Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**AASB 1060 review**	**Meeting:**	AASB February 2026 (M218)
Topic:	**Initial summary of feedback received from roundtables on section 2 of ITC 56**	**Agenda Item:**	3.1
		Date:	15 January 2026
Contact(s):	Lan Lu llu@aasb.gov.au Jia Wei jwei@aasb.gov.au Helena Simkova hsimkova@aasb.gov.au	**Project Priority:**	High
		Decision-Making:	High
		Project Status:	Consider the feedback summary from roundtables on ITC 56 and decide on further direction

The objective of this paper

1 This staff paper primarily relates to **Section 2** of ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier* 2. The objective of this staff paper is to:

(a) provide the Board with a summary of the stakeholder feedback on Section 2 of ITC 56 collected from the three AASB roundtable sessions held in November 2025;

(b) consider the feedback to prioritise aligning the presentation and classification requirements in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* with those in AASB 18 *Presentation and Disclosure in Financial Statements* so that the amended AASB 1060 is available before the AASB 18 Tier 1 effective date for for-profit entities (1 January 2027);

(c) for the Board to decide whether amending AASB 1060 to align with the presentation and classification requirements (Section 2 Topic 2 of ITC 56) should be addressed as a separate project, rather than within the current project that considers introducing additional disclosures based on *IFRS for SMEs* Accounting Standard, AASB 18 and IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in order to mitigate any risk of delay; and

(d) provide the Board with a preview of the staff's working draft of the Exposure Draft proposing to align the presentation and classification requirements in AASB 1060 with those in AASB 18.

2 This paper is primarily for discussion purposes, as the comment period for ITC 56 remains open at the time of writing this paper.

3 Staff are continuing to undertake targeted outreach, reviewing written feedback and analysing feedback on the full scope of ITC 56, and will present the following at future Board meetings:

(a) a summary of feedback on both sections of ITC 56;

(b) staff analysis of the feedback and recommendation; and

(c) final version of the exposure draft proposing amendments to align the presentation and classification requirements in AASB 1060 with those in AASB 18 for Board approval (subject to the result of the Board's discussion at this meeting).

Structure of this paper

4 This Staff Paper is set out as follows:

(a) Background (paragraphs 5 to 9);

(b) High-level feedback summary and common themes from the November 2025 roundtable sessions (paragraphs 10 to 25);

(c) Consideration of feedback to align the presentation and classification requirements in AASB 1060 with those in AASB 18 (paragraphs 26 to 30);

(d) Next steps (paragraph 31);

(e) Appendix A – Detailed summary of feedback from roundtable sessions on Section 2 of ITC 56; and

(a) Appendix B – Working draft of Exposure Draft: *Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18*.

Background

5 At the May 2025 AASB meeting, the Board agreed with staff's proposal to combine the PIR and the potential effect of AASB 18*,* updates to *IFRS for SMEs* Accounting Standard and IFRS 19 on AASB 1060 into a single Invitation to Comment (ITC). The Board also endorsed the proposed structure and questions for the ITC.

6 In September 2025, the AASB issued ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*. The comment period was set at 120 days, with submissions due by 22 January 2026.

7 ITC 56 has two distinct sections:

(a) Section 1: PIR of AASB 1060 and AASB 2020-2

Section 1 invites comments on the outcome and effectiveness of AASB 1060 and AASB 2020-2 following their implementation. The main objective is to assess whether the Standards are working well.

(b) Section 2: AASB 1060 Update

Section 2 invites comments on potential amendments to AASB 1060 in response to recent updates of the international and domestic Accounting Standards. This section focuses on:

i. Topic 1: Potential amendments to AASB 1060 based on the third edition of the *IFRS for SMEs* Accounting Standard

ii. Topic 2: Potential effects of AASB 18 on AASB 1060

iii. Topic 3: Disclosure requirements in IFRS 19

8 This staff paper only focuses on Section 2 of ITC 56, particularly the potential effects of the AASB 18 presentation and classification requirements on AASB 1060 (subset of Topic 2 of Section 2).

9 At the time of writing this paper (dated 15 January 2026), the ITC comment period had not closed yet. Staff therefore don't yet have sufficient evidence for Board decisions on the full scope of the questions asked in ITC 56 and continue to collect and analyse stakeholder feedback. The feedback and staff analysis will be presented at the future Board meetings.

High-level feedback summary and common themes from the November 2025 roundtable sessions

10 In November 2025, the AASB held three roundtable sessions to gather stakeholder feedback on the PIR and proposals in ITC 56:

(a) in-person roundtable in Melbourne – 10 stakeholders attended (mainly practitioners);

(b) In-person roundtable in Sydney – 16 stakeholders attended (mainly practitioners and a few academics); and

(c) virtual roundtable via Zoom – approximately 50 stakeholders attended. Polling questions were used during this meeting - results are reported in this staff paper.

11 This section provides a high-level summary of the common themes identified in the feedback received from the roundtables. A detailed summary is included in Appendix A of this paper.

12 Based on the stakeholder feedback we have received from the three roundtable sessions on Section 2 of ITC 56, staff noted the following common themes.

Topic 1: Potential amendments to AASB 1060 based on the third edition of the *IFRS for SMEs* Accounting Standard

13 Many stakeholders agreed with the proposed approach to update AASB 1060 to reflect the amendments made in the third edition of the *IFRS for SMEs* Accounting Standard (cited in this paper as the 2025 *IFRS for SMEs* Accounting Standard), which is consistent with the approach the AASB used for developing AASB 1060.

14 However, in detailed discussions, some stakeholders expressed views that additional disclosures in AASB 1060 should be justified by Australian user needs and suggested that for the requirements, that were previously excluded for Tier 2 or RDR, the AASB staff should consider the reason for excluding the requirement in the past and whether there is a user need now for the requirement in the Australian environment. Some stakeholders suggested that the AASB seek feedback from users of the financial statements before adding any new disclosure requirements.

15 **Topic 1 next steps:** Staff propose to extend the outreach period to obtain feedback from users of Tier 2 financial statements to gather sufficient evidence on the need for additional disclosure requirements that were introduced by *IFRS for SMEs* Accounting Standard. However, staff acknowledge that additional time is required to obtain further feedback, which will result in a delay to the project timeline.

Topic 2: Potential effects of AASB 18 on AASB 1060

16 When considering new presentation and classification requirements introduced by AASB 18, stakeholders expressed a strong preference for aligning AASB 1060 with AASB 18:

(a) Many stakeholders noted that it is important to align the presentation of Tier 2 entities' primary financial statements with that used by Tier 1. They also agreed that AASB should consider incorporating the new presentation and classification requirements from AASB 18 for Tier 2 entities ahead of the next IASB review of *IFRS for SMEs* Accounting Standard, when IFRS 18 requirements will be considered;

(b) Some stakeholders noted that some Tier 2 entities may be subsidiaries of Tier 1 parents that will adopt the AASB 18 income statement structure. They suggested that the AASB aligns the presentation and classification requirements before the AASB 18 is effective, so that preparers do not need to maintain two sets of templates for their primary financial statements if they are preparing financial statements for both Tier 1 and Tier 2 entities; and

(c) A few stakeholders (representing smaller entities) expressed a preference for retaining the existing AASB 1060 presentation requirements (which is based on AASB 101 *Presentation of Financial Statements*), but did not oppose alignment with Tier 1 presentation requirements over time, provided sufficient transition time is allowed.

17 When considering how AASB 1060 should be amended - specifically, whether to incorporate within AASB 1060 all relevant requirements from AASB 18 or to include cross-references to those requirements, many stakeholders expressed support for retaining the current AASB 1060 format and observed that the 'one-stop-shop' standard for presentation and disclosure requirements is easy to use. They also noted that some preparers do not distinguish between presentation and disclosure requirements. As such, these stakeholders expressed a strong preference for including all relevant requirements within AASB 1060 (ie. option A[1] in ITC 56).

18 A few stakeholders did not express a preference, but noted that referencing AASB 18 requirements would be an acceptable compromise if it enables the AASB to update AASB 1060 before the effective date of AASB 18.

1 In order to amend AASB 1060 to align with AASB 18 classification and presentation requirements, ITC 56 proposed two approaches:

- **Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18.** Relevant AASB 18 guidance paragraphs located in AASB 18 Appendix B will be referenced in AASB 1060 where applicable. Update the definitions in Appendix A of AASB 1060 to align with those in AASB 18 Remove guidance from AASB 1060 that is now included in Appendix B of AASB 18, but retain paragraphs that specify additional disclosure requirements
- **Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements**. A new Appendix would be added to AASB 18 to specify the disclosure paragraphs that would not apply to Tier 2 entities, similar to the approach for other AAS that continue to apply to Tier 2 entities. To retain the exemption for Tier 2 entities from the requirement to present a third statement of financial position in certain circumstances, the relevant presentation requirements would also be included in the new Appendix in AASB 18 as not applicable. Any paragraphs in AASB 1060 that currently address classification and presentation issues would be removed.

19 A few stakeholders observed that the AASB 18 becomes effective for NFP public sector, NFP private sector and superannuation entities on 1 January 2028, and therefore the consideration of AASB 1060 for these entities is less urgent and should occur after the Board decides on potential amendments proposed in ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation.*[2]

20 When considering whether the new additional disclosures in AASB 18 should be included for Tier 2 entities, we heard:

(a) stakeholders generally supported requiring disclosure of five specified expenses by nature when expenses are presented by function. Some stakeholders questioned the necessity of granular breakdowns and suggested simpler qualitative notes;

(b) stakeholders viewed that only a very few Tier 2 entities are expected to have Management-defined Performance Measures (MPMs), but they agreed that if Tier 2 did use MPMs, then the relevant disclosures and reconciliations should apply; and

(c) enhanced guidance on aggregation and disaggregation was welcomed, with consensus that material items should not be hidden under "Other".

21 **Topic 2 next steps:**

(a) Staff propose to expedite the project on aligning AASB 1060 with AASB 18 presentation and classification requirements so that the final amendments can be published before the AASB 18 effective date. This step is further considered in paragraphs 26 to 30.

(b) Staff will continue to reach out to users and other stakeholder groups, review written feedback and analyse feedback on the AASB 18 additional disclosures as part of Topic 2.

Topic 3: Disclosure requirements in IFRS 19

22 There were mixed views on the importance of stating IFRS 19 compliance for Tier 2 entities, with polling results showing opinions were roughly evenly split.

23 When discussing whether the AASB should adopt IFRS 19 and how,[3] stakeholders indicated a preference for either adopting IFRS 19 as an alternative optional framework for entities in scope or not adopting IFRS 19 at all and retaining AASB 1060.

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2 ED 338 proposed reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements for NFP public sector Tier 1 entities.

3 To assist the AASB with evaluating the suitability of IFRS 19 for adoption in Australia, ITC 56 asked for stakeholder preferences on the following five options:

(a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;

(b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;

(c) retain AASB 1060 and do not adopt IFRS 19 at all;

(d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or

(e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

24 **Topic 3 next steps:** Staff will continue to monitor the global adoption of IFRS 19 and reach out to credit analysts to understand whether compliance with IFRS 19 could reduce the costs of capital.

25 For a detailed summary of feedback from the November 2025 roundtable sessions, please refer to Appendix A.

Consideration of feedback to align the presentation and classification requirements in AASB 1060 with those in AASB 18

26 As discussed in paragraph 16(a), the feedback received from the roundtables indicated a strong preference to align the presentation and classification requirements in AASB 1060 with those in AASB 18. Stakeholders have further noted that it would be helpful if an updated version of AASB 1060 were in place before the AASB 18 effective date, i.e., before 1 January 2027.[4]

27 However, the AASB staff was also asked to extend the outreach to obtain further feedback from the users (subject to the Board's approval). This will likely extend the time required to complete the project. Considering the due process requirements, it is unlikely that the whole project will be completed before 1 January 2027.

28 To address stakeholder feedback, the staff propose splitting the current project into two distinct projects:

(a) A project to align the presentation and classification requirements of AASB 1060 with those in AASB 18.[5] This project would be given high priority, with the aim of approving the issuance of an ED with the necessary amendments at the next Board meeting in March 2026. As the stakeholders expressed a preference for AASB 1060 to incorporate all the relevant presentation and disclosure requirements, the ED will propose:

(i) replacing the current AASB 1060 presentation and classification requirements with those of AASB 18;

(ii) amending the equivalent AASB 1060 requirements to align with the consequential amendments to AASB 107 *Statement of Cash Flows* in relation to the classification and presentation of items in the statement of cash flows, and

(iii) other changes to AASB 1060 to reflect a relocation of requirements from AASB 101 to AASB 108 *Basis of Preparation of Financial Statements* and a clearer delineation between requirements and application guidance.

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4 The intention is to make an updated AASB 1060 available before 1 January 2027 so that entities wishing to early adopt may do so. The effective date will be considered through our due processes, including consultation in the Exposure Draft on the effective date and transitional provisions.

5 Subject to the outcomes of ED 338 (for tier 1 not-for-profit entities and superannuation entities), the AASB will consider extending the same relief to Tier 2 entities once the ED 338 project is finalised, see paragraph BC30 of our working draft ED in Appendix B.

(b) A separate project which will consider the feedback received in relation to remaining topics discussed in ITC 56, such as potential amendments to AASB 1060 disclosure requirements as a result of:

(i) any deficiencies identified during the PIR of AASB 1060;

(ii) new requirements added by the IASB to the *IFRS for SMEs* Accounting Standard;

(iii) new disclosure requirements added to AASB 18, which were not previously included in AASB 101; and

(iv) consideration of the possible adoption of IFRS 19 in Australia.

