7 June 2024 meeting](#) mooted an alternative drafting approach where which the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 are fully superseded, and amendments are made instead to AASB 1057 to provide application relief to the entities benefiting from the proposed 'constituting document or other document' exemption. One of the conditions for that relief would be that the entity is not an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources (i.e. is not a SAC 1 reporting entity). The paper noted that besides enabling the withdrawal of the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1, this approach would return conceptual framework pronouncements to generically being applicable to entities preparing general purpose financial statements and enable many of the AusCF paragraphs in Australian Accounting Standards to be deleted.

- 15 An extract from ED 334 showing the relevant proposed amendments to the *Conceptual Framework*, the *Framework for the Preparation and Presentation of Financial Statements*, SAC 1 and AASB 1057 is included as Appendix A to this paper.

Overview of the stakeholder feedback received

- 16 The Board received mixed feedback on its proposals to extend the scope of the *Conceptual Framework* and to require more NFP private and public sector entities to prepare general purpose financial statements. However, a majority (31 of 44) of stakeholders were clearly supportive of ED 335 or the Board's project. Similarly:
- (a) a majority (16 of 21) of stakeholders agreed, or agreed in part, with the Board's proposed amendments to the *Conceptual Framework* to extend its scope (as reflected by stakeholder feedback to Specific Matter for Comment SMC 1); and⁵
 - (b) a majority (48 of 66) of stakeholders agreed, or agreed in part, with the Board's proposed extension of the NFP entity population required to prepare general purpose financial statements (as reflected by stakeholder feedback to Specific Matter for Comment SMC 4).

In general, where a reason was provided, stakeholders who disagreed with ED 334 overall and/or with the questions posed in SMC 1 and SMC 4 considered that special purpose financial reporting remains appropriate for some NFP entities.

- 17 While supportive of the project, some stakeholders raised concerns about – or objected to – certain entities being included or excluded from the proposed impacted population. Also, a few stakeholders questioned the Board's proposed approach of maintaining the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 as relevant, active, Australian conceptual framework documents for the indefinite future. These and other stakeholder concerns raised about the ED 334 scoping proposals are analysed in more detail in the remainder of this paper.
- 18 Other than noted in this paper, stakeholders did not make any comments or specifically object to the date from which the proposed grandfathering relief would be limited.
- 19 The stakeholder feedback received relevant to consideration of the Board's proposals to extend the application of the *Conceptual Framework* and Australian Accounting Standards is set out more fulsomely in Appendix B of this paper. Appendix B is an extract of Agenda Paper 3.2 of the 1 May 2025 AASB meeting, which summarised the stakeholder feedback received on ED 334.

Staff analysis of the feedback received – scoping of the *Conceptual Framework*

- 20 As noted in paragraph 16 above, a majority of stakeholders commenting on the scoping of the *Conceptual Framework* supported the Board's proposals. However, with reference to Appendix B, some stakeholders provided the following feedback about the proposal to extend the scope of the *Conceptual Framework* to certain NFP entities:⁶
- (a) the scope of the *Conceptual Framework* should also be extended to for-profit public sector entities at this time;
 - (b) the scope of the *Conceptual Framework* should not be extended to any public sector entities at this time;

5 Agenda Paper 3.2 of the Board's 1 May 2025 meeting summarised that 22 stakeholders responded to SMC 1. However, 1 stakeholder (who supported the proposal) was inadvertently counted twice. An extract of that agenda paper is included as Appendix B to this paper.

6 The Board also received feedback that a separate *Conceptual Framework* should be developed for entities preparing Tier 3-compliant general purpose financial statements. This feedback was analysed and addressed at the Board's 1 May 2025 meeting as part of its deliberations on the Not-for-Profit Private Sector Financial Reporting Framework project.

- (c) it is not appropriate to have two conceptual framework documents maintained indefinitely; and
- (d) the scope of the *Conceptual Framework* should not include NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards.
- 21 Stakeholders gave the following reasons for their view: inconsistency with a principle of transaction neutrality, cost-benefit concern, and/or a concern that there has not yet been sufficient work done by the AASB to demonstrate that there is a demand for general purpose financial statements or no unintended consequences of the proposal.
- 22 To illustrate the stakeholder concerns about consistency identified in paragraph 20 above, Table 1 below summarises the applicable conceptual framework documents that apply to public sector entities following the ED 334 proposals, and whether general purpose or special purpose financial statements are required:⁷

Table 1: Applicable conceptual framework documents and financial statements

Category	For-profit public sector entities	NFP public sector entities (and NFP and for-profit private sector entities)
1. Required by legislation to prepare financial statements that comply with Australian Accounting Standards or accounting standards	<i>Framework for the Preparation and Presentation of Financial Statements & SAC 1</i>	<i>Conceptual Framework</i>
	SPFS or GPFS	GPFS
2. Required by a constituting document or another document <u>that is created or amended on or after the amendments first become effective</u> to prepare financial statements that comply with Australian Accounting Standards	<i>Framework for the Preparation and Presentation of Financial Statements & SAC 1</i>	<i>Conceptual Framework</i>
	SPFS or GPFS	GPFS
3. Required by a constituting document or another document that is <u>created and last amended before the amendments first become effective</u> to prepare financial statements that comply with Australian Accounting Standards	<i>Framework for the Preparation and Presentation of Financial Statements & SAC 1</i>	<i>Framework for the Preparation and Presentation of Financial Statements & SAC 1</i>
	SPFS or GPFS	SPFS or GPFS
4. Elects to prepare general purpose financial statements	<i>Conceptual Framework</i>	<i>Conceptual Framework</i>
	GPFS	GPFS
5. Not required to prepare financial statements that comply with Australian Accounting Standards (and does not elect to prepare general purpose financial statements)	n/a	n/a
	SPFS	SPFS

- 23 Paragraphs 24 – 36 below analyse the stakeholder concerns identified in paragraph 20. The staff recommendation as to how the stakeholder concerns should be addressed in a final Standard is set out in paragraphs 37 and 38.

⁷ Basis for Conclusions paragraph BC38 of ED334 illustrates the applicability of the Australian Accounting Standards to both for-profit and NFP private sector and public sector entities following the Board's proposals. Paragraph BC38 is included in Appendix A to this paper.

The scope of the Conceptual Framework should also be extended to for-profit public sector entities at this time

- 24 In relation to the concern identified in paragraph 20(a), paragraph BC26 of ED 334 notes that the Board has not discussed the application of the *Conceptual Framework* to for-profit public sector entities, consistent with its project foci being the reporting frameworks applying to NFP entities.
- 25 Regardless, staff think that extending the scope of the *Conceptual Framework* to for-profit public sector entities at this time will not fully resolve the stakeholder concern that a difference in the applicable conceptual framework exists for similar entities. As can be seen from Table 1, under the Board's proposed application provisions, a difference in the applicable conceptual framework documents will remain between:
- (a) entities that are required only by a constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – and that document was created and last amended before the amendments first become effective; and
 - (b) other public sector entities.

The scope of the Conceptual Framework should not be extended to any public sector entities at this time

- 26 In relation to the concern identified in paragraph 20(b), staff note that paragraphs BC22-BC25 of ED 334 expressed the Board's view that it is possible that a significant number of NFP public sector entities will be affected by the proposals. This is due to the 'link' between the entities to which the *Conceptual Framework* applies and the amendments to AASB 1057. In forming its proposals, the Board concluded that while some NFP public sector entities might be adversely affected by the ED's proposals (because the entity may have to cease preparing special purpose financial statements and prepare, at a minimum, Tier 2-compliant general purpose financial statements instead), it is likely that the overall costs to the sector are unlikely to be so extensive as to suggest the Board should delay the application of the *Conceptual Framework* (and Australian Accounting Standards) to NFP public sector entities. The Board formed its view on consideration that the use of special purpose financial statements is expected to be less prevalent in the NFP public sector compared to the NFP private sector.
- 27 The Board considered that the disadvantages of further delay to developing Standards under a single conceptual framework for all Australian entities would outweigh any resulting benefits. However, given its limited data, the Board noted that the feedback received on the Exposure Draft would be very important to assisting it to make an informed decision on the extension of its proposals to NFP public sector entities.
- 28 The stakeholders providing feedback in this regard seek to maintain the status quo in the absence of evidence that there will not be any unintended implications of the proposals (for example, requiring over-reporting). Staff think that this feedback does not provide any new evidence, such as pervasiveness in practice or a new argument against, that should cause the Board to revise its exposed position as part of the purpose of the outreach process was to identify whether the proposals will result in an unintended consequence. Further, staff think the stakeholders' objection primarily relates to a concern about the 'linked' amendments to AASB 1057 which have the effect of requiring these NFP entities to prepare general purpose financial statements, rather than being a concern that it is inappropriate for the *Conceptual Framework* to apply to NFP public sector entities (see also staff comment at paragraph 35).
- 29 In addition, staff observe that:
- (a) the ED's proposals were communicated to targeted public sector stakeholders during the exposure period to encourage feedback to be provided on the ED. Only limited public sector entity feedback was received. This is consistent with the extent of feedback received

- on AASB Discussion Paper *Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)* where which the Board did not receive any significant stakeholder objection in relation to its preliminary view that the *Conceptual Framework* should be extended to NFP public sector entities, including feedback that would suggest that the costs of the proposal to public sector entities would exceed the benefits of doing so.⁸ Staff think this suggests that public sector stakeholders are not overly concerned that the ED proposals will have any significant impact to the NFP public sector;
- (b) not extending the scope of the *Conceptual Framework* to any public sector entities at this time maintains consistency between for-profit and NFP public sector entities, but then the applicable conceptual framework documents will differ to those applicable to NFP (and also for-profit) private sector entities. This is inconsistent to the Board's policies for developing Standards, which contemplate potential difference between for-profit and NFP entities rather than private and public sector entities;
 - (c) the objective of the Conceptual Framework: Not-for-Profit Amendments project is to apply the *Conceptual Framework* to NFP entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards;
 - (d) the revised IASB *Conceptual Framework for Financial Reporting* was issued in 2013 and provides updated conceptual thinking; and
 - (e) the Board's Public Sector Financial Reporting Framework project has not yet started, and similar to other Board projects, is likely to take several years from start to completion.
- 30 Having regard to the observations in paragraphs 28 and 29 above, staff think it would be inappropriate for this project not to at least extend the scope of the *Conceptual Framework* to NFP public sector entities at this time especially given the project objective and given the timing circumstances. Staff also think that the absence of feedback on implications of the proposals for public sector entities provides negative assurance that there are no unintended consequences of its proposed amendments to the *Conceptual Framework*, the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1.

It is not appropriate to have two conceptual framework documents maintained indefinitely

- 31 In relation to the concern identified in paragraph 20(c), staff note that in developing ED 334, the Board considered the appropriateness and viability of maintaining two conceptual framework documents indefinitely. As noted in paragraph 14 above, the Board observed that its approach of having two conceptual framework documents maintained indefinitely could be reviewed and addressed as part of a future project following completion of its project reviewing the public sector financial reporting framework.
- 32 Having regard to stakeholder comments made in response to other Matters for Comment in the exposure draft about the costs of adopting the proposals, and the potential future address of a two-conceptual framework approach, staff think that the Board's current approach:
- (a) remains appropriate, because this approach provides better visibility to preparers, advisors and auditors of how the amendments will impact an NFP entity. Showing that the requirements are consistent with those that apply to for-profit private sector entities could be expected to help alleviate some of the costs of learning and implementing the new requirements; and
 - (b) sufficiently addresses the stakeholder concern about the inconsistency with a principle of transaction neutrality, because the two-conceptual framework approach may be interim in nature.

- 33 Further, while it may not be ideal to have two active conceptual framework documents, staff think that in most instances this situation will not result in any practical implications for an entity's financial reporting. Consequently, staff think that any costs to entities of a different applicable conceptual framework document will be minimal and that the Board's principle of transaction neutrality is arguably largely complied with. This is because:
- (a) the *Conceptual Framework* and *Framework for the Preparation and Presentation of Financial Statements* are used mainly by the Board to develop Standards, and divergence from a conceptual framework document is possible and can be explained in the Basis for Conclusions to the Standard;
 - (b) given the depth of the existing suite of Australian Accounting Standards, there should be few, if any, instances in which a preparer would be required to refer to the conceptual framework document to develop an accounting policy; and
 - (c) the objective of general purpose financial reporting and characteristics of useful financial information are largely consistent between the two conceptual framework documents. Therefore, preparers could be expected to make the same decisions about the information to present in financial statements, regardless of the overarching conceptual framework pronouncement.

The scope of the Conceptual Framework should not include NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards

- 34 In relation to the concern identified in paragraph 20(d) and having regard to the reasons for their views,⁹ staff think the stakeholder objections primarily relates to a concern about the 'linked' amendments to AASB 1057 which have the effect of requiring these NFP entities to prepare general purpose financial statements, rather than being a concern that it is inappropriate for the *Conceptual Framework* to apply to certain NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards. As noted in paragraph 6 above, the proposals for increased general purpose financial reporting were presented as consequential amendments resulting from the supersede of SAC 1 for entities applying the *Conceptual Framework*.
- 35 The *Conceptual Framework* provides updated guidance and principles for general purpose financial reporting, and is not a Standard. Its purpose is to assist the development of Standards and consistent accounting policies, and the interpretation and understanding of Standards. Consequently, staff think the *Conceptual Framework* is an appropriate guiding document whenever general purpose financial statements are prepared. This includes when general purpose financial statements are prepared by NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards.
- 36 Having regard to the observations in paragraphs 34 and 35 above, and given that only few stakeholders consider that the *Conceptual Framework* should not apply to these entities, staff think that the application of the *Conceptual Framework* should remain consistent with the proposed entities for whom general purpose financial reporting will be required. That is, staff think that the proposed application clause of the *Conceptual Framework* should not be amended except if the Board determines to no longer require NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards to prepare general purpose financial statements (this question is discussed and posed to the Board in paragraphs 51 – 64 below).

9 The reasons are set out in Appendix B and include a view that costs will exceed benefits, a lack of evidence of a demand for general purpose financial statements and a lack of evidence about the extent and impact of the proposals on affected entities.

Staff recommendation

- 37 Having regard to the feedback received and analysis in paragraphs 20 to 36 above, including:
- (a) the majority support for the Board proposal (including the proposed date from which grandfathering relief would be limited);
 - (b) the temporary nature of the situation that different pronouncements guide the development of Standards and accounting policies of different public sector entities;
 - (c) that the *Conceptual Framework* is, of itself, expected to have little practical impact on the day-to-day operations of an NFP entity; and
 - (d) that the application of the *Conceptual Framework* should be extended to guide the general purpose financial reporting of as many Australian NFP entities as possible given that it provides updated conceptual thinking to the guidance contained in the *Framework for the Preparation and Presentation of Financial Statements*,
- staff recommend** that the Board finalise the scope of the *Conceptual Framework* as exposed in ED 334, being that the *Conceptual Framework* should apply to:
- (a) NFP entities required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) NFP entities required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document is created or amended on or after the date a Standard containing these proposals first becomes effective; and
 - (c) NFP entities that elect to prepare general purpose financial statements.
- 38 That is, staff recommend making no changes to the scoping of the document in response to the stakeholder feedback received regarding (1) public sector entities, (2) those entities that prepare financial statements that comply with Australian Accounting Standards only because of a constituting or other document requirement to do so, and (3) the indefinite continuation of two conceptual framework documents.
- 39 In analysing the stakeholder feedback received, staff observe that the stakeholder concerns regarding the scoping of the *Conceptual Framework* and maintaining more than one conceptual framework document might be resolved if the previously considered alternative approach described in paragraph 13 above were to be employed. This is because under that approach the *Conceptual Framework* would be the only active conceptual framework document and would not be limited to specific entities, as that approach divorces the question of whether the *Conceptual Framework* should be applicable to Australian entities from the question of which entities should prepare general purpose financial statements. However, staff have not proposed this as a suitable action to take as:
- (a) stakeholders agreed with the Board proposal to supersede SAC 1 only for those entities to which the *Conceptual Framework* applies; and
 - (b) only a few stakeholders were concerned about the scoping of the *Conceptual Framework* and the potential indefinite continuation of two conceptual framework documents guiding Australian financial reporting.

Question to Board members

- Q1 Do Board members agree with the staff recommendation in paragraph 37 above that the scope of the *Conceptual Framework* should be finalised as exposed in ED 334, being that the *Conceptual Framework* should apply to:
- (a) NFP entities required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;

- (b) NFP entities required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document is created or amended on or after the date a Standard containing these proposals first becomes effective; and
 - (c) NFP entities that elect to prepare general purpose financial statements?
- If not, what do Board members suggest?