29 Staff have included a working draft of the ED in Appendix B reflecting stakeholder preference to align the presentation and classification requirements with those in AASB 18, while retaining the AASB 1060 structure as a 'one-stop-shop' Standard that incorporates all disclosure and most presentation requirements.[6] Therefore, this working draft ED incorporates all relevant requirements from AASB 18 into AASB 1060.

30 The objective of presenting the working draft ED is to illustrate changes required to align the presentation and classification requirements of AASB 1060 with those in AASB 18. The draft ED has not undergone a thorough review and is for the information of Board members only. The Board members can discuss the working draft ED, but will not be asked to vote on the proposals at this meeting.

Questions for Board members

Q1 Do Board members have any questions or comments about the summary of feedback presented in this paper or the working draft ED in Appendix B?

Q2 Do Board members agree with the staff recommendation in paragraph 28 to split the existing project and expedite aligning the presentation and classification requirements in AASB 1060 with those in AASB 18?

Q3 Do Board members agree with extending the outreach period to obtain feedback from users of Tier 2 financial statements to gather sufficient evidence on the need for additional disclosure requirements as proposed in paragraph 15

Next steps

31 The comment period for ITC 56 closes on 22 January 2026. Staff propose the following next steps for addressing the amendments to AASB 1060:

(a) consider submissions and additional feedback received on ITC 56;

(b) present the feedback summary at the March 2026 Board meeting;

6 Presentation requirements included in other standards that are not replaced in their entirety by AASB 1060, such as AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, continue to apply to Tier 2 entities.

(c) provide the Board with a final draft ED proposing to align AASB 1060 presentation and classification requirements with those in AASB 18 at the March 2026 Board meeting (subject to any further feedback received);

(d) consider other potential updates to AASB 1060 resulting from ITC 56 consultation at future Board meetings.

Question for Board members
Q4 Do Board members have any questions or comments about the proposed next steps?

Appendix A Detailed summary of feedback from roundtable sessions on Section 2 of ITC 56

A1 This appendix provides a detailed summary of feedback from the three AASB roundtable sessions held in November 2025 on section 2 of ITC 56.

A2 To ensure consistent and proportionate language when summarising stakeholder views, this guide defines commonly used quantifiers—such as *'some,' 'many,'* and *'most'*—based on the number of stakeholders involved. It helps avoid ambiguity and supports clearer communication throughout the report.

Table 1: Quantifier Usage Guide for Stakeholder References

Term	Suggested Definition	Example Usage
A few	2–3 stakeholders	'A few preparers commented…'
Some	4–5 stakeholders	'Some stakeholders observed…'
Many	6 or more stakeholders	'Many stakeholders raised concerns…'
Most	The majority of stakeholders (e.g., >50%)	'Most stakeholders support simplification…'
All	Every stakeholder	'All stakeholders agreed…'

Topic 1: Potential amendments to AASB 1060 based on the third edition of the *IFRS for SMEs* Accounting Standard

A3 Topic 1 seeks stakeholder feedback on which substantive amendments in the IASB's third edition of the *IFRS for SMEs* Accounting Standard should be reflected in AASB 1060.

Polling question results and key themes[7]

A4 Most respondents via the polling questions were in favour of the approach proposed in ITC 56 for assessing whether to amend AASB1060 due to changes made by the IASB to the *IFRS for SMEs* Accounting Standard. The polling questions were split into sub-components of the proposed approach, polling results were:

- **16 out of 19 respondents (84%)** agreed that amendments related to R&M should be excluded from AASB 1060;
- **15 out of 17 respondents (88%)** agreed that disclosures where R&M principles are the same should be included in AASB 1060;
- **17 out of 18 respondents (94%)** were in favour of including guidance from fully replaced standards such as AASB 7 *Financial Instruments: Disclosures*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 101, AASB 107 and AASB 124 *Related*

7 The results shown here are from the polling questions conducted during the virtual roundtables; for the in-person sessions, we provide a high-level summary of key themes from participant discussions.

Party Disclosures in AASB 1060; and

- **18 out of 18 respondents (100%)** agreed that guidance from other Australian Accounting Standards should be considered on a case-by-case basis.

A5 At the in-person roundtables, we heard:

- **Sydney**: Most participants were in favour of the proposed approach; and
- **Melbourne**: Participants had mixed views on the proposed approach, with some suggesting a stronger focus on meeting the needs of Australian users.

Detailed comments from stakeholders

A6 Although the virtual roundtable polls showed overall support for the proposed approach, detailed feedback highlighted that many participants (mostly practitioners) wanted a locally focused approach to disclosures in AASB 1060, rather than automatic alignment with *IFRS for SMEs* Accounting Standard. Key points included:

(a) disclosure requirements should be based on Australian user needs, not alignment for its own sake;

(b) users of AASB 1060 differ from those of *IFRS for SMEs* Accounting Standard because AASB 1060 also applies to NFPs;

(c) investor groups and rating agencies consulted by IASB may not be the same as the users in the Australian economy;

(d) a case-by-case assessment and cost-benefit analysis were recommended for each disclosure to ensure relevance;

(e) strong caution against automatically adopting IASB requirements without evaluating their fit for the Australian market; and

(f) two participants highlighted specific examples from ITC 56 and requested further AASB analysis:

i. one participant questioned why disclosures previously considered unnecessary, such as the cash flow example in the Statement of Cash Flows, were now being proposed simply to align with *IFRS for SMEs* Accounting Standard. The participant asked what had changed to justify their inclusion and stressed the need to understand IASB's rationale and its relevance to Australia; and

ii. one participant raised concerns about the relevance of disclosing the aging of debtors. The participant questioned why this disclosure should now be included when it was previously excluded during the development of AASB 1060.

A7 Other feedback/observations included:

(a) one participant stated that if the principle of AASB 1060 is to use *IFRS for SMEs* Accounting Standard's disclosures, then that principle should be followed and *IFRS for SMEs* Accounting Standard's disclosures added; and

(b) one participant observed that the IFRS 19 approach was similar to RDR, starting with full IFRS and removing disclosures; versus *IFRS for SMEs* Accounting Standard, which uses simplified language. The participant noted that AASB 1060 essentially uses a mixed approach (simplified language with consistent recognition and measurement). The participant also noted that IFRS 19 faces the same issue as RDR—removing disclosures is difficult because they are all considered important.

Topic 2: Potential effects of AASB 18 on AASB 1060

A8 Topic 2 seeks stakeholder feedback whether AASB 1060 should be updated to align with the new AASB 18 requirements and, if so, how.

A9 Topic 2 summary of feedback is structured in the following sub-topics:

(a) Presentation consistency between Tier 1 and Tier 2

(b) Additional disclosures

(c) Timing and approach for updating AASB 1060

(d) NFP public sector reliefs

(e) NFP private sector requirements

Presentation Consistency

Polling question results and key themes

A10 Almost all respondents via the polling questions were in favour of aligning the presentation and classification requirements between Tier 1 and Tier 2 entities. Results were:

- **24 out of 25 respondents (96%)** agreed that Tier 2 entities should present and classify items in the income statement consistently with Tier 1 entities.

A11 At both in-person roundtables, we heard strong support that the presentation and classification requirements between Tier 1 and Tier 2 entities should be consistent.

Detailed comments from stakeholders

A12 Many stakeholders (mainly practitioners) supported aligning Tier 1 and Tier 2 presentation requirements and provided the following reasons:

(a) **enhanced comparability** – alignment would improve consistency and comparability between Tier 1 and Tier 2 primary financial statements;

(b) **improved clarity and consistency** – aligning AASB 1060 with AASB 18 was seen as a clear improvement, addressing inconsistencies in current Tier 2 presentation practices, particularly around subtotals;

(c) **reduced ambiguity** – AASB 18's subtotal for operating profit would help reduce debates about where to present certain items and avoid misunderstandings and

(d) **operational efficiency** – for groups using one system for both tiers, lack of alignment would be cumbersome, requiring management of two different information sets.

A13 Whilst in agreement to align Tier 1 and Tier 2 presentation requirements, some additional considerations were shared to highlight practical implications and areas for attention:

- **judgment requirements –** questioning whether the classification decisions under AASB 18 for Tier 1 entities are appropriate for Tier 2 and whether simplifications have been considered, particularly for intercompany funding transactions. Some noted these judgments may only affect a small subset of Tier 2 entities and recommended monitoring international application issues;

- **system implications** – highlighting that the level of disaggregation required would necessitate system changes, resulting in additional work and cost to capture more granular data;

- **guidance needs** – indicating that additional guidance may be required for entities with different main activities;

- **NFP public sector** – AASB 18 is notably problematic for the public sector and that consistency in presentation between Tier 1 and Tier 2 is preferable, but following AASB 18 is not ideal as it solves a for-profit problem and appears to deviate from sector neutrality and

- **legislative references (NFP private sector)** – noting that some legislation still refers to AASB 101 and suggesting consideration of implications for Tier 3 entities.

Additional disclosures

Polling Question Result and key themes

A14 **20 participants** responded to the question regarding what additional disclosure requirements from AASB 18 should be included in AASB 1060:

(a) **12 respondents (60%)** suggested requiring disclosure of five specified expenses by nature when expenses are presented by function;

(b) Views on MPMs were mixed:

i. **five respondents (25%)** favoured applying full Tier 1 requirements,

ii. **six respondents (30%)** preferred no disclosure requirements for MPMs;

iii. **three respondents (15%)** supported partial disclosure requirements; and

(c) **14 respondents (70%)** supported applying aggregation and disaggregation principles, including disclosure when the “other” label is used.

A15 At both in-person roundtables, we heard:

(a) general support for disclosing the five specified expenses by nature, but some stakeholders preferred less granularity and fewer qualitative disclosures;

(b) many views that most Tier 2 entities won’t use MPMs, but are in support of requiring MPM disclosures for those that do use MPMS; and

(c) strong feedback in favour of the enhanced aggregation and disaggregation principles.

Detailed comments from stakeholders

Additional disclosure of five specified expenses by nature

A16 Stakeholders were generally supportive of the disclosure of five specified expenses by nature when expenses are presented by function in the income statement. Additional comments include:

(a) These are not new requirements but were previously in AASB 101 and are now more granular; and

(b) another participant, a preparer using Xero, noted that disaggregation is already provided in profit and loss statements, citing examples such as employee costs, depreciation, occupancy costs, professional fees, and travel costs. However, this appeared to reflect a general Xero report rather than formal financial statements.

Management-defined Performance Measures

A17 A few stakeholders were less supportive of the additional disclosures, questioning:

(a) whether all details were necessary, noting that breaking down material numbers by function may not be critical. They suggested that some requirements could be addressed through a brief accounting policy note (e.g., capitalisation of depreciation in asset cost). The participant also observed that entities have not previously been required to quantify these details, and the absence of complaints suggests this may not be a significant issue; and

(b) what has changed to justify reintroducing these disclosures.

A18 Many stakeholders were of the view that Tier 2 entities do not generally have MPMs. Views shared about the use of MPM's included:

(a) MPMs are mostly used by listed entities; and

(b) an unlisted public company with 200 shareholders could have MPMs.

A19 However, if a Tier 2 entity does use MPMs, most stakeholders supported applying the relevant disclosure requirements. A few stakeholders were in favour of the IFRS 19 approach[8] to refer to the relevant paragraphs in the IFRS 18 standard for MPM disclosure requirements.

8 IFRS 19 contains a cross-reference to the management-defined performance measures (MPMs) requirements in IFRS 18 to required disclosures about MPMs. The IASB is of the view that while disclosures of MPMs are important for eligible subsidiaries that use these measures, many eligible subsidiaries will not use them. Therefore, a similar approach to that used in relation to IFRS 8 *Operating Segments* was used for MPMs. Eligible subsidiaries using MPMs would be required to comply with the related disclosure requirements in IFRS 18, but these requirements are not reproduced in IFRS 19. If an entity applying IFRS 19 chooses to disclose either segment information or MPMs, then there are no reductions in those disclosure requirements.

A20 The consensus of most stakeholders was that requiring reconciliation makes sense and would discourage unnecessary use of MPMs, though few Tier 2 entities are expected to need this. One participant questioned whether if anything in the reconciliation could be removed.

A21 One participant highlighted potential overlap with ASIC regulatory guides, which could lead to duplication of disclosures.

Aggregation and disaggregation

A22 No one expressed concerns about the additional disclosure requirements associated with the use of the "Other" label. Stakeholders agreed that material items should not be hidden under 'Other'.

A23 Many stakeholders welcomed the enhanced guidance on disaggregation principles. One participant confirmed that the materiality overlay would remain in effect.

Timing and Approach for Updating AASB 1060

Polling Question Result and key themes

A24 **Most respondents (15 out of 21)** said the impact of AASB 18 should be addressed now, while the remaining stakeholders suggested deferring the action.

A25 Regarding how AASB 1060 should incorporate the presentation and classification requirements of AASB 18:

- **12 out of 20 respondents (60%)** thought all requirements from the main body of AASB 18 should be included directly within AASB 1060; and
- **8 out of 20 respondents (40%)** preferred that AASB 1060 simply refer Tier 2 entities to AASB 18 for those requirements.

A26 At both in-person roundtables, we heard:

(a) strong support for publishing an updated AASB 1060 early so that those entities wishing to apply the AASB 18 classification and presentation requirements can do so by early adopting the amended standard; and

(b) strong preference to include AASB 18 requirements within AASB 1060 and retain its 'one-stop-shop' format.