Staff analysis of the feedback received – extending the application of Australian Accounting Standards to more NFP entities (amendments to AASB 1057)

- 40 The Board's Not-for-Profit Private Sector Financial Reporting Framework project is concerned with the review of the Australian financial reporting framework for NFP private sector entities. Part of the Board's decisions regarding that project included proposals to reduce the use of special purpose financial statements by NFP private sector entities. As signalled in paragraph 6 above, these amendments were exposed in ED 334 together with similar amendments applying to NFP public sector entities (which impetus is from the Board's Conceptual Framework: Not-for-Profit Amendments project) in order to keep ED 335 contained to its Not-for-Profit Private Sector Financial Reporting Framework project proposals for a new reporting Tier.
- 41 Given the similar nature of the proposals and the manner in which they were exposed, staff have decided to analyse the feedback regarding the ED 334 proposal to extend general purpose financial reporting for NFP private sector entities together with the proposal to extend general purpose financial reporting for NFP public sector entities.
- 42 As noted in paragraph 16 above, a majority of stakeholders commenting on the scoping of the *Conceptual Framework* supported the Board's proposals. However, with reference to Appendix B, some stakeholders provided the following feedback about the proposals to extend the application of Australian Accounting Standards to more NFP entities:
- (a) the application of Australian Accounting Standards should not be amended for any public sector entities at this time;
 - (b) Australian Accounting Standards should not be extended to apply to NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards;
 - (c) the proposed 'grandfathering' relief is ineffective as drafted; and
 - (d) the costs of the proposal to require more entities to prepare general purpose financial statements could be minimised and the implementation aided if it can be clear whether entities will be able to prepare Tier 3-compliant financial statements.
- 43 The reasons given by stakeholders for their views are described under the analysis of the stakeholder comments in paragraphs 44 – 69 below.

The application of Australian Accounting Standards should not be amended for any public sector entities at this time

- 44 In relation to the concern noted in paragraph 42(a) above, staff note that the same stakeholders who disagreed with the proposal to extend the scope of the *Conceptual Framework* to NFP public sector entities as part of this project also disagree with the proposal to amend the application of Australian Accounting Standards with regards to NFP public sector entities. As set out in Appendix B, these stakeholders were keen to avoid unintended consequences of requiring entities to prepare, at a minimum, Tier 2-compliant general purpose financial statements in the absence of the Board having gathered evidence in this regard.
- 45 Staff observe that the unintended consequences of requiring entities currently preparing special purpose financial statements to prepare general purpose financial statements is the imposition

of what might be considered to be over-reporting by some NFP public sector entities. As noted in paragraphs 28 and 29(a) above, public sector stakeholders were accorded the opportunity to comment on both the Exposure Draft and the related predecessor AASB Discussion Paper. The public consultation process provides the Board with evidence of whether there are likely to be significant unintended consequences of requiring entities currently preparing special purpose financial statements to prepare general purpose financial statements.

- 46 Consequently, staff think that the Board can draw some comfort from the negative assurance inferred by the limited feedback received in this regard. The limited feedback received suggests that public sector stakeholders are not overly concerned that the ED's proposals, which could result in more NFP public sector entities preparing general purpose financial statements, would impact NFP public sector entities in a way that the costs of the requirements might significantly exceed the benefits gained.
- 47 Further, staff note that not amending the application of Australian Accounting Standards at this time for NFP public sector entities means that the reporting entity concept should be maintained for these entities. This means that to be consistent with the Board's rationale for superseding SAC 1 (see paragraph 6), these entities should also be similarly excluded from application of the *Conceptual Framework*. This may not be ideal given that the objective of the Conceptual Framework: Not-for-Profit Amendments project is to apply the *Conceptual Framework* to NFP entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards.
- 48 Staff also note that the AASB develops requirements for general purpose financial statements but that it is not the body (or document) that imposes the requirement on an entity to prepare financial statements that comply with Australian Accounting Standards. A Board decision to continue to scope NFP public sector entities into this project does not prevent affected preparers who consider that the amendments would impose an inappropriate over-reporting burden on the entity from consulting with the relevant party regarding their obligation to prepare financial statements that comply with Australian Accounting Standards. The onus for determining the extent of reporting required is placed on the party that has the oversight of, or user interest in, the entity.
- 49 In addition, staff note that some other stakeholders did not object to the inclusion of NFP public sector entities as part of this project but observed that the proposals will result in a difference in the standard of reporting required between NFP public sector entities and for-profit public sector entities (refer Table 1). However, having regard to the result of staff outreach efforts regarding these proposals, staff think that it is likely that many for-profit public sector entities are already preparing general purpose financial statements or are incorporated into consolidated financial statements that are general purpose financial statements. Staff think that resultingly, in practice, the difference in reporting requirements may affect only few for-profit public sector entities.
- 50 Having regard to the observations in paragraphs 44 – 49 above, and given that only few stakeholders considered that the application of Australian Accounting Standards should not be amended for NFP public sector entities, staff think that this project should continue to finalise the proposals in ED 334 to amend the application of Australian Accounting Standards for NFP public sector entities.

Australian Accounting Standards should not be extended to apply to NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards

- 51 In relation to the concern noted in paragraph 42(b) above, in responding to ED 334 some stakeholders considered that the costs of requiring NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards would not exceed the benefits of doing so. As noted in

Appendix B, stakeholders cited reasons including a view that there is a lack of evidence of demand from, or little or no substantive benefit to, users of those financial statements. They pointed to feedback from for-profit private sector entities as evidence that preparing general purpose financial statements might be a costly exercise for these entities. Some stakeholders also asserted that it is unfair to impose a 'new' requirement on entities changing their obligations from those existing at the time relevant documents were agreed to.¹⁰

- 52 Staff agree that the extent of entities affected by this proposal is not well understood because of the limited public availability of that information. However, the role of the Board's public consultation process accords entities the opportunity to give the Board evidence in this regard, similar to other proposed legislation. As such, staff think the Board should not cease seeking to improve the quality of reporting simply because it does not have fulsome evidence of the extent and impact of entities that would be affected, or feedback whether there is a demand for the financial statements, until impacted stakeholders become engaged with the proposals (once finalised and effective). In addition, staff note that the Board has proposed relief from general purpose financial reporting as part of these proposals.
- 53 However, in light of the stakeholder concerns about the costs of the proposal exceeding its benefits in the absence of evidence, and noting that improvement in the quality of reporting is a gradual process, staff think that the Board could alternatively determine to:
 - (a) exclude these entities from the scope of its proposals until such time as evidence is available – for example, through the post-implementation review of *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* – of a demand for general purpose financial reporting by these entities; or
 - (b) revisit its decision to not adopt a staged implementation process for the Standard, such that requirements for general purpose financial reporting will apply later to these entities compared to entities that are required by legislation to prepare financial statements that comply with Australian Accounting Standards. As suggested by some stakeholders in their comments to ED 335, this may assist entities with the transition process as it increases the amount of time available to the entity to understand the requirements and address the impact to the entity.
- 54 Staff do not support the action in paragraph 53(a). Consistent with the staff analysis in paragraph 47 above, staff think that excluding NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards from the scope of Australian Accounting Standards suggests that the reporting entity concept should be maintained for these entities. This is because the standard of reporting would otherwise arguably take a step backward as there would be no requirements to prepare general purpose financial statements vs. at least a requirement to do so if the entity is a SAC 1 reporting entity.
- 55 Also similar to the staff conclusion in paragraph 45 above, this means that to be consistent with the Board's rationale for superseding SAC 1 (see paragraph 6), these entities should also be similarly excluded from application of the *Conceptual Framework*. As before, this may not be ideal given that the objective of the Conceptual Framework: Not-for-Profit Amendments project is to apply the Conceptual Framework to NFP entities and improve the consistency,

10 Staff note that the comment letters received from several preparer-stakeholders responding to ED 334 and/or ED 335 similarly suggest that some smaller entities currently preparing special purpose financial statements will be adversely impacted by the proposal to extend general purpose financial reporting to NFP entities. These stakeholders also consider the costs of moving away from special purpose financial statements to exceed the benefits of general purpose financial statements. However, it is not clear from the submissions whether the impacted entities are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards.

comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards.