Detailed comments from stakeholders

A27 No stakeholders opposed the AASB proposal to align the presentation and classification requirements in AASB 1060 with those in AASB 18. Participants shared varied considerations from different perspectives to highlight practical implications and areas for attention:

(a) **timing of updates** – Some participants recommended aligning AASB 1060 presentation and classification requirements with AASB 18 as soon as possible, even if the amendments to AASB 1060 for disclosures introduced by *IFRS for SMEs* Accounting Standard are not yet finalised. This would give entities an opportunity to early adopt the amended standard if they wished. One stakeholder (NFP public sector) concurred with publishing the updated AASB 1060 for the For-Profit sector to make it available before

1 January 2027, but suggested a delayed application for the public sector for another year, similar to the delayed effective date of AASB 18 (1 January 2028), particularly regarding defined targets and whether they qualify as MPMs;

(b) **Lead time for implementation** – Another participant stressed the importance of providing sufficient lead time for Tier 2 entities, allowing Tier 1 entities to implement the AASB 18 requirements first so that any application issues can be resolved before Tier 2 entities apply the new requirements; and

(c) **Legislative and regulatory considerations** – One participant highlighted that legislative changes may be required and regulators will need adequate time to prepare. They also raised concerns about Tier 3, noting that excluding AASB 18 from Tier 3 could undermine comparability objectives.

A28 Some participants expressed a preference for having a 'one-stop-shop' standard (Option A in ITC 56)[9] and shared the following comments:

(a) the distinction between presentation and disclosure is not always clear for some preparers, as such having a 'one-stop-shop' standard would be easier for preparers;

(b) the appendix approach (Option B) would require more maintenance by the AASB and expressed a preference for avoiding references to two standards when preparing financial statements; and

(c) supported the approach of cross-referencing AASB 18 Appendix B within AASB 1060 for guidance paragraphs, but emphasised that the disclosure requirements should continue to be included directly in AASB 1060.

NFP Public Sector Reliefs

Polling Question Result and key themes

A29 Regarding feedback on whether Tier 2 not-for-profit (NFP) public sector entities should be granted the same reliefs as Tier 1 entities

- **19 out of 21 respondents (90%)** supported granting Tier 2 not-for-profit (NFP) public sector entities the same reliefs as Tier 1 entities, and
- **2 out of 21 respondents (10%)** selected "Only some".

9 In order to amend AASB 1060 to align with AASB 18 classification and presentation requirements, ITC 56 proposed two approaches:

- **Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18.** Relevant AASB 18 guidance paragraphs located in AASB 18 Appendix B will be referenced in AASB 1060 where applicable. Update the definitions in Appendix A of AASB 1060 to align with those in AASB 18 Remove guidance from AASB 1060 that is now included in Appendix B of AASB 18, but retain paragraphs that specify additional disclosure requirements
- **Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements**. A new Appendix would be added to AASB 18 to specify the disclosure paragraphs that would not apply to Tier 2 entities, similar to the approach for other AAS that continue to apply to Tier 2 entities. To retain the exemption for Tier 2 entities from the requirement to present a third statement of financial position in certain circumstances, the relevant presentation requirements would also be included in the new Appendix in AASB 18 as not applicable. Any paragraphs in AASB 1060 that currently address classification and presentation issues would be removed.

A30 At both in-person roundtables, stakeholders agreed that Tier 2 NFP public sector entities should be provided with the same relief as Tier 1 entities.

Detailed Feedback

A31 The consensus was that if Tier 1 entities receive relief, Tier 2 should also receive relief.

NFP Private Sector Requirements

Polling Question Result

A32 Regarding whether the new AASB 18 requirements were suitable for NFP private sector entities preparing Tier 2 GPFS:

- **11 out of 16 respondents (69%)** supported classifying income and expenses into five categories, their presentation in the statement of profit or loss, and additional disclosures for operating expenses classified by function;[10]
- **9 out of 16 respondents (56%)** voted in favour of the aggregation and disaggregation principles;
- **12 out of 16 respondents (75%)** supported including specific cash flow classification rules (e.g., classifying dividends and interest received as investing cash flows; dividends and interest paid as financing cash flows); and
- **3 out of 16 respondents (19%)** supported including disclosure requirements for MPMs.

Detailed Feedback

A33 Some participants raised questions about how a capital grant accounted for under AASB 1058 *Income of Not-for-Profit Entities* would be categorised under AASB 18, asking whether it would meet the definition of the investing category and where the income would be presented when released to the profit or loss. The participant noted a difference between NFP and FP accounting. The participant emphasised that the AASB needs to consider this before requiring NFPs to apply AASB 18.

Topic 3: Disclosure requirements in IFRS 19

A34 Topic 3 seeks whether IFRS 19 should be adopted in Australia and, if so, how.

Polling Question Result and key themes

A35 Participants were asked whether compliance with **IFRS 19 is important:**

- **7 out of 16 respondents (44%)** voted ‘Important’, and
- **9 out of 16 respondents (56%)** voted ‘Not important’.

A36 Participants were asked to vote for their preferred options on whether and how to adopt IFRS 19:

- **No one** voted for **Option (a)** - Replace AASB 1060 with IFRS 19 & expand scope;

10 Some participants in the virtual roundtable clarified that they were only in support of disclosing the specified expenses into five categories in a single note, but not the additional disclosures for operating expenses classified by function.

- **2 out of 17 respondents (12%)** voted for **Option (b)** - Amend AASB 1060 to include additional disclosures required by IFRS 19 for compliance;
- **4 out of 17 respondents (24%)** voted for **Option (c)** - Retain AASB 1060 and do not adopt IFRS 19 at all;
- **11 out of 17 respondents (65%)** voted for **Option (d)** – Retain AASB 1060 and adopt IFRS 19 as an alternative standard, so subsidiaries without public accountability can choose; and
- **1 out of 17 respondents (6%)** voted for **Option (e)** – Retain AASB 1060 but also adopt IFRS 19 for subsidiaries without public accountability (i.e. entities in scope of IFRS 19 must apply IFRS 19).

A37 At the in-person roundtables, we heard:

- **Sydney:** most favoured Option (b), with some support for Option (c); and
- **Melbourne:** strong preference for Option (d)[11], with some support for Option (c).

Detailed Feedback

A38 Stakeholders expressed mixed views on the importance of IFRS compliance. Some stakeholders highlighted the benefits of claiming compliance, particularly from a global perspective. For example, entities with subsidiaries in other countries or those raising capital internationally could benefit from claiming IFRS compliance. Others noted that compliance is not a major drawcard and compliance should not drive adoption, as entities prioritising compliance likely already apply Tier 1. Concerns were raised about introducing multiple Tier 2 frameworks, which could reduce comparability and increase complexity.

A39 Most stakeholders (mostly practitioners) were in favour of adopting IFRS 19, with option (d) being the most preferred, followed by option (b). Key observations included:

- concerns about the potential risk of Australia not adopting IFRS 19;
- the need to clarify that IFRS 19 applies to a subset of Tier 2 entities and does not create two Tier 2 frameworks (i.e. if we have an AASB Standard incorporating IFRS 19, it should not be categorised as a "Tier 2 framework");
- training costs may increase with two standards, however, one participant noted that the impact would likely be minimal in practice (as IFRS 19 disclosures are a subset of full IFRS disclosures);
- some entities may not have Australian finance teams, making it impractical to impose Australian-specific requirements.

A40 Many stakeholders (mostly practitioners) did not support adopting IFRS 19 and questioned the relevance and benefit of IFRS 19 in Australia, commenting that:

- IFRS 19 is not suitable for Tier 2, as many have public accountability at the individual agency level;
- additional disclosures are not helpful to NFPs that cannot claim compliance with IFRS

11 Some participants noted a preference for Option (d), but with the view that an AASB Standard incorporating IFRS 19 should not be labelled as "an alternative Tier 2 framework".

anyway;

- understanding global uptake is important because low adoption reduces the need for Australia to consider IFRS 19 for comparability purposes;
- given Australia’s size, AASB needs data on how many entities in Australia could comply with IFRS 19 before investing significant effort for a small population; and
- noting that IFRS 19 include more disclosures than AASB 1060, one stakeholder questioned the need for the additional information that would be required for disclosure by IFRS 19.

Appendix B Working draft of Exposure Draft: *Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18*

AASB Exposure Draft **ED 3XX**
Month 2026

Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18

Comments to the AASB by [TBC]

Australian Government
Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by [TBC].

Formal submissions

Submissions should be lodged online via the "Current Projects – Open for Comment" page of the AASB website (www.aasb.gov.au/current-projects/open-for-comment) as a PDF document and, if possible, a Word document (for internal use only).

Other feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@aasb.gov.au
Phone: (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

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Introduction

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) develops, issues and maintains Australian Accounting Standards.

The AASB is a Commonwealth entity under the *Australian Securities and Investments Commission Act 2001*. AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of Australian Accounting Standards.

Exposure Drafts

The publication of an Exposure Draft is part of the due process that the AASB follows before making a new Australian Accounting Standard or amending an existing one. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or amendments to existing Standards.

Why we are making these proposals

In September 2025, the AASB issued ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2.* In Section 2 of ITC 56, the AASB noted that AASB 18 *Presentation and Disclosure in Financial Statements* is introducing new presentation and disclosure requirements for primary financial statements for annual reporting periods beginning on or after 1 January 2027 (1 January 2028 for not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities applying AASB 1056 *Superannuation Entities*). The AASB asked whether AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* should be updated to align the presentation requirements with the AASB 18 requirements and, if so, what approach the AASB should take to incorporate those requirements.

Feedback received from stakeholders through submissions, at roundtable events held in November 2025 and through other outreach generally supported consistent presentation requirements for the primary financial statements of Tier 1 and Tier 2 entities. They further encouraged the AASB to prioritise the necessary amendments to AASB 1060 to ensure Tier 2 entities could apply the new presentation requirements at the same time as Tier 1 entities.

[TBC] In February 2026, the AASB therefore agreed to fast-track those amendments and issue this Exposure Draft which covers only amendments needed to maintain consistency of the presentation requirements. Any new disclosures included in AASB 18, which are not currently required by AASB 1060, will be considered separately, together with potential amendments resulting from changes to the disclosure requirement that were made by the IASB in the third edition of the *IFRS for SMEs* Accounting Standard which was issued in February 2025 [and the potential adoption of IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in Australia].

Commented [MR1]: Note for Board members:
If the majority of stakeholders do not recommend adopting IFRS 19 in any form, we may not need this reference.

What we are proposing

In ITC 56, the AASB proposed two options for amending AASB 1060 to align the presentation and classification requirements with those in AASB 18:

(a) Include in AASB 1060 all the relevant classification and presentation requirements that are in the main body of AASB 18.

(b) Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements and remove those requirements from AASB 1060, such that AASB 1060 would become a pure disclosure standard.

On balance, more stakeholders preferred Option (a). This ED therefore proposes updating the presentation and classification requirements in AASB 1060 to ensure entities applying AASB 1060 will apply the same requirements as those that prepare Tier 1 general purpose financial statements.

While this will increase the size of AASB 1060 considerably, it will ensure that AASB 1060 remains to be a 'one-stop shop' for all disclosures and most presentation requirements.[1]

In addition to replacing the current presentation and classification requirements in AASB 1060 with those of AASB 18, there are other consequential changes proposed in this ED:

(a) Some of the paragraphs currently included in AASB 1060 are identified as application guidance in AASB 18, whereas other content classified as application guidance in AASB 18 is presently incorporated within the definitions in Appendix A of AASB 1060. To establish a consistent principle for future updates, the AASB has adopted the following approach in this ED:

  (i) include all of the classification and presentation requirements that are in the main body of AASB 18 in AASB 1060;

  (ii) update the definitions in Appendix A of AASB 1060 to align with those in AASB 18;

  (iii) specify in AASB 1060 paragraph 2 that the application guidance in Appendix B of AASB 18 continues to apply to the extent that it is relevant to the classification and presentation requirements, and include references to this application guidance with the relevant requirements in AASB 1060; and

  (iv) remove guidance from AASB 1060 that is now included in Appendix B of AASB 18, but retain paragraphs that specify additional disclosure requirements (i.e. where the guidance not only explains how to develop the disclosures, but also requires additional disclosures under certain circumstances and those disclosures are currently included in AASB 1060).

  See paragraphs BC21–BC24 of the ED for more information.

(b) AASB 18 has made amendments to the presentation requirements for the statement of cash flows. To ensure consistency in the presentation of the primary financial statements between Tier 1 and Tier 2 entities, the equivalent requirements in AASB 1060 should be revised accordingly (see paragraph BC25).

(c) AASB 18 has relocated some paragraphs that were previously included in AASB 101 *Presentation of Financial Statements* to AASB 108 *Basis of Preparation of Financial Statements.* Where those paragraphs cover presentation requirements, they will apply to Tier 2 entities, as AASB 108 is not one of the standards that are replaced in their entirety by AASB 1060. The relevant paragraphs are therefore proposed to be deleted in AASB 1060. However, where the paragraphs include disclosure requirements, they will be retained (see paragraph BC26).

Application date

The AASB proposes that the amendments apply for annual periods beginning on or after 1 January 202X with earlier application permitted. This will allow Tier 2 entities to adopt the revised requirements at the same time as Tier 1 entities if they wish to do so, but will also provide Tier 2 entities with a xx year grace period before the changes become mandatory. If any relief is provided to NFP entities preparing Tier 1 GPFS (for example, the amendments proposed in ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*), the AASB will consider providing equivalent relief for Tier 2 entities.

What happens next

The AASB will consider feedback on this Exposure Draft at future meetings and, based on the information received, will determine whether the proposals should be implemented, with or without amendment. Depending on the nature and extent of the feedback, the AASB may publish a Fatal-Flaw Review Draft to enable further consultation with stakeholders.

We need your feedback

Comments are invited on any of the proposals in this Exposure Draft by [TBC] 2026. Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or otherwise, on the major issues. The AASB regards supportive and non-supportive comments as essential to a balanced review of the issues and will consider all submissions, whether they

1 Presentation requirements included in other standards that are not replaced in their entirety by AASB 1060, such as AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, continue to apply to Tier 2 entities.

address some or all specific matters, additional issues or only one issue (whether an issue specifically identified below or another issue).

Specific matters for comment

The AASB would particularly value comments on the following:

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

(a) not having to present a third statement of financial position when the entity has applied an accounting policy retrospectively, made a retrospective restatement of items in the financial statements or reclassifies items in its financial statements; and

(b) the option to present a statement of income and retained earnings in place of a separate statement of comprehensive income and a statement of changes in equity under certain circumstances?

If you disagree, please explain why.

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

If you disagree, please explain why.

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

The ED 338 proposed that the NFP public sector entities preparing Tier 1 GPFS:

(a) would not be required to classify income and expenses into operating, investing and financing categories in the income statement, nor to present the operating profit or loss and profit or loss before financing and income taxes subtotals; and

(b) would be permitted to elect how to classify dividends received and interest paid and received in the statement of cash flows, and to continue using the ‘profit or loss’ total as the starting point for the indirect method of reporting than cash flows from operating activities.

If any modifications are granted to NFP public sector entities preparing Tier 1 GPFS, should the same modifications also be provided to NFP public sector entities preparing Tier 2 GPFS?

If you disagree, please explain why.

4 ED 338 did not propose specific modifications for NFP private sector entities preparing Tier 1 GPFS but sought feedback on whether applying AASB 18 and the revised AASB 107 requirements is suitable for these entities. If any modifications are granted to NFP private sector entities preparing Tier 1 GPFS, should the same modifications also be provided to NFP private sector entities preparing Tier 2 GPFS?

If you disagree, please explain why

5 Do you have any other comments on the proposals?

Commented [MR2]: Note to Board members: Another specific question that could be added relates to the transitional provisions, including the proposed disclosures. See paragraph 32 below for DRAFT amendments to Appendix B - Effective date and transition. Please note that these are still ‘work in progress’.

General matters for comment

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

6 Have the *AASB For-Profit Entity Standard-Setting Framework* and the *AASB Not-for-Profit Entity Standard-Setting Framework* been applied appropriately in developing the proposals in this Exposure Draft?

7 Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?

8 Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?

9 Would the proposals result overall in financial statements that are useful to users?

10 Are the proposals in the best interests of the Australian economy?

11 Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative, and are they appropriate relative to the existing requirements? In relation to quantitative financial costs, the AASB is particularly seeking to

know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Contents

PREFACE

[DRAFT] ACCOUNTING STANDARD
AASB 2026-X *AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS– UPDATING AASB 1060 TO ALIGN THE PRESENTATION AND CLASSIFICATION REQUIREMENTS WITH AASB 18*

	from paragraph
OBJECTIVE	**1**
APPLICATION	**3**
AMENDMENTS TO AASB 1060	**6**
COMMENCEMENT OF THE LEGISLATIVE INSTRUMENT	**34**

[DRAFT] BASIS FOR CONCLUSIONS

[Draft] Australian Accounting Standard AASB 2026-X *Amendments to Australian Accounting Standards– Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18* is set out in paragraphs 1–34. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2026-X

This [draft] Standard makes amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

Main features of this Standard

Main requirements

AASB 18 *Presentation and Disclosure in Financial Statements* will replace AASB 101 *Presentation of Financial Statements* for financial years beginning on or after

(a) 1 January 2027 for for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*); and

(b) 1 January 2028 for not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities applying AASB 1056 *Superannuation Entities*.

AASB 18 introduces new requirements regarding the presentation of the primary financial statements, in particular the statement of profit or loss. These requirements differ from those currently included in AASB 1060.

This [draft] Standard amends AASB 1060 to ensure that a Tier 2 entity presents its financial statements in the same manner as Tier 1 entities. It achieves this by replacing or updating the presentation requirements in AASB 1060 with those from AASB 18, as necessary. However, the following two concessions have been retained for Tier 2 entities:

(a) not having to present a third statement of financial position when the entity has applied an accounting policy retrospectively, made a retrospective restatement of items in the financial statements or reclassifies items in its financial statements; and

(b) the option to present a statement of income and retained earnings in place of a separate statement of comprehensive income and a statement of changes in equity under certain circumstances.

This [draft] Standard further makes amendments to:

(a) relocate or replace application guidance with references to relevant paragraphs in Appendix B of AASB 18 – see paragraphs BC21–BC24 for more information;

(b) the presentation requirements for the statement of cash flows – see paragraph BC25; and

(c) delete certain paragraphs which were moved from AASB 101 *Presentation of Financial Statements* to AASB 108 *Basis of Preparation of Financial Statements* by AASB 18 – see paragraph BC26.

Application date

This [draft] Standard applies to annual periods beginning on or after … [1 January 202X] with earlier application permitted.

[Draft] Accounting Standard AASB 2026-X

The Australian Accounting Standards Board makes Accounting Standard AASB 2026-X *Amendments to Australian Accounting Standards – Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18* under section 334 of the *Corporations Act 2001*.

Keith Kendall
Dated … [date] Chair – AASB

[Draft] Accounting Standard AASB 2026-X
Amendments to Australian Accounting Standards– Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18

Objective

1 This Standard amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020) to align the presentation requirements in AASB 1060 with those in AASB 18 *Presentation and Disclosure in Financial Statements.*

2 The amendments are a consequence of the replacement of AASB 101 *Presentation of Financial Statements* with AASB 18. They are designed to ensure that Tier 2 entities continue to apply the same presentation requirements as Tier 1 entities when preparing their financial statements.

Application

3 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 1060 set out in AASB 1057 *Application of Australian Accounting Standards*.

4 This Standard applies to annual periods beginning on or after … [1 January 202X]. Earlier application is permitted.

5 This standard uses underlining, striking out and other typographical material to identify some of the amendments to a pronouncement, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. 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 AASB 1060

6 The following editorial amendments are made:

(a) references to the *IFRS for SMEs* Standard are changed to the *IFRS for SMEs* Accounting Standard;

(b) references to AASB 101 *Presentation of Financial Statements* in footnotes 2–5 and 7 to AASB 1060 are replaced with references to AASB 18 *Presentation and Disclosure in Financial Statements*; and

(c) the title of AASB 108 is changed to *Basis of Preparation of Financial Statements.*

7 Paragraphs 1 and 2 are amended:

Objective

1 This Standard establishes <u>presentation and </u>disclosure requirements applicable to entities that are preparing general purpose financial statements and elect to apply the Tier 2 reporting requirements under AASB 1053 *Application of Tiers of Australian Accounting Standards.*

2 Except to the extent specifically addressed in this Standard, the definitions and presentation requirements of other Australian Accounting Standards continue to apply. Entities are permitted to refer to other Standards for guidance on the requirements in this Standard, including AASB 7 *Financial Instruments: Disclosures*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 18 *Presentation and Disclosure in Financial Statements,* ~~AASB 101 *Presentation of Financial Statements*~~, AASB 107 *Statement of Cash Flows* and AASB 124 *Related Party Disclosures*. Entities are required to refer to the Application Guidance in Appendix B of AASB 18 *Presentation and Disclosure in Financial Statements* where these paragraphs are specifically referenced in this Standard.

8 Paragraph 4 is amended:

Scope

3 ...

4 Entities applying this Standard are required to apply all the recognition and measurement requirements in Australian Accounting Standards and apply this Standard in relation to the presentation requirements that are otherwise covered in AASB 18 and to disclosure requirements only.

9 The heading before paragraph 8 and paragraph 8 are amended:

Tier 2 presentation and disclosures

Financial Statement Presentation

Scope

8 This section explains fair presentation of financial statements, what compliance with Australian Accounting Standards, including this Standard, requires and what a complete set of financial statements is. [*IFRS for SMEs* Accounting Standard paragraph 3.1] It also incorporates relevant presentation requirements from AASB 18 to ensure entities preparing financial statements in accordance with this standard apply the same presentation requirements as entities that are preparing Tier 1 financial statements.

10 Paragraph 14 is deleted and paragraph 15 amended (new text is underlined):

Going concern

14 ~~When preparing financial statements, the management of an entity using Australian Accounting Standards – Simplified Disclosures shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. [*IFRS for SMEs* Standard paragraph 3.8]~~

15 When management is aware, in making its going concern assessment as required by AASB 108 paragraphs 6Kand 6L, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. [Based on *IFRS for SMEs* Accounting Standard paragraph 3.9]

11 Paragraph 16A is added:

Commented [MR3]: Note for Board members: We are suggesting changing the heading to reflect that the following sections cover not only disclosures, but also presentation requirements.

Commented [MR4]: Note for Board members: Paragraphs 9 and AusCF9 are now included in AASB 108 (new paragraphs 6A and AusCF6A). However, they should be retained in AASB 1060, as they include disclosure requirements.
Consequential amendments will need to be made to Appendix A of AASB 108 -see paragraph 29 of this ED.
The same applies to paragraphs 13 and AusCF13 (new paras 6I and AusCF6I in AASB 108).

Commented [MR5]: Note for Board members: Paragraph 14 is now included in AASB 108 (para 6K). But we need to retain the paragraph 15, as it is a disclosure requirement. The equivalent paragraph from AASB 108 will be added to Appendix A of AASB 108 (see paragraph 29 of this ED).

Frequency of reporting

16 …

16A Normally, an entity consistently prepares financial statements for a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice. [AASB 18 paragraph 29]

Commented [MR6]: **Note for Board members:** We have added references to AASB 18 to show the source of the requirements, similar to the references to the *IFRS for SMEs* Accounting Standard.

12 Paragraphs 17 and 18 are amended and paragraphs 19A and 19B are added:

Consistency of presentation

17 An entity shall retain the presentation, disclosure and classification of items in the financial statements from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation, disclosure or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108 *Basis of Preparation of Financial Statements* ~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~ (see AASB 18 paragraph B12); or

(b) Australian Accounting Standards – Simplified Disclosures require a change in presentation, disclosure or classification.

[Based on *IFRS for SMEs* Accounting Standard paragraph 3.11]

Commented [MR7]: Editorial amendments per ITC 56 Appendix 2.2.D.

18 When the presentation, disclosure or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the following:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

[Based on *IFRS for SMEs* Accounting Standard paragraph 3.12]

Commented [MR8]: Editorial amendment per ITC 56 Appendix 2.2.D.

19 If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable. [*IFRS for SMEs* Accounting Standard paragraph 3.13]

19A Enhancing the inter-period comparability of information assists users of financial statements in making economic decisions, especially by allowing the assessment of trends in information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior reporting period to achieve consistency with the current period. For example, an entity may not have collected data in the prior period(s) in a way that allows reclassification, and it may be impracticable to recreate the information. [AASB 18 paragraph 35]

19B AASB 108 sets out the adjustments required when an entity changes an accounting policy or corrects and error. [AASB 18 paragraph 36]

13 Paragraph 20 is amended:

Comparative information

20 Except when this Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements (see AASB 18 paragraph B13). [Based on *IFRS for SMEs* Accounting Standard paragraph 3.14]

Commented [MR9]: Editorial amendment per ITC 56 Appendix 2.2.D.

14 Paragraphs 21 and 22 are replaced, a new paragraph 22A is added, paragraph 23 and the related heading to this section are amended as follows:

~~Materiality and a~~Aggregation and disaggregation

~~21~~ ~~An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. [*IFRS for SMEs* Standard paragraph 3.15]~~

~~22.~~ ~~Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. [Based on *IFRS for SMEs* Standard paragraph 3.16]~~

Commented [MR10]: Paragraph 22 is covered in the updated definition of materiality in Appendix A.

21 For the purposes of this Standard, an item is an asset, liability, equity instrument or reserve, income, expense or cash flow or any aggregation or disaggregation of such assets, liabilities, equity, income, expenses or cash flows. A line item is an item that is presented separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would override specific aggregation or disaggregation requirements in Australian Accounting Standards, an entity shall (see AASB 18 paragraphs B16–B23):

(a) classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on shared characteristics;

(b) disaggregate items based on characteristics that are not shared;

(c) aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries (see AASB 18 paragraph 16);

(d) aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information (see AASB 18 paragraph 17); and

(e) ensure that aggregation and disaggregation in the financial statements do not obscure material information (see AASB 18 paragraph B3).

[AASB 18 paragraph 41]

22 Applying the principles in paragraph 21, an entity shall disaggregate items whenever the resulting information is material. If, applying paragraph 21(c), an entity does not present material information in the primary financial statements, it shall disclose the information in the notes. AASB 18 paragraphs B79 and B111 set out examples of income, expenses, assets, liabilities and items of equity that might have sufficiently dissimilar characteristics that presentation in the statement of profit or loss or statement of financial position or disclosure in the notes is necessary to provide material information. [AASB 18 paragraph 42]

22A An entity shall label and describe items presented in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item (see AASB 18 paragraphs B24–B26). To faithfully represent an item, an entity shall provide all descriptions and explanations necessary for a user of financial statements to understand the item. In some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses and information about how it has aggregated or disaggregated assets, liabilities, equity, income, expenses and cash flows. [AASB 18 paragraph 43]

23 This Standard specifies information that is required to be included in the primary financial statements, which include the notes. An entity need not provide a specific disclosure if the information resulting from that disclosure is not material. This is the case even if this Standard contains a list of specific requirements or describes them as minimum requirements.

Commented [MR11]: Editorial amendment per ITC 56 Appendix 2.2D.