- 56 Likewise, staff do not support the action in paragraph 53(b). The Board considered a staggered implementation approach as part of its effective date deliberations and rejected the approach as being unnecessarily complex.¹¹ Staff continue to think there is little benefit to be gained from taking this action as the 3-year transition period is already long and there is no guarantee that entities will not simply defer considering the implications of the Standard until that deferred implementation date. Further, as noted by the Board during its deliberations, the effective date for implementation of some or all of its proposals can be deferred during the implementation period, if necessary.
- 57 Responding to the stakeholder comment that it is unfair to impose a new requirement on entities, staff think that this is not unique to the current instance. New reporting and other obligations are imposed on entities all the time. It is incumbent on the entity to review and consider whether there are mitigating actions that the entity can take to avoid or minimise its costs associated with the new requirement, especially if the entity considers it inappropriate for the entity's circumstances. Further, staff think that 'financial statements that comply with Australian Accounting Standards' should be held to a minimum expectation of quality, and therefore that entities making this assertion should be preparing general purpose financial statements.
- 58 Also as noted in paragraph 48 above, the AASB develops requirements for general purpose financial statements but that it is not the body (or document) that imposes the requirement on an entity to prepare financial statements that comply with Australian Accounting Standards. Similar to the situation for NFP public sector entities, a AASB decision to continue to scope NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards into this project does not prevent affected preparers who consider that the amendments would impose an inappropriate over-reporting burden on the entity from consulting with the relevant party regarding their obligation to prepare financial statements that comply with Australian Accounting Standards. The onus for determining the extent of reporting required is placed on the party that has the user interest in the entity.
- 59 Having regard to the observations in paragraphs 52 – 58 above, and noting that most stakeholders supported the proposal, staff think that the proposal for the application of Australian Accounting Standards to include NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards (subject to the relief proposed) should be finalised as exposed in ED 334. Staff note that a post-implementation review of AASB 2020-2 is likely to be completed before a Standard resulting from ED 334 becomes effective;¹² if from that review the Board determines that changes to the conditions for the relief is necessary, there is still time for such changes to be introduced for NFP entities.

The proposed grandfathering relief should be removed or amended

- 60 In relation to the concern noted in paragraph 42(c) above, as set out in Appendix B, some stakeholders considered that the proposal to provide grandfathering relief for certain NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards is ineffective as drafted because:

11 Refer Basis for Conclusions paragraphs BC90 of ED 334 and BC135 of ED 335. Staff note that a staggered implementation approach was also discussed and rejected in developing AASB 2020-2.

12 The post-implementation review of AASB 2020-2 is expected to commence in H2 2025.

- (a) entities may make minor or unrelated changes to constituting or other documents, including as imposed by other regulators; and
- (b) entities may be discouraged from making best practice or other required changes to their constituting document in order to continue to be able to prepare special purpose financial statements. As noted by a stakeholder, the Australian Charities and Not-for-profits Commission (ACNC) actively encourages entities to regularly review and update their governing documents.

Two different ways of addressing the concern were proposed: eliminating the relief, or redrafting the amendment to provide further qualifications.

- 61 Staff note that these stakeholder concerns were considered in developing the proposal in ED 334 and think that they do not provide new evidence that should cause the Board to amend its proposal. In forming its decision, the Board considered that:
- (a) the relief would provide these entities the time to revise their constituting document or other document to remove the reference to the compliance with Australian Accounting Standards, if the specific users for whom the financial statements were prepared considered that general purpose financial statements were not warranted;¹³ and
 - (b) it is possible that some entities might accidentally or necessarily breach the condition that the constituting or other document is not amended following a Standard becoming effective. As per paragraph BC34 of ED 334, the Board discussed that while it might therefore be undesirable for a scope exemption to be developed on this basis, because the condition mirrors the relief available to for-profit private sector entities, a review of the operability of the scope condition and any issues arising therefrom is a matter to address as part of the post-implementation review of AASB 2020-2, rather than addressed as part of this project.
- 62 Staff note that it is not desirable that the relief as drafted might discourage entities from making best practice or other required changes to their constituting document or other documents. However, staff think that this is more reflective of management's attitude to governance of the entity, and observe – as previously noted by the Board – that the situation can be avoided by the entity taking timely action and suffering some upfront costs to update the relevant documents. Further, as ACNC-registered charities are already encouraged to continually review and update their governing documents, staff think for such entities the costs of updating the governing documents in response to this project should not be regarded as an anomalous onerous cost; but rather, in the nature of a business-as-usual cost.
- 63 In addition to the stakeholder comments in paragraph 60 above, the Board also received feedback that users unaware of the grandfathering relief requirements may expect the resultant financial statements to be general purpose financial statements. Staff think this is a matter for communication and education between the entity and its users, rather than a matter for the Board to address as part of developing the requirements for a Standard.
- 64 Having regard to the observations in paragraphs 61 – 63 above, and given that only few stakeholders objected to the proposed relief as drafted, staff think that the proposed grandfathering relief should be finalised as exposed in ED 334. In addition, as noted in paragraph 59, if the Board determines that changes to the conditions for the relief is necessary following a post-implementation review of AASB 2020-2, there is still time for such changes to be introduced for NFP entities.

13 Basis for Conclusions paragraph BC33 of ED 334 notes that "... The Board noted that the choice of [the specified cut- off date for relief] would provide qualifying NFP entities a longer lead time to continue to amend their constituting or other documents ... However, this is a decision for each entity; the AASB's role does not extend to responsibility for the governance of these entities".

The costs of the proposal to require more entities to prepare general purpose financial statements could be minimised and the implementation aided if it can be clear whether entities will be able to prepare Tier 3-compliant financial statements.

- 65 In relation to the stakeholder comment noted in paragraph 42(d) above, as set out in Appendix B, some stakeholders observed that confusion (and hence, costs) as to the reporting Tier that might be available to the entity can be avoided if legislation were able to be updated by the time a Standard resulting from the ED 334 proposals is effective, or if the Board was able to provide that clarity in the form of thresholds. Additionally, a few stakeholders reported that there is confusion regarding implementation of the terminology “required by legislation to comply with Australian Accounting Standards or accounting standards” by for-profit private sector entities.
- 66 Staff note for the purposes of the Conceptual Framework: Not-for-Profit Amendments project, these comments are relevant to determining the operability of the proposals, and costs of the proposals for the Policy Impact Analysis that must be performed.
- 67 With regards to operability, staff observe that the proposals as exposed are similar to those applying to for-profit private sector entities. Therefore, ahead of the post-implementation review of AASB 2020-2, staff think the proposals remain operable/ implementable even in the absence of clarity on the availability of a particular reporting Tier. However, it is possible that the upcoming post-implementation review of AASB 2020-2 might reveal if there are any issues in this regard, necessitating a future Board action before a Standard resulting from ED 334 becomes effective.
- 68 Regarding costs, staff think that for many entities, it will be clear whether the proposed Tier 3 Standard is available and suitable for their reporting purposes. Staff also note that, in Agenda Paper 5.1, staff have recommended that paragraph 1.2 of the draft Tier 3 Standard be amended to improve the clarity of the scoping of the Standard – this action, if agreed to, may serve to help reduce costs of confusion stemming from legislators operating on a different timeline to the Board.¹⁴ However, staff will consider the stakeholder comment in the future when estimating costs for the purposes of preparing the Policy Impact Statement.
- 69 The consideration of whether requirements (thresholds) should be developed that might further alleviate the costs of the proposed requirement to extend general purpose financial reporting to more NFP entities is addressed as part of the Not-for-Profit Financial Reporting Framework project in Agenda Item 5.1.

Staff recommendation

- 70 Having regard to the feedback received and staff analysis in paragraphs 40 – 69 above, including:
- (a) the majority support for the Board proposal; and
 - (b) the undesirable impact on the scope of the *Conceptual Framework* of any amendment to the application of Australian Accounting Standards in response to the stakeholder concerns;

staff recommend that the Board finalise the ED 334 proposal to amend the application of Australian Accounting Standards (via AASB 1057) so that the following NFP entities are required to prepare general purpose financial statements:

14 Paragraph 1.2 of the draft Tier 3 Standard exposed in ED 335 states: “Not-for-profit private sector entities without public accountability and qualifying as Tier 3 entities under the applicable legislative or other reporting requirements shall, as a minimum, apply Tier 3: Australian Accounting Standards – Simplified Accounting under AASB 1053 Application of Tiers of Australian Accounting Standards. ...”. In paragraph 22 of Agenda Paper 5.1, staff recommend that paragraph 1.2 should be amended to clarify that NFP private sector entities without public accountability which are not prohibited from applying Tier 3 reporting requirements under the applicable legislative or other reporting requirements shall, as a minimum, apply the Tier 3 Standard.