15 Paragraph 24 is amended and paragraph 24A added:

Offsetting

24 An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Australian Accounting Standard (see AASB 18 paragraphs B27-B28).

Commented [MR12]: Editorial amendment per ITC56 Appendix 2.2.D.

24A An entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement(s) of financial performance or the statement of financial position, except when offsetting reflects the substance of the transaction or other event, reduces users' ability to understand the transactions and other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and allowances for expected credit losses on financial assets – is not offsetting. [AASB 18 paragraph 45]

16 Paragraphs 29 and 30 are amended:

Complete set of financial statements

25 …

29 In a complete set of financial statements, an entity shall present each primary financial statement with equal prominence. [Based on *IFRS for SMEs* Accounting Standard paragraph 3.21]

30 The statements listed in paragraphs 25(a)–(d) (and their comparative information) are referred to as the primary financial statements. An entity may use titles for the financial statements other than those used in this Standard as long as they are not misleading. [Based on *IFRS for SMEs* Accounting Standard paragraph 3.22]

Commented [MR13]: Editorial amendment per ITC 56 Appendix 2.2.D.

Commented [MR14]: Editorial amendment per ITC 56 Appendix 2.2.D.

17 Paragraphs 30A to 30H are added:

The roles of the primary financial statements and the notes

30A To achieve the objective of financial statements (see paragraph 9), an entity presents information in the primary financial statements and discloses information in the notes. An entity need only present or disclose material information (see paragraph 23 and AASB 18 paragraphs B1–B5). [AASB 18 paragraph 15]

30B The role of the primary financial statements is to provide structured summaries of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows, that are useful to users of financial statements for:

(a) obtaining an understandable overview of the entity's recognised assets, liabilities, equity, income, expenses and cash flows;

(b) making comparisons between entities, and between reporting periods for the same entity; and

(c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.

[AASB 18 paragraph 16]

30C The role of the notes is to provide material information necessary:

(a) to enable users of financial statements to understand the line items presented in the primary financial statements (see AASB 18 paragraph B6); and

(b) to supplement the primary financial statements with additional information to achieve the objective of financial statements (see AASB 18 paragraph B7).

[AASB 18 paragraph 17]

30D An entity shall use the roles of the primary financial statements and the notes, described in paragraphs 30B–30C, to determine whether to include information in the primary financial statements or in the notes. The different roles of the primary financial statements and the notes mean that the extent of the information required in the notes differs from that in the primary financial statements. The differences mean that:

(a) to provide the structured summaries described in paragraph 30B, information provided in the primary financial statements is more aggregated than information provided in the notes; and

(b) to provide the information described in paragraph 30C, more detailed information about the entity's assets, liabilities, equity, income, expenses and cash flows, including the disaggregation of information presented in the primary financial statements, is provided in the notes.

[AASB 18 paragraph 18]

Information presented in the primary financial statements

30E Paragraph 30B establishes that the role of the primary financial statements is to provide structured summaries that are useful for the purposes specified in that paragraph (referred to hereafter as a useful structured summary). An entity shall use the role of the primary financial statements to determine what material information to present in those statements, as set out in paragraphs 30F–30H. [AASB 18 paragraph 21]

30F To provide a useful structured summary in a primary financial statement, an entity shall comply with specific requirements that determine the structure of the statement. The specific requirements are:

(a) for the statement of profit or loss – the requirements in paragraphs 57A, 57W, 53 and 58;

(b) for the statement presenting comprehensive income – the requirements in paragraphs 58E-58G;

(c) for the statement of financial position – the requirements in paragraphs 35A and 37;

(d) for the statement of changes in equity – the requirements in paragraph 61; and

(e) for the statement of cash flows – the requirements in paragraph 66.

[AASB 18 paragraph 22]

30G Some Australian Accounting Standards require specific line items to be presented separately in the primary financial statements (for example paragraphs 35 and 57AC of this Standard). An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements (see AASB 18 paragraph B8).

[AASB 18 paragraph 23]

30H An entity shall present additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary. When an entity presents additional line items or subtotals, those line items or subtotals shall (see AASB 18 paragraph B9):

(a) comprise amounts recognised and measured in accordance with Australian Accounting Standards;

(b) be compatible with the statement structure created by the requirements listed in paragraph 30F;

(c) be consistent from period to period, in accordance with paragraph 17; and

(d) be displayed no more prominently than the totals and subtotals required by Australian Accounting Standards.

[AASB 18 paragraph 24]

18 Paragraph 31 is amended and paragraph 31A is added:

Identification of the financial statements

31 An entity shall clearly identify each of the primary financial statements and the notes and distinguish them from other information in the same document (see AASB 18 paragraph B10). In addition, an entity shall disclose ~~display~~ the following information prominently and repeat it when necessary for an understanding of the information presented:

(a) the name of the reporting entity and any change in its name since the end of the preceding reporting period;

(b) whether the financial statements cover the individual entity or a group of entities;

(c) the date of the end of the reporting period and the period covered by the financial statements;

(d) the presentation currency, as defined in AASB 121 *The Effects of Changes in Foreign Exchange Rates*; and

Commented [MR15]: Editorial amendments per ITC56 Appendix 2.2.D.

(e) the level of rounding, if any, used in presenting amounts in the financial statements (see AASB 18 paragraph B11).

[Based on *IFRS for SMEs* Accounting Standard paragraph 3.23]

31A Australian Accounting Standards apply only to financial statements, and not necessarily to other information provided in an annual report, a regulatory filing or another document. Therefore, it is important that users of financial statements can distinguish information that is prepared using Australian Accounting Standards from other information that may be useful to users but is not the subject of those requirements. [AASB 18 paragraph 26]

19 Paragraph 35 is replaced with paragraphs 103 and 104 from AASB 18, and paragraph 36 is amended:

Information to be presented in the statement of financial position

~~35 As a minimum, the statement of financial position shall include line items that present the following amounts:~~

~~(a) cash and cash equivalents;~~

~~(b) trade and other receivables;~~

~~(c) financial assets (excluding amounts shown under (a), (b), (i) and (j));~~

~~(d) inventories;~~

~~(e) property, plant and equipment;~~

~~(f) investment property;~~

~~(g) intangible assets;~~

~~(h) biological assets;~~

~~(i) investments in associates;~~

~~(j) investments in joint ventures;~~

~~(k) trade and other payables;~~

~~(l) financial liabilities (excluding amounts shown under (k) and (o));~~

~~(m) liabilities and assets for current tax;~~

~~(n) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current);~~

~~(o) provisions;~~

~~(p) non-controlling interests, presented within equity separately from the equity attributable to the owners of the parent;~~

~~(q) equity attributable to the owners of the parent;~~

~~(r) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; and~~

~~(s) liabilities included in disposal groups classified as held for sale in accordance with AASB 5.~~

~~[Based on *IFRS for SMEs* Standard paragraph 4.2]~~

35 An entity shall present in the statement of financial position line items for:

(a) property, plant and equipment;

(b) investment property;

(c) intangible assets;

(d) goodwill;

(e) financial assets (excluding amounts shown under (g), (j) and (k));

(f) portfolios of contracts within the scope of AASB 17 that are assets, disaggregated as required by paragraph 78 of AASB 17;

(g) investments accounted for using the equity method;

(h) biological assets within the scope of AASB 141 *Agriculture*;

(i) inventories;

(j) trade and other receivables;

(k) cash and cash equivalents;

(l) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5;

(m) trade and other payables;

(n) provisions;

(o) financial liabilities (excluding amounts shown under (m) and (n));

(p) portfolios of contracts within the scope of AASB 17 that are liabilities, disaggregated as required by paragraph 78 of AASB 17;

(q) liabilities and assets for current tax, as defined in AASB 112;

(r) deferred tax liabilities and deferred tax assets, as defined in AASB 112; and

(s) liabilities included in disposal groups classified as held for sale in accordance with AASB 5.

[AASB 18 paragraph 103]

35A An entity shall present in the statement of financial position:

(a) non-controlling interests; and

(b) issued capital and reserves attributable to owners of the parent.

[AASB 18 paragraph 104]

36 An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. AASB 18 paragraphs B109 and B111 set out requirements on how an entity uses its judgement to determine whether to present additional items in the statement of financial position. [Based on *IFRS for SMEs* Accounting Standard paragraph 4.3]

20 Paragraphs 37–40 are amended and paragraph 37A is added:

Current/non-current distinction

37 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs ~~38~~37A–41, except when a presentation based on liquidity provides a more useful summary ~~information that is reliable and more relevant~~. When that exception applies, all assets and liabilities shall be presented in order of ~~approximate~~ liquidity (see AASB 18 paragraphs B90-B93)~~(ascending or descending)~~. [Based on *IFRS for SMEs* Accounting Standard paragraph 4.4]

37A When an entity presents current and non-current assets, and current and noncurrent liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities). [AASB 18 paragraph 98]

Current assets

38 An entity shall classify an asset as current when (see AASB 18 paragraphs B94-B95):

(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting date; or

Commented [MR16]: Note for Board members: This edit was not identified in ITC 56, but there should be a reference to paragraphs B109 and B111, as those paragraphs provide guidance on presenting additional line items on the face of the statement of financial position. B110 is intentionally omitted, as that paragraph is dealing with additional disclosures in the notes.

Commented [MR17]: Editorial amendments per ITC56 Appendix 2.2.D.

Commented [MR18]: Editorial amendments per ITC56 Appendix 2.2.D. This includes para 39.

(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

[Based on *IFRS for SMEs* Accounting Standard paragraph 4.5]

39 An entity shall classify all other assets as non-current. ~~When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.~~ [Based on *IFRS for SMEs* Accounting Standard paragraph 4.6]

Commented [MR19]: Now included in para B95 in AASB 18 (referenced in para 38)

Current liabilities

40 An entity shall classify a liability as current when:

(a) it expects to settle the liability in the entity's normal operating cycle (see AASB 18 paragraphs B96 and B107-B108);

Commented [MR20]: Editorial amendments per ITC56 Appendix 2.2.D.

(b) it holds the liability primarily for the purpose of trading (see AASB 18 paragraph B97);

(c) the liability is due to be settled within twelve months after the reporting date (see AASB 18 paragraphs B97-B98 and B107-B108); or

(d) the entity does not have the right at the reporting date to defer settlement of the liability for at least twelve months after the reporting date (see AASB 18 paragraphs B99-B108).

[Based on *IFRS for SMEs* Accounting Standard paragraph 4.7]

21 Paragraphs 42 and 43 are replaced with paragraphs 105 and 106 from AASB 18:

Sequencing of items and format of items in the statement of financial position

~~42 This Standard does not prescribe the sequence or format in which items are to be presented. Paragraph 35 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:~~

~~(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and~~

~~(b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position.~~

~~[*IFRS for SMEs* Standard paragraph 4.9]~~

42 Subject to paragraph 37, this Standard does not prescribe the order or format in which an entity presents items in the statement of financial position. In addition, the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide a useful structured summary of the entity's assets, liabilities and equity. For example, a financial institution may amend the descriptions in paragraph 35 to provide a useful structured summary of the assets, liabilities and equity of a financial institution. [AASB 18 paragraph 106]

~~43 The judgement on whether additional items are presented separately is based on an assessment of all of the following:~~

~~(a) the amounts, nature and liquidity of assets;~~

~~(b) the function of assets within the entity; and~~

~~(c) the amounts, nature and timing of liabilities.~~

~~[*IFRS for SMEs* Standard paragraph 4.10]~~

43 AASB 18 paragraphs B109 and B111 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the statement of financial position or disclose items in the notes. [AASB 18 paragraph 105]

Commented [MR21]: **Note to Board members:** AASB 18 refers to paragraphs B109-B111. However, B110 deals with disaggregation of material items disclosed in the notes. Therefore, paragraphs B110 should not be referenced as part of these amendments (as it would potentially introduce additional disclosures).

22 Paragraph 44 is deleted and paragraph 45 is amended:

Information to be presented either in the statement of financial position or in the notes

44 ~~An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operation. This includes for example:~~

~~(a) property, plant and equipment in classifications appropriate to the entity;~~

~~(b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties and contract assets from contracts with customers;~~

~~(c) inventories, showing separately amounts of inventories:~~

~~(i) held for sale in the ordinary course of business;~~

~~(ii) in the process of production for such sale; and~~

~~(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.~~

~~(d) trade and other payables, showing separately amounts payable to trade suppliers, amounts payable to related parties, contract liabilities from contracts with customers and accruals;~~

~~(e) provisions for employee benefits and other provisions; and~~

~~(f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by Australian Accounting Standards, are recognised in other comprehensive income and presented separately in equity.~~

~~[Based on *IFRS for SMEs* Standard paragraph 4.11]~~

Commented [MR22]: This content is now covered in AASB 18 para B111, and referenced in revised para 43 above.

45 An entity with share capital shall ~~disclose the following,~~ either present in the statement of financial position or in the statement of changes in equity or disclose in the notes:

(a) for each class of share capital:

(i) the number of shares authorised;

(ii) the number of shares issued and fully paid, and issued but not fully paid;

(iii) par value per share or that the shares have no par value;

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods;

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;

(vi) shares in the entity held by the entity or by its subsidiaries or associates; and

(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and

(b) a description of each reserve within equity.

[Based on *IFRS for SMEs* Accounting Standard paragraph 4.12]

Commented [MR23]: Editorial amendments per ITC 56 Appendix 2.2.D.
Note that App 2.2.D does not mention adding a reference to SoCiE, but I believe it should be added for consistency of presentation requirements.
In AASB 18 this sits under "Other disclosures"

23 Paragraph 49 is amended:

Presentation of total comprehensive income

49 An entity shall present its statement(s) of financial performance as ~~total comprehensive income for a period~~ either:

(a) in a single statement of profit or loss and other comprehensive income, in which case the statement of profit or loss and other comprehensive income presents all items of income and expense recognised in the period – if this option is chosen, an entity shall present the profit or loss section first followed directly by the other comprehensive income section; or

(b) in two statements—a statement of profit or loss and a statement of comprehensive income—in which case the statement of profit or loss presents all items of income and expense recognised in the period except those that are recognised in total comprehensive income outside of profit or loss as permitted or required by other Australian Accounting

Commented [MR24]: Editorial amendments per ITC 56 Appendix 2.2.D.

Standards. If this option is chosen, the statement of profit or loss shall immediately precede the statement presenting comprehensive income.

[Based on *IFRS for SMEs* Accounting Standard paragraph 5.2]

24 Paragraph 52 and 56 will be deleted and paragraphs 53 and 54 amended:

Single-statement approach

51 …

~~52 As a minimum, an entity shall include, in the statement(s) presenting profit or loss and other comprehensive income, line items that present the following amounts for the period:~~

~~(a) revenue;~~

~~(b) finance costs;~~

~~(c) share of the profit or loss of investments in associates and joint ventures accounted for using the equity method (see AASB 128 *Investments in Associates and Joint Ventures*);~~

~~(d) tax expense;~~

~~(e) a single amount for the total of:~~

~~(i) discontinued operations (see AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*); and~~

~~(i) the post-tax gain or loss attributable to an impairment, or reversal of an impairment, of the assets in the discontinued operation (see AASB 5), both at the time and subsequent to being classified as a discontinued operation and to the disposal of the net assets constituting the discontinued operation;~~

~~(f) profit or loss (if an entity has no items of other comprehensive income, this line need not be presented);~~

~~(g) each item of other comprehensive income (see paragraph 51(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with other Australian Accounting Standards:~~

~~(i) will not be reclassified subsequently to profit or loss; and~~

~~(ii) will be reclassified subsequently to profit or loss when specific conditions are met;~~

~~(h) share of the other comprehensive income of associates and joint ventures accounted for by the equity method; and~~

~~(i) total comprehensive income (if an entity has no items of other comprehensive income, it may use another term for this line such as profit or loss).~~

~~[Based on *IFRS for SMEs* Standard paragraph 5.5]~~

Commented [MR25]: Delete this paragraph - to be replaced with paras 69-75 from AASB 18 - see below, new paras 57W-57AC.

53 An entity shall present ~~disclose~~ separately the following items in the statement(s) presenting profit or loss and other comprehensive income as allocations for the reporting period:

(a) profit or loss for the period attributable to:

(i) non-controlling interests; and

(ii) owners of the parent; and

(b) total comprehensive income for the period attributable to:

(i) non-controlling interests; and

(ii) owners of the parent.

[Based on *IFRS for SMEs* Accounting Standard paragraph 5.6]

Commented [MR26]: Editorial amendments per ITC 56 Appendix 2.2.D and to align with wording in AASB 18, which refers to 'reporting period'.

Two-statement approach

54 Under the two-statement approach, the statement of profit or loss shall display, as a minimum, line items that present the amounts in paragraph 57W and 57AC~~52(a)–52(f)~~ for the period, with profit or loss as the last line. The statement of comprehensive income shall begin with profit or loss as its

first line and shall display, as a minimum, line items that present the amounts in paragraphs 58E(b) and (c), 58F, 58G ~~52(g)–52(i)~~ and paragraph 53 for the period. [Based on *IFRS for SMEs* Accounting Standard paragraph 5.7]

Requirements applicable to both approaches

55 Under AASB 108, the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise. [*IFRS for SMEs* Accounting Standard paragraph 5.8]

~~56~~ ~~An entity shall present additional line items, headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income (and in the statement of profit or loss, if presented), when such presentation is relevant to an understanding of the entity's financial performance. [*IFRS for SMEs* Standard paragraph 5.9]~~

Commented [MR27]: Replaced with para 30H above and AASB 18 para 77 which is now included below as para 57AD.

25 Paragraphs 57A to 57AD and 58A to 58G are added, paragraph 58 is replaced and the heading before paragraph 58 is amended:

Categories in the statement of profit or loss

57A An entity shall classify income and expenses included in the statement of profit or loss in one of five categories (see AASB 18 paragraph B29):

(a) the operating category (see paragraph 57F);

(b) the investing category (see paragraphs 57G–57L);

(c) the financing category (see paragraphs 57M–57T);

(d) the income taxes category (see paragraph 57U); and

(e) the discontinued operations category (see paragraph 57V).

[AASB 18 paragraph 47]

57B Paragraphs 57F–57V set out requirements for classifying income and expenses in the operating, investing, financing, income taxes and discontinued operations categories. In addition, AASB 18 paragraphs B65–B76 set out requirements on how foreign exchange differences, the gain or loss on the net monetary position, and gains and losses on derivatives and designated hedging instruments are classified in the categories. [AASB 18 paragraph 48]

Entities with specified main business activities

57C To classify income and expenses in the operating, investing and financing categories, an entity shall assess whether it has a specified main business activity – that is a main business activity of (see AASB 18 paragraphs B30–B41):

(a) investing in particular types of assets, referred to hereafter as investing in assets (see paragraph 57G); or

(b) providing financing to customers.

[AASB 18 paragraph 49]

57D Applying paragraphs 57I–57L and 57S–57T, an entity with a specified main business activity classifies in the operating category some income and expenses that would have been classified in the investing or financing category if the activity were not a main business activity. [AASB 18 paragraph 50]

57E If an entity:

(a) invests in assets as a main business activity, it shall disclose that fact.

(b) provides financing to customers as a main business activity, it shall disclose that fact.

(c) identifies a different outcome from its assessment of whether it invests in assets or provides financing to customers as a main business activity (see AASB 18 paragraph B41), it shall disclose:

(i) the fact the outcome of the assessment has changed and the date of the change.

(ii) the amount and classification of items of income and expense before and after the date of the change in the outcome of the assessment in the current period and the amount and classification in the prior period for the items for which the classification has changed because of the changed outcome of the assessment, unless it is impracticable to do so. If an entity does not disclose the information because it is impracticable to do so, the entity shall disclose that fact.

[AASB 18 paragraph 51]

The operating category

57F An entity shall classify in the operating category all income and expenses included in the statement of profit or loss that are not classified in (see AASB 18 paragraph B42):

(a) the investing category;

(b) the financing category;

(c) the income taxes category; or

(d) the discontinued operations category.

[AASB 18 paragraph 52]

The investing category

57G Except as required by paragraphs 57I–57L for an entity that has a specified main business activity, an entity shall classify in the investing category income and expenses specified in paragraph 57H from:

(a) investments in associates, joint ventures and unconsolidated subsidiaries (see AASB 18 paragraphs B43–B44);

(b) cash and cash equivalents; and

(c) other assets if they generate a return individually and largely independently of the entity's other resources (see AASB 18 paragraphs B45–B49).

[AASB 18 paragraph 53]

57H The income and expenses from the assets identified in paragraph 57G that an entity shall classify in the investing category comprise the amounts included in the statement of profit or loss for (see AASB 18 paragraph B47):

(a) the income generated by the assets;

(b) the income and expenses that arise from the initial and subsequent measurement of the assets, including on derecognition of the assets; and

(c) other assets if they generate a return individually and largely independently of the entity's the incremental expenses directly attributable to the acquisition and disposal of the assets – for example, transaction costs and costs to sell the assets.

[AASB 18 paragraph 54]

Entities with specified main business activities

57I For the assets specified in paragraph 57G(a) (that is, investments in associates, joint ventures and unconsolidated subsidiaries) that an entity invests in as a main business activity (see AASB 18 paragraph B38), the entity shall classify the income and expenses specified in paragraph 57H:

(a) in the investing category if the assets are accounted for applying the equity method (see AASB 18 paragraphs B43(a) and B44(a)); or

(b) in the operating category if the assets are not accounted for applying the equity method (see AASB 18 paragraphs B43(b)–(c) and B44(b)–(c)).

[AASB 18 paragraph 55]

57J For the assets specified in paragraph 57G(b) (that is, cash and cash equivalents), an entity shall classify the income and expenses specified in paragraph 57H in the investing category unless:

(a) it invests as a main business activity in financial assets within the scope of paragraph 57G(c) – in which case it shall classify the income and expenses in the operating category.

(b) it does not meet the requirements in (a) but provides financing to customers as a main business activity – in which case it shall classify:

(i) the income and expenses from cash and cash equivalents that relate to providing financing to customers, for example cash and cash equivalents held for related regulatory requirements – in the operating category.

(ii) the income and expenses from cash and cash equivalents that do not relate to providing financing to customers – by applying an accounting policy choice to classify the income and expenses specified in paragraph 57H in the operating category or the investing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for income and expenses from liabilities in paragraph 57S(a)(ii).

[AASB 18 paragraph 56]

57K If an entity applying paragraph 57J(b) cannot distinguish between the cash and cash equivalents described in paragraphs 57J(b)(i) and 57J(b)(ii), it shall apply the accounting policy choice in paragraph 57J(b)(ii) to classify income and expenses from all cash and cash equivalents in the operating category. [AASB 18 paragraph 57]

57L For the assets specified in paragraph 57G(c) (that is, other assets if they generate a return individually and largely independently of the entity's other resources) that an entity invests in as a main business activity (see AASB 18 paragraph B40), the entity shall classify the income and expenses specified in paragraph 57H in the operating category. [AASB 18 paragraph 58]

The financing category

57M To determine what income and expenses to classify in the financing category, an entity shall distinguish between:

(a) liabilities that arise from transactions that involve only the raising of finance (see AASB 18 paragraphs B50–B51); and

(b) liabilities other than those described in (a) – that is, liabilities that arise from transactions that do not involve only the raising of finance (see AASB 18 paragraph B53).

[AASB 18 paragraph 59]

57N For the liabilities specified in paragraph 57M(a) (that is, liabilities that arise from transactions that involve only the raising of finance), except as set out in paragraphs 57Q–57T, an entity shall classify in the financing category the amounts included in the statement of profit or loss for:

(a) income and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities (see AASB 18 paragraph B52); and

(b) the incremental expenses directly attributable to the issue and extinguishment of the liabilities – for example, transaction costs.

[AASB 18 paragraph 60]

57O For the liabilities specified in paragraph 57M(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance), except as set out in paragraphs 57Q–57R, an entity shall classify in the financing category:

(a) interest income and expenses, but only if the entity identifies such income and expenses for the purpose of applying other requirements in Australian Accounting Standards; and

(b) income and expenses arising from changes in interest rates, but only if the entity identifies such income and expenses for the purpose of applying other requirements in Australian Accounting Standards.

[AASB 18 paragraph 61]

57P AASB 18 Paragraphs B56–B57 set out how an entity shall apply the requirements in paragraphs 57M–57O to hybrid contracts that contain a host that is a liability. [AASB 18 paragraph 62]

57Q The requirements in paragraphs 57N–57O do not apply to gains and losses on derivatives and designated hedging instruments. An entity shall apply AASB 18 paragraphs B70–B76 to classify such gains and losses. [AASB 18 paragraph 63]

57R An entity shall exclude from the financing category and classify in the operating category:

(a) income and expenses from issued investment contracts with participation features recognised applying AASB 9 *Financial Instruments* (see AASB 18 paragraph B58); and

(b) insurance finance income and expenses included in the statement of profit or loss applying AASB 17 *Insurance Contracts*.

[AASB 18 paragraph 64]

Entities with specified main business activities

57S If an entity provides financing to customers as a main business activity, it shall classify income and expenses (see AASB 18 paragraph B59):

(a) from the liabilities specified in paragraph 57M(a) (that is, liabilities that arise from transactions that involve only the raising of finance):

(i) if the liabilities relate to providing financing to customers – in the operating category.

(ii) if the liabilities do not relate to providing financing to customers – by applying an accounting policy choice to classify the income and expenses specified in paragraph 57N in the operating category or the financing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for income and expenses from cash and cash equivalents in paragraph 57J(b)(ii).

(b) from the liabilities specified in paragraph 57M(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance):

(i) if the income and expenses are specified in paragraph 57O – in the financing category; or

(ii) if the income and expenses are not specified in paragraph 57O – in the operating category.

[AASB 18 paragraph 65]

57T If an entity applying paragraph 57S(a) cannot distinguish between the liabilities described in paragraphs 57S(a)(i) and 57S(a)(ii), it shall apply the accounting policy choice in paragraph 57S(a)(ii) to classify income and expenses from all such liabilities in the operating category. [AASB 18 paragraph 66]

The income taxes category

57U An entity shall classify in the income taxes category tax expense or tax income that is included in the statement of profit or loss applying AASB 112 *Income Taxes*, and any related foreign exchange differences (see AASB 18 paragraphs B65–B68). [AASB 18 paragraph 67]

The discontinued operations category

57V An entity shall classify in the discontinued operations category income and expenses from discontinued operations as required by AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. [AASB 18 paragraph 68]

Totals and subtotals to be presented in the statement of profit or loss

57W An entity shall present totals and subtotals in the statement of profit or loss for:

(a) *operating profit or loss* (see paragraph 57X);

(b) *profit or loss before financing and income taxes* (see paragraph 57Y), subject to paragraph 57AA; and

(c) profit or loss (see paragraph 57Z).

[AASB 18 paragraph 69]

57X Operating profit or loss comprises all income and expenses classified in the operating category. [AASB 18 paragraph 70]

57Y Profit or loss before financing and income taxes comprises:

(a) operating profit or loss; and

(b) all income and expenses classified in the investing category.