- (c) NFP entities required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (d) NFP entities required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after the date a Standard containing these proposals first becomes effective; and
 - (e) NFP entities that elect to prepare general purpose financial statements.
- 71 That is, staff recommend making no changes to the scoping of the document in response to the stakeholder feedback received regarding (1) public sector entities, (2) those entities that prepare financial statements that comply with Australian Accounting Standards only because of a constituting or other document requirement to do so, and the related grandfathering relief, and (3) that costs could be minimised if there was further clarity about the availability of use of a Tier 3 Standard.
- 72 Notwithstanding the staff recommendation and while no drafting or other editorial comments were received from the public consultation in this regard, staff propose to review the drafting of the amendments subsequent to incorporating any amendments necessary to reflect all the Board's decisions regarding an Amending Standard. Staff will bring any proposed changes in this regard to a future meeting as part of the Board's consideration of a draft Amending Standard (expected November 2025).

Question to Board members

- Q2 Do Board members agree with the staff recommendation in paragraph 70 above for the Board to finalise the ED 334 proposal to amend the application of Australian Accounting Standards (via AASB 1057) so that the following NFP entities are required to prepare general purpose financial statements:
- (a) NFP entities required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) NFP entities required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after the date a Standard containing these proposals first becomes effective; and
 - (c) NFP entities that elect to prepare general purpose financial statements.
- If not, what do Board members suggest?

APPENDIX A: Relevant extracts from ED 334

The following extracts from ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* set out the exposed scoping of the amendments to the *Conceptual Framework* and the amendments proposed to extend general purpose financial reporting to more NFP entities. Additionally, this Appendix includes Basis for Conclusions paragraph 38, which contains a diagram summarising the applicability of Australian Accounting Standards to for-profit and not-for-profit entities following the Board's proposals.

Underlining, striking out and other typographical material was used to identify some of the amendments to a pronouncement, in order to make the amendments more understandable. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to the *Conceptual Framework for Financial Reporting*

5 Paragraph Aus1.1 is amended and paragraph Aus1.2A is added as follows. Paragraphs Aus1.2 and Aus1.3 are not amended but have been included for ease of reference:

Aus1.1 ~~This~~ The *Conceptual Framework for Financial Reporting (Conceptual Framework)* applies to:

- (a) for-profit private sector entities and not-for-profit entities that are required by legislation to comply with either Australian Accounting Standards or accounting standards;
- (b) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a for-profit private sector entity – 1 July 2021; and
 - (ii) for a not-for-profit entity – [date]; and
- (c) other ~~for-profit~~ entities (private or public sector) that elect to prepare general purpose financial statements.

Aus1.2 This *Conceptual Framework* applies to periods beginning on or after 1 July 2021. Earlier application is permitted if at the same time an entity also applies the amendments made by AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* and AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

Aus1.2A AASB 20XX-X Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements amended paragraph Aus1.1 and the Appendix and added 'Aus' paragraphs. An entity shall apply these amendments from [date]. Earlier application by not-for-profit entities is permitted if at the same time the entity also applies all the other amendments made by AASB 20XX-X.

Aus1.3 When applicable, this *Conceptual Framework* supersedes:

- (a) the *Framework for the Preparation and Presentation of Financial Statements* (July 2004); and
- (b) Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* (August 1990);

except as otherwise required by Australian Accounting Standards.

...

Amendments to the *Framework for the Preparation and Presentation of Financial Statements*

14 Paragraphs Aus1.2A and Aus1.2B are amended and paragraph Aus1.2AA is added as follows. Paragraphs Aus1.1–Aus1.2 and Aus1.3–Aus1.5 are not amended but have been included for ease of reference:

Application

- Aus1.1 The concepts in this *Framework* are not set out as requirements for the purpose of preparing general purpose financial statements. This is consistent with the:
- (a) [deleted]
 - (b) [deleted]
 - (c) *Australian Securities and Investments Commission Act 2001*, section 227(1).
- Aus1.2 This *Framework* applies to periods beginning on or after 1 January 2005.
- Aus1.2A With respect to for-profit entities, ~~This~~ *Framework* does not apply in relation to reporting periods beginning on or after 1 July 2021 to:
- (a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021; and
 - (c) other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements;
- except as otherwise required by Australian Accounting Standards.
- Aus1.2AA With respect to not-for-profit entities, this *Framework* does not apply in relation to reporting periods beginning on or after [date] to:
- (a) not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) other not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after [date]; and
 - (c) other not-for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements;
- except as otherwise required by Australian Accounting Standards.
- Aus1.2B If an entity identified in paragraph Aus1.2A or Aus1.2AA elects to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period prior to its mandatory application for the entity, the entity shall not apply this *Framework* to that period, except as otherwise required by Australian Accounting Standards.
- Aus1.3 This *Framework* shall not be applied to annual reporting periods beginning before 1 January 2005.
- Aus1.4 When applicable, this *Framework* supersedes:
- (a) Statement of Accounting Concepts SAC 2 *Objective of General Purpose Financial Reporting* as issued in August 1990;
 - (b) Statement of Accounting Concepts SAC 3 *Qualitative Characteristics of Financial Information* as issued in August 1990; and
 - (c) Statement of Accounting Concepts SAC 4 *Definition and Recognition of the Elements of Financial Statements* as issued in March 1995.
- Aus1.5 SAC 2, SAC 3 and SAC 4 remain applicable until superseded by this *Framework*.

Amendments to Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*

- 15 Paragraphs 2A and 2B are amended and paragraph 2AA is added as follows. Paragraph 2 is not amended but has been included for ease of reference:
- 2 This Statement applies to each reporting entity in relation to its first reporting period that ends on or after 31 August 1990, and in relation to subsequent reporting periods.
- 2A With respect to for-profit entities, ~~This~~ Statement does not apply in relation to reporting periods beginning on or after 1 July 2021 to:

- (a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
- (b) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021; and
- (c) other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.

2AA With respect to not-for-profit entities, this Statement does not apply in relation to reporting periods beginning on or after [date] to:

- (a) not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
- (b) other not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after [date]; and
- (c) other not-for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.

2B If an entity identified in paragraph 2A or 2AA elects to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period prior to its mandatory application for the entity, the entity shall not apply this Statement to that period.

...

Amendments to AASB 1057 *Application of Australian Accounting Standards*

73 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

- (a) ~~not for profit entities; and~~
- (b) ~~for profit~~ entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit~~ Entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

74 Paragraphs 2, 5, 5A, 7, 9, 10, 11A, 18, 18A, 19, 20, 20A, 22, 24 and 25 are amended as follows:

Application of this Standard

2 This Standard applies to:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) ~~general purpose financial statements of each not for profit reporting entity;~~
- (c) ~~each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
- (d) ~~financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;~~
- (e) for-profit private sector entities and not-for-profit entities that are required by legislation[*] to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
- (f) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards;
- (d) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements; and

- (e) financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

* References in this Standard to 'legislation' mean legislation of a government in Australia.

Application of Australian Accounting Standards

5 Unless specified otherwise in paragraphs 5A–21, Australian Accounting Standards apply to:

- (a) ~~each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;~~
- (b) ~~general purpose financial statements of each other not for profit entity that is a reporting entity;~~
- (c) ~~each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
- (da) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
- (eb) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a for-profit private sector entity – 1 July 2021; and
 - (ii) for a not-for-profit entity – [date]; and-
- (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.

5A AASB 4 *Insurance Contracts* applies to:

- (a) ~~general purpose financial statements of each public sector reporting entity; and~~
- (b) ~~financial statements of each public sector entity that are, or are held out to be, general purpose financial statements;~~

in respect of annual periods beginning before 1 July 2026. However, a public sector entity may elect to apply AASB 17 *Insurance Contracts* instead of AASB 4.

...

7 Except as specified in paragraph 20C, AASB 18 *Presentation and Disclosure in Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Basis of Preparation of Financial Statements* and AASB 1048 *Interpretation of Standards* apply to:

- (a) ~~each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;~~
- (b) ~~general purpose financial statements of each not for profit entity that is a reporting entity;~~
- (c) ~~each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
- (da) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
- (eb) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a for-profit private sector entity – 1 July 2021; and
 - (ii) for a not-for-profit entity – [date]; and-
- (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.

...

9 AASB 133 *Earnings per Share* applies to:

- (a) each not-for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act ~~and that is a reporting entity~~ or that discloses earnings per share; and

- (b) for-profit private sector entities that are required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act or disclose earnings per share.
- 10 AASB 134 *Interim Financial Reporting* applies to:
- (a) each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;
 - ~~(b) interim financial reports that are general purpose financial statements of each not for profit entity that is a reporting entity;~~
 - ~~(c) each entity that elects to prepare interim financial reports that are, or are held out to be, general purpose financial statements;~~
 - ~~(db)~~ interim financial reports of for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
 - ~~(ec)~~ interim financial reports of other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - ~~(i) for a for-profit private sector entity – 1 July 2021; and~~
 - ~~(ii) for a not-for-profit entity – [date]; and~~
 - ~~(d) each entity that elects to prepare interim financial reports that are, or are held out to be, general purpose financial statements.~~
- ...
- 11A AASB 1023 *General Insurance Contracts* applies to:
- ~~(a) general purpose financial statements of each public sector reporting entity; and~~
 - ~~(b) financial statements of each public sector entity that are, or are held out to be, general purpose financial statements;~~
- in respect of annual periods beginning before 1 July 2026. However, a public sector entity may elect to apply AASB 17 *Insurance Contracts* instead of AASB 1023.
- ...
- 18 AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:
- ~~(a) each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;~~
 - ~~(b) general purpose financial statements of each not for profit entity that is a reporting entity;~~
 - ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
 - ~~(d) financial statements of GGSs prepared in accordance with AASB 1049;~~
 - ~~(ea)~~ for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
 - ~~(fb)~~ other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - ~~(i) for a for-profit private sector entity – 1 July 2021; and~~
 - ~~(ii) for a not-for-profit entity – [date];~~
 - ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements; and~~
 - ~~(d) financial statements of GGSs prepared in accordance with AASB 1049.~~
- 18A AASB 1054 *Australian Additional Disclosures* applies to:
- ~~(a) each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;~~
 - ~~(b) general purpose financial statements of each not for profit entity that is a reporting entity;~~

- ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
 - ~~(da)~~ for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
 - ~~(eb)~~ other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards; and
 - ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.~~
- 19 AASB 1055 *Budgetary Reporting* applies to:
- (a) whole of government general purpose financial statements of each government;
 - (b) financial statements of each government's GGS;
 - (c) general purpose financial statements of each not-for-profit ~~reporting~~ entity within the GGS; and
 - (d) financial statements of each not-for-profit entity within the GGS that are, or are held out to be, general purpose financial statements.
- 20 AASB 1056 *Superannuation Entities* applies to:
- ~~(a) general purpose financial statements of each not for profit superannuation entity that is a reporting entity;~~
 - ~~(b) each superannuation entity that elects to prepare financial statements that are held out to be general purpose financial statements;~~
 - ~~(ea)~~ for-profit private sector and not-for-profit superannuation entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
 - ~~(eb)~~ other for-profit private sector and not-for-profit superannuation entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a for-profit private sector entity – 1 July 2021; and
 - (ii) for a not-for-profit entity – [date]; and
 - ~~(c) each superannuation entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.~~
- 20A AASB 1058 *Income of Not-for-Profit Entities* applies to:
- (a) each not-for-profit entity that is required ~~to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity~~ by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (b) ~~general purpose financial statements of each other not for profit entity that is a reporting entity~~ each not-for-profit entity that is required only by its constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after [date]; and
 - (c) financial statements of a not-for-profit entity that are, or are held out to be, general purpose financial statements.

...

Application of Australian Interpretations

- 22 Unless specified otherwise in paragraphs 23–26, Interpretations apply to:
- ~~(a) each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;~~
 - ~~(b) general purpose financial statements of each other not for profit entity that is a reporting entity;~~
 - ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~

- (~~da~~) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
- (~~eb~~) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a for-profit private sector entity – 1 July 2021; and
 - (ii) for a not-for-profit entity – [date]; and
- (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.

...

24 Interpretation 1019 *The Superannuation Contributions Surcharge* applies to:

- (a) ~~each not for profit superannuation plan that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;~~
- (b) ~~general purpose financial statements of each other not for profit superannuation plan that is a reporting entity;~~
- (c) ~~each superannuation plan that elects to prepare financial statements of a superannuation plan that are, or are held out to be, general purpose financial statements;~~
- (~~da~~) ~~for-profit~~ superannuation plans that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
- (~~eb~~) other ~~for-profit~~ superannuation plans that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a for-profit private sector entity – 1 July 2021; and
 - (ii) for a not-for-profit entity – [date]; and
- (c) each superannuation plan that elects to prepare financial statements of a superannuation plan that are, or are held out to be, general purpose financial statements.

25 Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* applies to public sector entities as follows:

- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
- (b) each not-for-profit entity that is required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
- (c) each not-for-profit entity that is required only by its constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after [date];
- (~~bd~~) general purpose financial statements of each other reporting entity; and
- (ee) financial statements that are, or are held out to be, general purpose financial statements.

75 In the Appendix, the definition of ‘reporting entity’ is amended as follows:

An entity in respect of which it is reasonable to expect the existence of users who rely on the entity’s general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries. This reporting entity definition is not relevant to:

- (a) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
- (b) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after:
 - (i) for a private sector entity – 1 July 2021; and

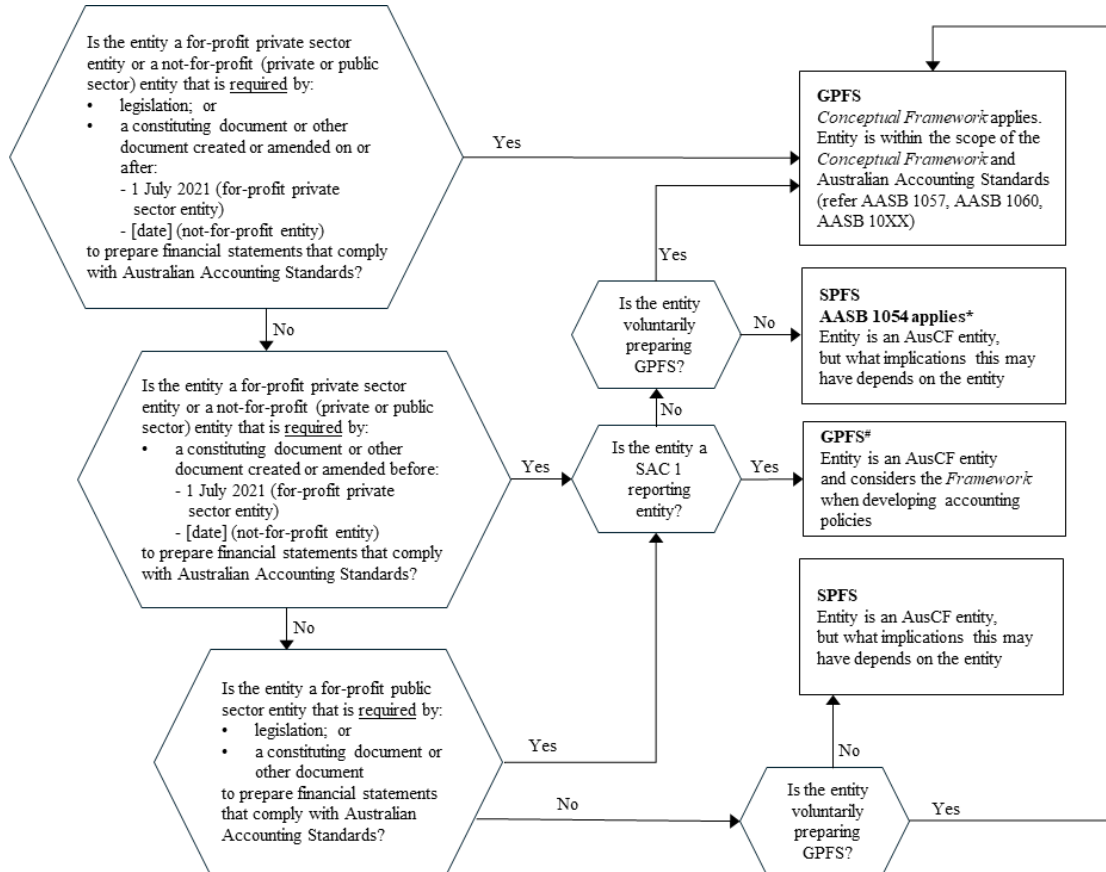
- (ii) for a not-for-profit entity – [date]-; and
- (c) other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.