[AASB 18 paragraph 71]

57Z Profit or loss is the total of income less expenses included in the statement of profit or loss. Accordingly, it comprises all income and expenses classified in all categories in the statement of profit or loss (see paragraph 57A). [AASB 18 paragraph 72]

57AA An entity shall not apply paragraph 57W(b) if it applies the accounting policy set out in paragraph 57S(a)(ii) of classifying in the operating category income and expenses from liabilities that do not relate to the provision of financing to customers. However, such an entity shall apply paragraph 30H to determine whether to present an additional subtotal after operating profit and before the financing category. For example, the entity would present a subtotal for operating profit or loss and income and expenses from investments accounted for using the equity method if the entity determines doing so is necessary to provide a useful structured summary of its income and expenses. [AASB 18 paragraph 73]

57AB If an entity described in paragraph 57AA presents an additional subtotal comprising operating profit or loss and all income and expenses classified in the investing category, it shall not label the subtotal in a way that implies the subtotal excludes financing amounts, such as 'profit before financing'. Applying paragraph 22A, the entity shall label the subtotal in a way that faithfully represents the amounts included in the subtotal. [AASB 18 paragraph 74]

Items to be presented in the statement of profit or loss or disclosed in the notes

57AC An entity shall present in the statement of profit or loss line items for (see AASB 18 paragraph B77):

(a) amounts required by this Standard, namely:

(i) revenue, presenting separately the line items described in (b)(i) and (c)(i);

(ii) operating expenses, presenting separately line items as required by paragraphs 58 and 58D(a);

(iii) share of the profit or loss of associates and joint ventures accounted for using the equity method;

(iv) income tax expense or income; and

(v) a single amount for the total of discontinued operations (see AASB 5);

(b) amounts required by AASB 9, namely:

(i) interest revenue calculated using the effective interest method;

(ii) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of AASB 9;

(iii) gains and losses arising from the derecognition of financial assets measured at amortised cost;

(iv) any gain or loss arising from the difference between the fair value of a financial asset and its previous amortised cost at the date of reclassification from amortised cost measurement to measurement at fair value through profit or loss; and

(v) any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss at the date of reclassification of a financial asset from measurement at fair value through other comprehensive income to measurement at fair value through profit or loss; and

(c) amounts required by AASB 17, namely:

(i) insurance revenue;

(ii) insurance service expenses from contracts issued within the scope of AASB 17;

(iii) income or expenses from reinsurance contracts held;

(iv) insurance finance income or expenses from contracts issued within the scope of AASB 17; and

(v) finance income or expenses from reinsurance contracts held.

[AASB 18 paragraph 75]

57AD AASB 18 paragraphs B78–B79 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the statement of profit or loss or disclose items in the notes. [AASB 18 paragraph 77]

~~Analysis of~~ Presentation of expenses classified in the operating category

~~58 An entity shall present in the statement of profit or loss and other comprehensive income or in the notes an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.~~

~~*Analysis by nature of expense*~~

~~(a) Under this method of classification, expenses are aggregated in the statement(s) of profit and loss and other comprehensive income according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs) and are not reallocated among various functions within the entity.~~

~~*Analysis by function of expense*~~

~~(b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.~~

~~[Based on *IFRS for SMEs* Standard paragraph 5.11]~~

58 In the operating category of the statement of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of these characteristics (see AASB 18 paragraphs B80–B85):

(a) the nature of expenses; or

(b) the function of the expenses within the entity.

[AASB 18 paragraph 78]

58A Any individual line item shall comprise operating expenses aggregated on the basis of only one of these characteristics, but the same characteristic does not have to be used as the aggregation basis for all line items (see AASB 18 paragraph B81). [AASB 18 paragraph 79]

58B In classifying expenses by nature ('nature expenses'), an entity provides information about operating expenses related to the nature of the economic resources consumed to accomplish the entity's activities without reference to the activities in relation to which those economic resources were consumed. Such information includes information about raw material expense, employee benefit expense, depreciation and amortisation. [AASB 18 paragraph 80]

58C In classifying expenses by function within the entity, an entity allocates and aggregates operating expenses according to the activity to which the consumed resource relates. For example, cost of sales is a function line item that combines expenses relating to an entity's production or other revenue-generating activities such as: raw material expense, employee benefit expense, depreciation and amortisation. Therefore, when classifying expenses by function, an entity might:

(a) allocate to several function line items (such as cost of sales and research and development) expenses relating to economic resources of the same nature (such as employee benefit expense); and

(b) include in a single function line item an allocation of expenses relating to economic resources of several natures (such as raw material expense, employee benefit expense, depreciation and amortisation).

[AASB 18 paragraph 81]

58D If an entity presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss, it shall:

(a) present a separate line item for its cost of sales, if the entity classifies operating expenses in functions that include a cost of sales function. That line item shall include the total of inventory expense described in paragraph 38 of AASB 102 *Inventories*.

[AASB 18 paragraph 82(a)]

Commented [MR28]: Note: Paragraph 82(b) is not included as this is a disclosure requirement.

Statement presenting comprehensive income

58E An entity shall present in the statement presenting comprehensive income totals for:

(a) profit or loss;

(b) other comprehensive income (see AASB 18 paragraphs B86–B87); and

(c) comprehensive income, being the total of profit or loss and other comprehensive income.

[AASB 18 paragraph 86]

Other comprehensive income

58F An entity shall classify income and expenses included in the statement presenting comprehensive income in one of two categories:

(a) income and expenses that will be reclassified to profit or loss when specific conditions are met; and

(b) income and expenses that will not be reclassified to profit or loss.

[AASB 18 paragraph 88]

58G An entity shall present, in each of the categories of the statement presenting comprehensive income, line items for:

(a) the share of other comprehensive income of associates and joint ventures accounted for using the equity method; and

(b) other items of other comprehensive income.

[AASB 18 paragraph 89]

26 Paragraphs 61A to 61C are added:

Information to be presented in the statement of changes in equity

61 …

61A AASB 108 requires retrospective adjustments for changes in accounting policies, to the extent practicable, except when the transition requirements in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity, but they are adjustments to the opening balance of retained earnings, except when Australian Accounting Standards require retrospective adjustment of another component of equity. Paragraph 61(b) requires an entity to present in the statement of changes in equity the total adjustment to each component of equity resulting from changes in accounting policies and, separately, from corrections of errors. An entity shall present these adjustments for each prior reporting period and the beginning of the period. [AASB 18 paragraph 108]

61B In paragraph 61, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings. [AASB 18 paragraph 111]

61C Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period. [AASB 18 paragraph 112]

27 Paragraphs 66–72 are amended:

66 An entity shall present a statement of cash flows that presents cash flows for a reporting period classified by operating activities, investing activities and financing activities. In preparing the statement of cash flows, an entity shall also apply the general requirements for financial statements in paragraphs 16–23, 25–31 and 91–92. [Based on IFRS for SMEs Standard paragraph 7.3]

Operating activities

67 Operating activities are the principal revenue-producing activities of the entity. Consequently, cash flows from operating activities generally result from the transactions and other events and conditions that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

(a) cash receipts from the sale of goods and the rendering of services;

(b) cash receipts from royalties, fees, commissions and other revenue;

(c) cash payments to suppliers for goods and services;

(d) cash payments to and on behalf of employees;

(e) cash payments or refunds of income tax, unless they can be specifically identified with financing and investing activities; ~~and~~

(f) cash receipts and payments from contracts held for dealing or trading purposes; and

(g) cash receipts of dividends and cash receipts and payments of interest as described in paragraphs 84B–84D.

~~(h) cash receipts and payments from investments, loans and other contracts held for dealing or trading purposes, which are similar to inventory acquired specifically for resale.~~

Some transactions, such as the sale of an item of plant by a manufacturing entity, may give rise to a gain or loss that is included in profit or loss. ~~However, t~~The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of AASB 116 *Property, Plant and Equipment* are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities. [Based on *IFRS for SMEs* Accounting Standard paragraph 7.4]

Investing activities

68 Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment (including self-constructed property, plant and equipment), intangible assets and other long-term assets;

(b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

(c) cash payments to acquire equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than payments for those instruments classified as cash equivalents or held for dealing or trading);

(d) cash receipts from sales of equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than receipts for those instruments classified as cash equivalents or held for dealing or trading);

(e) cash advances and loans made to other parties;

(f) cash receipts from the repayment of advances and loans made to other parties;

(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the payments are classified as financing activities; ~~and~~

(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the receipts are classified as financing activities; and~~.~~

(i) cash receipts of interest and dividends as described in paragraphs 84A–84D.

Commented [MR29]: Note for Board members: The following amendments are incorporating consequential amendments made to AASB 107 by AASB 18. These were not separately identified in the tables in ITC 56, but referred to in the introduction to section 2.

Commented [MR30]: Align examples with AASB 107 to ensure consistency in presentation

When a contract is accounted for as a hedge (see AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*), an entity shall classify the cash flows of the contract in the same manner as the cash flows of the item being hedged. [Based on *IFRS for SMEs* Accounting Standard paragraph 7.5]

Financing activities

69 Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of an entity. Examples of cash flows arising from financing activities are:

(a) cash proceeds from issuing shares or other equity instruments;

(b) cash payments to owners to acquire or redeem the entity's shares;

(c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;

(d) cash repayments of amounts borrowed; ~~and~~

(e) cash payments by a lessee for the reduction of the outstanding liability relating to a lease;~~.~~

(f) cash payments of dividends as described in paragraph 83A; and

(g) cash payments of interest as described in paragraphs 84A–84D.

[Based on *IFRS for SMEs* Accounting Standard paragraph 7.6]

Reporting cash flows from operating activities

70 An entity shall present cash flows from operating activities using either:

(a) the indirect method, whereby operating profit or loss is adjusted for:

(i) the effects of non-cash transactions;~~,~~

(ii) any deferrals or accruals of past or future operating cash receipts or payments;

(iii) income or expenses classified in the operating category in the statement of profit or loss for which the associated cash flows are classified as cash flows from either investing or financing activities; and

(iv) cash flows from operating activities for which the associated income or expenses are not classified in the operating category of the statement of profit or loss~~and items of income or expense associated with investing or financing cash flows~~; or

(b) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

[Based on AASB 107 paragraph 18~~*IFRS for SMEs* Standard paragraph 7.7~~]

Indirect method

71 Under the indirect method, the net cash flow from operating activities is determined by adjusting operating profit or loss for the effects of:

(a) changes during the period in inventories and operating receivables and payables;

(b) non-cash items such as depreciation, provisions~~, deferred tax, accrued income (expenses) not yet received (paid) in cash,~~ and unrealised foreign currency gains and losses classified in the operating category;~~, undistributed profits of associates and non-controlling interests~~; ~~and~~

(c) income or expenses classified in the operating category in the statement of profit or loss all other items for which the cash effects are investing or financing cash flows; and

(d) operating cash flows, such as income tax (in accordance with paragraph 85), for which the corresponding income or expenses are not classified in the operating category in the statement of profit or loss. ~~all other items for which the cash effects relate to investing or financing.~~

[Based on AASB 107 paragraph 20~~*IFRS for SMEs* Standard paragraph 7.8~~]

72 Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses classified in the operating category in the statement of profit or loss, ~~disclosed in the statement of comprehensive income and~~ the changes during the period in inventories and operating receivables and payables and any other operating cash flows for which the corresponding income or expenses are not classified in the operating category. [AASB 107 paragraph 20]

28 Paragraph 82 is amended, paragraphs 83 and 84 deleted and paragraphs 83A and 84A–84D are added:

Interest and dividends

82 An entity shall present separately cash flows from interest and dividends received and paid. The entity shall classify cash flows consistently from period to period applying paragraphs 82A, 83A, and 84A–84D. ~~as operating, investing or financing activities.~~ [Based on *IFRS for SMEs* Standard paragraph 7.14]

82A The total amount of interest paid during a period is included disclosed in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with AASB 123 *Borrowing Costs*. [AASB 107 paragraph 32]

~~82 An entity may classify interest paid and interest and dividends received as operating cash flows because they are included in profit or loss. Alternatively, the entity may classify interest paid and interest and dividends received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments. [*IFRS for SMEs* Standard paragraph 7.15]~~

83A An entity shall classify dividends paid as cash flows from financing activities. [AASB 107 paragraph 33A]

~~83 An entity may classify dividends paid as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, the entity may classify dividends paid as a component of cash flows from operating activities because they are paid out of operating cash flows. [*IFRS for SMEs* Standard paragraph 7.16]~~

84A An entity, other than those entities described in paragraph 34B, shall classify:

(a) interest paid (as described in paragraph 32) as cash flows from financing activities.

(b) interest and dividends received as cash flows from investing activities.

[AASB 107 paragraph 34A]

84B An entity that invests in assets or provides financing to customers as a main business activity (as determined applying paragraphs B30–B41 of AASB 18) shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how – applying AASB 18 – it classifies dividend income, interest income and interest expenses in the statement of profit or loss. An entity shall classify the total of each of these cash flows in a single category in the statement of cash flows (that is, either as operating, investing or financing activities). [AASB 107 paragraph 34B]

84C In applying paragraph 34B, if an entity classifies the total of each of dividend income, interest income and interest expenses in a single category of the statement of profit or loss, the entity shall classify the total of each of dividends received, interest received and interest paid as cash flows arising from the associated activity in the statement of cash flows. For example, if an entity classifies all its interest expenses in the financing category of the statement of profit or loss, the entity would classify all its interest paid as cash flows from financing activities. [AASB 107 paragraph 34C]

84D In applying AASB 18, an entity may be required to classify each of dividend income, interest income and interest expenses in more than one category of the statement of profit or loss. In such a case, in applying paragraph 34B the entity shall make an accounting policy choice to classify the related cash flows in one of the associated activities in the statement of cash flows. For example, if an entity classifies interest expenses in the operating category and the financing category of the statement of profit or loss, the entity would classify all its interest paid in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities. [AASB 107 paragraph 34D]

29 Paragraph 88 is amended:

Components of cash and cash equivalents

88 An entity shall disclose ~~present~~ the components of cash and cash equivalents and shall disclose ~~present~~ a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position. [Based on *IFRS for SMEs* Accounting Standard paragraph 7.20]

Commented [MR31]: Editorial amendment to align the language with AASB 18 and AASB 107.