...

Basis for Conclusions

...

BC38 The following diagram summarises the applicability of the Australian Accounting Standards to for-profit and not-for-profit entities following the Board's proposals:



* Private sector entities only, and only certain disclosures

Including some, but not all, for-profit public sector entities

...

APPENDIX B: Stakeholder feedback on ED 334

This Appendix is an extract of paragraphs 18 – 39 of Agenda Paper 3.2 of the 1 May 2025 AASB meeting.¹⁵ That agenda paper summarised the stakeholder feedback received on ED 334. This Appendix contains the sections of that agenda paper relevant to consideration of the Board's proposals to extend the application of the *Conceptual Framework* and Australian Accounting Standards.

Overall support for the ED 334 proposals

- 18 Most (31 of 44) stakeholders responding to the exposure draft were supportive overall of either the Board's proposals in ED 334 or the Board's project.¹⁶ While supporting the project overall, some stakeholders disagreed with the proposed scoping of the amendments or expressed concern about the ambiguity regarding an entity's ability to apply the proposed Tier 3 Standard without corresponding related action being progressed by relevant legislators. Some stakeholders also disagreed on specific proposals or an aspect thereof, or provided drafting and other comments to other mooted requirements – these are summarised below under the relevant Specific Matter for Comment.
- 19 In general, stakeholders assumed or predicated their response to ED 334 on the expectation that Tier 3 reporting requirements would be available to NFP private sector entities when a Standard that is based on ED 334 is effective.
- 20 Some (10) stakeholders disagreed with the proposals overall. Of these, some stakeholders gave the following reasons not supporting the ED's proposals:¹⁷
 - (a) the scoping proposals are too broad (Tobias Kennett, Wodonga Urban Care Network, 2 survey respondents):
 - (i) some stakeholders considered that general purpose financial statements should not be required for NFP entities that have revenue below a monetary threshold,¹⁸ or for entities that rely heavily on volunteers to undertake accounting activities;
 - (ii) a stakeholder questioned the cost-benefit proportionality of requiring general purpose financial reporting for entities that are just below or on the bottom border of qualifying as an ACNC 'medium'-sized charity; and
 - (iii) another stakeholder similarly contended general purpose financial reporting requirements are disproportionate when compared to those requirements applying to similarly sized for-profit entities; placing an unfair burden on 'medium-large' charities that would be 'very small' for-profit entities;

15 Link to [Agenda Paper 3.2 of the 1 May 2025 AASB meeting](#)

16 **Expressed overall support for ED 334 or the Board's project (12):** Pitcher Partners, Moore, ACAG, Deloitte, ACNC, KPMG, CPA, CA ANZ, AICD, RSM, IPA, ORIC

Otherwise inferred from the response to SMC 1 and/or SMC 4 (19): BDO and 18 survey respondents

Disagree (10): Tobias Kennett, Wodonga Urban Landcare Network, Equity Trustees, and inferred from the responses of 7 survey respondents to SMC 1 and/or SMC 4

Not clear from ED 334 submission (3): Law Council of Australia, Justice Connect, Queensland Law Society. These stakeholders considered that it is not possible to make a conclusive submission without understanding the reporting Tier available to entities that will be impacted by the proposals to extend general purpose financial reporting, and recommended that the Board reconsult on the ED once this is known.

Not clear from their NFP financial reporting framework or ED 335 submission (4): Theatre Network Australia, National Association of the Visual Arts, Ausdance Vic, Saward Dawson. These stakeholders are excluded from the calculation.

17 The feedback from survey respondents who disagreed with the ED 334 proposals is also reflected in the staff summary of feedback to Specific Matter for Comment SMC 1 and SMC 4, consistent with their disagreement 'overall' being a staff inference from their response to the Specific Matter for Comment.

18 The suggestions put to the AASB by different stakeholders were \$3 million or \$1 million revenue respectively.

- (b) NFP entities are subject to resourcing constraints and may not have the financial expertise to address general purpose financial reporting (Tobias Kennett, Wodonga Urban Care Network, 2 survey respondents);
- (c) there is a place for special purpose financial statements (Tobias Kennett, Wodonga Urban Care Network). A stakeholder observed that the grant acquittal process would already require entities to provide information about large grant spending in accordance with terms of the funding arrangement;
- (d) the benefits to users do not exceed the costs of imposing general purpose financial reporting on the entity (3 survey respondents);
- (e) users are interested in an NFP entity's general financial viability, and complex accounting standards add minimal value to that understanding (Wodonga Urban Care Network); and
- (f) there is a limited user base for the financial statements of an NFP entity, and there is already a requirement for entities with dependent users to prepare general purpose financial statements (1 survey respondent);
- (g) the premise for requiring general purpose financial reporting should be who the users are and whether an entity has public accountability, and not whether the entity has to comply with Australian Accounting Standards (Equity Trustees); and
- (h) more comprehensive field testing with diverse small NFPs should be performed before finalising any amendments (Wodonga Urban Care Network).

Staff note that some of these themes were echoed by stakeholders who supported the exposure draft overall.

Extension of the scope of the Conceptual Framework and limitations on the ability of entities to prepare special purpose financial statements [SMC 1 & SMC 4]

- 21 ... in ED 334 the Board proposed extending the application of the *Conceptual Framework* to specified NFP public and private sector entities and superseding the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 *Definition of the Reporting Entity* for these entities. As references in application clauses to 'reporting entity' would resultantly be void, the Board also proposed amendments to AASB 1057 to extend the application of most Australian Accounting Standards to these entities; requiring these entities to prepare general purpose financial statements.
- 22 In staff's view, stakeholders generally viewed the proposals in SMC 1 and SMC 4 as being inextricably linked: that is, the amendments to AASB 1057 cannot stand independent of any amendments to the *Conceptual Framework*. Many written submissions cross-referenced their SMC 1 and SMC 4 responses. For this reason, this paper groups together the feedback to SMC 1 and SMC 4 rather than presenting the feedback in numerical order.

Specific Matter for Comment 1

Paragraph Aus1.1 of the proposed amendments to the *Conceptual Framework for Financial Reporting (Conceptual Framework)* extends the applicability of the pronouncement to apply also to not-for-profit private and public sector entities that:

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

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

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

- 23 Most stakeholders responding to the question agreed, or agreed in part, with the proposed amendments to extend the applicability of the *Conceptual Framework* to the identified NFP private and public sector entities.¹⁹ One stakeholder (BDO) observed that they support the proposed amendment as it aligns the application of the *Conceptual Framework* with the extension of the applicability of Australian Accounting Standards to NFP entities.
- 24 **Scope – constituting document entities.** Some stakeholders (Pitcher Partners, CPA, CA ANZ, Justice Connect) disagreed with the Board’s proposal to extend the application of the *Conceptual Framework* to NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards. Their reason for their view is set out in paragraphs 0 – 0 below, under the summary of feedback to SMC 4. These stakeholders consider this cohort of entities should be excluded from the final amendments.
- 25 A stakeholder (Moore) who supported the proposal concurred these scoping provisions create additional complexity for entities. However, this stakeholder considered that the proposals should continue to include these entities for the following reasons:
- (a) consistency with the for-profit private sector entity requirements should be prioritised;
 - (b) the impacted cohort is likely to be small such that the ease of consistent requirements outweighs the inconvenience to those entities; and
 - (c) the impacted cohort have an opportunity to rectify their constituting or other documents to avoid general purpose financial reporting requirements.
- 26 **Scope – public sector entities.** A stakeholder (ACAG) indicated that some jurisdictions in ACAG considered that the *Conceptual Framework* should be additionally extended to apply also to for-profit public sector entities at this time. Otherwise, the *Conceptual Framework* would apply to for-profit public sector entities that voluntarily elect to prepare general purpose financial statements, while the *Framework for the Preparation and Presentation of Financial Statements* applies to similar for-profit public sector entities that are mandatorily required to prepare general purpose financial statements.
- 27 Other stakeholders (CPA, CA ANZ) disagreed with the proposal to extend the application of the *Conceptual Framework* to NFP public sector entities as part of this project, to avoid any unintended consequences – in the absence of evidence – of requiring entities to prepare Tier 2-compliant general purpose financial statements. These stakeholders considered that changes to NFP public sector requirements should not be made without completion of a broader public sector financial reporting framework project.
- 28 **Continuation of two conceptual framework documents.** Some stakeholders (one jurisdiction in ACAG, CPA, CA ANZ) considered that it is no longer appropriate to have two conceptual frameworks, maintained indefinitely. The ACAG jurisdiction noted the potential for conflict

19 **Agree (15):** Moore, ACAG, Deloitte, ACNC, KPMG, CPA, CA ANZ, BDO, RSM, IPA and 5 survey respondents. Note, this question has fewer responses compared to SMC 4 as it was not posed to stakeholders at the various outreach sessions or other meetings.

Agree in part (2): Pitcher Partners, IPA

Disagree (5): Justice Connect and 4 survey respondents. One of these survey respondents indicated support for the ED if a Tier 3 Standard is issued. 3 of these survey respondents disagreed with the proposals overall.

between the two documents, and is of the view that the ED 334 proposals should only proceed as part of proposals to remove the *Framework for the Preparation and Presentation of Financial Statements* from the Australian financial reporting framework. This stakeholder considered that the proposals are not consistent with a principle of transaction neutrality.

- 29 Other stakeholders (CPA, CA ANZ) simply recommended that the *Framework for the Preparation and Presentation of Financial Statements* be withdrawn following the Board's public sector financial reporting framework project.
- 30 **Scope – possible limit on the applicability of the Conceptual Framework.** A stakeholder (Pitcher Partners) suggested a separate summarised conceptual framework be developed specifically for entities that are most likely to prepare Tier 3-compliant general purpose financial statements.²⁰

Specific Matter for Comment 4

...

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

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

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

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

...

- 31 Many stakeholders who responded to this question agreed, or agreed in part, with the proposed amendments to AASB 1057 to extend the applicability of Australian Accounting Standards to the specified NFP private and public sector entities.²¹ Some stakeholders gave the following reasons for their support:
- (a) it reduces the reliance on significant judgement that is inherent in an entity's self-assessment under the reporting entity concept, which in turn promotes consistency and comparability among entities within the sector (Moore, Deloitte); and
 - (b) once legislation requires an entity to prepare financial statements that are available on public record, these financial statements should no longer be considered special purpose, as those charged with governance within the entity will be unaware of who is using the financial statements (RSM);
 - (c) consistency with for-profit private sector requirements (outreach participant).
- 32 One stakeholder (AICD) supported only removing the ability of entities to prepare special purpose financial statements from those entities which may prepare Tier 3-compliant general purpose financial statements.

²⁰ This comment is addressed in Agenda Paper 4.1 (Table 2).

²¹ **Agree (26):** Moore, ACAG (majority of jurisdictions), Deloitte, ACNC, KPMG, BDO, RSM, IPA and 18 survey respondents

Agree in part (4): Pitcher Partners, CPA, CA ANZ, AICD

Disagree (5): Justice Connect, 4 survey respondents.

In addition, 18 of 31 outreach participants agreed with the proposal. 1 participant disagreed, and the remaining 12 were unsure. The identified concerns have been incorporated into the summarised feedback, to the extent relevant.

- 33 **Scope – constituting document entities.** Some (Pitcher Partners, CPA, CA ANZ, Justice Connect, 1 survey respondent) stakeholders disagreed with the Board’s proposal to extend the application of Australian Accounting Standards to NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards (see also response to SMC 1 in paragraph 0 above). These stakeholders consider this cohort of entities should be excluded from the final amendments.
- 34 Stakeholders gave the following reasons for their view:
- (a) requiring these entities to prepare general purpose financial statements is onerous, with little or no substantive benefit to users of those financial statements (Pitcher Partners);²²
 - (b) there is currently a lack of evidence as to the extent and impact of entities that would be affected by these proposals (Pitcher Partners, CPA, CA ANZ);
 - (c) it complicates the application of general purpose financial reporting in the NFP sector without clear evidence about a demand for those financial statements (CPA, CA ANZ);
 - (d) requiring these entities to prepare general purpose financial statements could be expected to be a costly and complex exercise, based on feedback collected about the implementation of the AASB’s for-profit private sector entity reform. There is no clear evidence that the benefits to users of the financial statements of these entities outweigh the costs of the proposals (CPA, CA ANZ); and
 - (e) it is unfair to impose a requirement to prepare general purpose financial statements on small resource-limited NFP entities as the relevant documents were likely developed at a time when the entity was not committed to preparing such financial statements. Those documents might have been drafted differently otherwise (Justice Connect, 1 survey respondent).
- 35 In addition, some stakeholders (ACNC, Justice Connect²³) disagreed with the Board’s proposal to provide grandfathering relief for certain NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards. The relief would have allowed these entities to continue to prepare special purpose financial statements. These stakeholders considered the relief to be ineffective as drafted, for the following reasons:
- (a) entities may make minor or unrelated changes to constituting or other documents, including as imposed by other regulators;
 - (b) entities may be discouraged from making best practice or other required changes to their constituting document in order to continue to be able to prepare special purpose financial statements. The ACNC submission noted that the ACNC actively encourages entities to regularly review and update their governing documents; and
 - (c) users unaware of the grandfathering relief requirements may expect the resultant financial statements to be general purpose financial statements.
- 36 However, these stakeholders had different views as to how the Board should address their concern:
- (a) a stakeholder (ACNC) suggested that the Board should remove the proposed grandfathering relief for these entities, such that a single consistent approach applies; and

22 This stakeholder recommended that the reporting entity concept be retained for these entities.

23 This stakeholder objected to the scope including entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards. However, the stakeholder also provided comments in the event the Board decides to retain the scope as exposed.

- (b) a stakeholder (Justice Connect) suggested that the Board amend the relief to allow relevant documents to be redrafted without breaching the grandfathering relief provisions, and provide entities additional support and guidance to understand and navigate these provisions.
- 37 **Scope – public sector entities.** Two stakeholders (CPA, CAANZ) disagreed with the proposal to extend the application of Australian Accounting Standards to NFP public sector entities as part of this project. As described in paragraph 0 above, these stakeholders were keen to avoid any unintended consequences of requiring entities to prepare Tier 2-compliant general purpose financial statements in the absence of the Board having gathered evidence in this regard. Relatedly, an outreach session participant observed that some very small public sector entities (e.g. some cemetery trusts) which are currently required to prepare Tier 2-compliant general purpose financial statements might appear to be over-reporting.
- 38 Without disagreeing to the proposal, other stakeholders (BDO, IPA) observed that there will be a discrepancy resulting from the ED 334 proposals until the Board’s public sector financial reporting framework project is complete, as for-profit public sector entities may prepare special purpose financial statements while an equivalent NFP public sector entity must prepare, at a minimum, Tier 2-compliant general purpose financial statements. The IPA noted that such situation is not consistent with a principle of transaction neutrality, and recommended that such a project be conducted soon to allow the Board to move forward with only a single applicable conceptual framework.
- 39 **Implementation in the absence of clear thresholds.** Stakeholders also made the following comments relevant to evaluating the costs and operability of the proposal to require more NFP entities to prepare general purpose financial statements:
- (a) a stakeholder (BDO) considered that all legislators requiring financial statements to be prepared in accordance with Australian Accounting Standards or accounting standards must be on board with the AASB’s proposed 3-year implementation timeline, to avoid confusion as to whether entities will have to continue to self-assess an appropriate general purpose financial statements reporting Tier or automatically prepare Tier 2-compliant general purpose financial statements;
 - (b) two stakeholders (CPA, CA ANZ) observed that it is unlikely that all relevant regulators will update legislation within a 3-year transition timeframe, and noted there was confusion regarding implementation of the terminology “required by legislation to comply with Australian Accounting Standards or accounting standards” by for-profit private sector entities. Therefore, these stakeholders considered that the Board should implement a “transitional” threshold mechanism for use of a Tier 3 Standard. They considered that the Board has authority to do so, and that taking this action would provide entities with certainty to move forward with planning for general purpose financial statements while the regulatory reform discussions continue;²⁴ and
 - (c) a stakeholder (IPA) considered that the AASB should work with regulators to determine the size thresholds designating an entity that may prepare Tier 3-compliant general purpose financial statements. Similar to the CPA and CA ANZ joint submission, this stakeholder also considered that the Australian Accounting Standards should include a definition and/or guidance on the size threshold of a Tier 3 entity.

24 This comment [was] analysed in Agenda Paper 4.1 [of the 1 May 2025 AASB meeting].