Commented [MR32]: Editorial amendment. Note that this not identified in the amendments in Appendix D to AASB 18. However, staff consider this to be appropriate, as the word "present" now refers to information that is included in the primary financial statements.

30 Paragraphs 90–92 and 94 are amended:

Notes to the Financial Statements[7]

Scope of this section

90 This section sets out the principles underlying information that is to be disclosed ~~presented~~ in the notes to the financial statements and how to disclose ~~present~~ it. Notes contain information in addition to that presented in the statement of financial position, the statement of profit or loss and other comprehensive income (if presented), the statement of profit or loss and the statement of comprehensive income (if presented), the combined statement of income and retained earnings (if presented), the statement of changes in equity (if presented) and the statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this Standard requires disclosures that are normally provided ~~presented~~ in the notes. [Based on *IFRS for SMEs* Accounting Standard paragraph 8.1]

Commented [MR33]: Not identified as editorial amendment in ITC 56 App 2.2.D, but should be updated as well.

Structure of the notes

91 The notes shall:

(a) disclose ~~present~~ information about the basis of preparation of the financial statements (see paragraphs 9–15) and the specific accounting policies used, in accordance with paragraphs 95–97;

(b) disclose the information required by this Standard that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

[Based on *IFRS for SMEs* Accounting Standard paragraph 8.2]

Commented [MR34]: Editorial amendment per ITC 56 Appendix 2.2.D.

Commented [MR35]: AASB 18 refers to paras in AASB 108. However, those paragraphs are excluded for Tier 2 entities, as they contain disclosure requirements. We have instead referred to the equivalent paras in AASB 1060.

92 An entity shall, as far as practicable, present the notes in a systematic manner (see AASB 18 paragraph B112). An entity shall cross-reference each item in the financial statements to any related information in the notes. [Based on *IFRS for SMEs* Accounting Standard paragraph 8.3]

Commented [MR36]: Editorial amendments per ITC 56 Appendix 2.2.D.

93 …

94 An entity may disclose ~~present~~ notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

Commented [MR37]: Editorial amendment per ITC 56 Appendix 2.2.D.

Defined terms

31 Appendix A is amended:

Presentation of the financial statements

Accounting policies **are defined in paragraph 5 of AASB 108** ***Basis of Preparation of Financial Statements*** ~~***Accounting Policies, Changes in Accounting Estimates and Errors***~~**, and the term is used in this Standard with the same meaning.**

Aggregation **is the adding together of assets, liabilities, equity, income, expenses or cash flows that share characteristics and are included in the same classification.**

***Classification* is the sorting of assets, liabilities, equity, income, expenses and cash flows based on shared characteristics.**

***Disaggregation* is the separation of an item into component parts that have characteristics that are not shared.**

***General purpose financial reports* are reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about:**

(a) buying, selling or holding equity and debt instruments;

(b) providing or settling loans and other forms of credit; or

(c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources.

General purpose financial reports include – but are not restricted to – an entity's general purpose financial statements and sustainability-related financial disclosures.

***General purpose financial statements* ~~(referred to as 'financial statements')~~ are a particular form of general purpose financial reports that provide information about the reporting entity's assets, liabilities, equity, income and expenses. ~~those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.~~**

***Impracticable* Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.**

***IFRS Accounting Standards* ~~*International Financial Reporting Standards (IFRSs)*~~ are accounting standards ~~and Interpretations~~ issued by the International Accounting Standards Board (IASB). They comprise:**

(a) International Financial Reporting Standards;

(b) International Accounting Standards;

(c) IFRIC Interpretations; and

(d) SIC Interpretations.[45]

IFRS Accounting Standards were previously known as International Financial Reporting Standards, IFRS, IFRSs and IFRS Standards.

…

Commented [MR38]: Note - definition of MPMs not included, as this is only relevant for the additional disclosures. Not a presentation issue.

***Material information*: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity (see AASB 18 paragraphs B1-B5).**

~~Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.~~

~~Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:~~

~~(a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;~~

~~(b) information regarding a material item, transaction or other event is scattered throughout the financial statements;~~

~~(c) dissimilar items, transactions or other events are inappropriately aggregated;~~

~~(d) similar items, transactions or other events are inappropriately disaggregated; and~~

~~(e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.~~

~~Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.~~

~~Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.~~

Notes **contain information in financial statements provided in addition to that presented in the primary financial statements. ~~statement of financial position, statement(s) of profit or loss and other comprehensive income, separate income statement (if presented), statement of changes in equity and statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.~~**

Operating profit or loss **is the total of all income and expenses classified in the operating category.**

Other comprehensive income **comprises items of income and expense (including reclassification adjustments) that are ~~not~~ recognised outside ~~in~~ profit or loss as required or permitted by other Australian Accounting Standards (see AASB 18 paragraph B87).**

~~The components of other comprehensive income include:~~

~~(a) changes in revaluation surplus (see AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*);~~

~~(b) remeasurements of defined benefit plans (see AASB 119 *Employee Benefits*);~~

~~(c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121 *The Effects of Changes in Foreign Exchange Rates*);~~

~~(d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 *Financial Instruments*;~~

~~(da) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9;~~

~~(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 (see Chapter 6 of AASB 9);~~

~~(f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of AASB 9);~~

~~(g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of AASB 9);~~

~~(h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9);~~

~~(i) insurance finance income and expenses from contracts issued within the scope of AASB 17 *Insurance Contracts* excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of AASB 17; and~~

~~(j) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17.~~

Owners **are holders of claims ~~instruments~~ classified as equity.**

Primary financial statements are the statement(s) of financial performance, the statement of financial position, the statement of changes in equity and the statement of cash flows.

***Profit or loss* is the total of income less expenses included in the statement of profit or loss.~~, excluding the components of other comprehensive income.~~**

***Profit or loss before financing and income taxes* is the total of operating profit or loss and all income and expenses classified in the investing category.**

***Reclassification adjustments* are amounts reclassified to profit or loss in the current period that were included ~~recognised~~ in other comprehensive income in the current or previous periods.**

***Total comprehensive income* is the change in equity during a reporting period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.**

~~Total comprehensive income comprises all components of 'profit or loss' and of 'other comprehensive income'.~~

***Useful structured summary* is a structured summary provided in a primary financial statement of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows that is useful for:**

(a) obtaining an understandable overview of the entity's recognised assets, liabilities, equity, income, expenses and cash flows;

(b) making comparisons between entities, and between reporting periods for the same entity; and

(c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.

Statement of Cash Flows

…

***Investing activities* are the acquisition and disposal of long-term assets and other investments not included in cash equivalents and the receipt of interest and dividends as described in paragraphs 84A–84D.**

Effective date and transition

32 The title of Appendix B is amended and paragraphs B2-B5 are added:

Appendix B
Effective date and transition

Commented [MR39]: **Note** - this section is work in progress and subject to further discussion & review.

This appendix is an integral part of the Standard.

Effective date

B2 AASB 2026-X *Amendments to Australian Accounting Standards– Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18*, issued in Month 2026, made the amendments set out in paragraphs 1–31. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 202X. Earlier application of the amendments is permitted. If any entity applies the amendments for an earlier period, it shall disclose that fact.

Transition

B3 An entity shall apply this Standard retrospectively applying AASB 108. However, an entity is not required to present the quantitative information specified in paragraph 106(b).

B4 In its annual financial statements an entity shall disclose, for the comparative period immediately preceding the period in which this Standard is first applied, a reconciliation for each line item in the statement of profit or loss between:

(a) the restated amounts presented applying the amendments made by this Standard; and

(b) the amounts previously presented.

Commented [MR40]: For further discussion/consideration: In AASB 18, this disclosure is required instead of the disclosure in AASB 108 para 28(f). AASB 1060 has an equivalent disclosure requirement in para 106(b). For the purpose of this draft, we have similarly stated that an entity does not have to comply with paragraph 106(b).

B5 At the date of initial application of this Standard, an entity eligible to apply paragraph 18 of AASB 128 is permitted to change its election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss in accordance with AASB 9. If an entity makes such a change, the entity shall apply the change retrospectively applying AASB 108. An entity applying paragraph 11 of AASB 127 shall make the same change in its separate financial statements.

Amendments to other Australian Accounting Standards

33 AASB 108 and AASB 18 are amended:

AASB 108 Basis of Preparation of Financial Statements

Paragraph AusA1 of Appendix A is amended. New text is underlined:

Appendix A
Australian simplified disclosures for Tier 2 entities

…

AusA1 Paragraphs ~~28–31,~~ 6A–6B, 6E to AusCF6I, 27A–31I, 39–40 and 49 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. In paragraph 6K, the third and fourth sentences, commencing with “When management is aware, …”, do not apply to those Tier 2 Entities.

AASB 18 Presentation and Disclosure in Financial Statements

Appendix E is added:

Appendix E
Australian simplified disclosures for Tier 2 entities

This Appendix is an integral part of the Standard.

AusE1 This Standard does not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*

Commencement of the legislative instrument

34 For legal purposes, this legislative instrument commences on … [31 December 202X].

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2026-X Amendments to Australian Accounting Standards– Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in the Exposure Draft. It sets out the reasons why the Board developed the Exposure Draft, the approach taken to developing the Exposure Draft and the bases for the key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

Background

Tier 1 amendments

BC2 In June 2024, the AASB issued AASB 18 *Presentation and Disclosure in Financial Statements* to replace AASB 101 *Presentation of Financial Statements*. AASB 18 introduces new classification and presentation requirements and new disclosure requirements. It also clearly defines the roles of the primary financial statements and distinguishes between presentation of information in the financial statements versus disclosure in the notes to the financial statements. In addition, AASB 18:

(a) updates the defined terms relevant to presentation and disclosures and moves them to Appendix A of the Standard;

(b) introduces a new structure that distinguishes between the main requirements and further application guidance in Appendix B (but noting that the application guidance has the same (mandatory) authority as the other parts of the Standard);

(c) makes consequential amendments to other Standards, including AASB 107 *Statement of Cash Flows*; and

(d) moves some paragraphs from AASB 101 to AASB 108 and renames AASB 108 from *Accounting Policies, Changes in Accounting Estimates and Errors* to *Basis of Preparation of Financial Statements*.

BC3 AASB 18 is effective for annual reporting periods beginning on or after 1 January 2027 for for-profit entities (other than superannuation entities applying AASB 1056 Superannuation Entities) preparing Tier 1 general purpose financial statements, with earlier application permitted. For not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities applying AASB 1056, AASB 18 currently applies to annual reporting periods beginning on or after 1 January 2028. Earlier application is also permitted for these entities. See paragraphs BC29 – BC30 for the impact of amendments proposed by ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation.*

AASB 18's new classification and presentation requirements

BC4 Under AASB 18, income and expenses in the statement of profit or loss (P&L) are required to be classified into five categories – operating, investing, financing, income taxes and discontinued operations – of which three categories are new:

(a) operating category – all income and expenses from the entity's main business activities that are not classified in other categories;

(b) investing category – income and expenses from assets generating returns independently, such as rental income, dividends or interest revenue; and

(c) financing category – income and expenses directly related to raising finance, such as interest expense on borrowings or lease liabilities.

BC5 The P&L is also required to present two new subtotals:

(a) 'operating profit or loss' – includes all income and expenses classified in the operating category; and

(b) 'profit or loss before financing and income tax' – combines operating profit or loss and income and expenses classified in the investing category.

BC6 AASB 18 further introduces principles on grouping transactions and other events into the line items required to be presented in the primary financial statements, as well as guidance on labelling and describing those items. These principles require entities to:

(a) aggregate items that share characteristics and disaggregate items that have different characteristics;

(b) group items in a way that does not obscure material information or reduce the understandability of the information presented; and

(c) place items in the primary financial statements and the notes to fulfil their complementary roles.

BC7 AASB 18 also makes consequential amendments to AASB 107, which:

(a) require the indirect method of reporting cash flows from operating activities to use 'operating profit or loss' as the starting point, instead of 'profit or loss'; and

(b) mandate that dividends and interest received are classified as investing activities and dividends and interest paid as finance activities (i.e. this amendment removes the current accounting policy choice for classifying cash flows for interest and dividends

Relevance of the amendments to AASB 1060

BC8 The AASB has established a set of principles and a consistent approach to determining the presentation and disclosure requirements for Tier 2 entities preparing general purpose financial statements.

AASB principles for establishing the initial AASB 1060 requirements

BC9 The AASB applied a bottom-up approach to disclosure simplification, starting with the disclosures required under the *IFRS for SMEs* Accounting Standard and tailoring them to fit the Australian context, while ensuring consistency with the recognition and measurement (R&M) requirements of Tier 1 Australian Accounting Standards (AAS), which are aligned with the full IFRS Accounting Standards. AASB 1060 sets out all of the disclosure requirements applicable to Tier 2 entities, which are not required to comply with the disclosure requirements in other AAS.

BC10 As stated in AASB 1060 paragraph BC47, the AASB did not intend to alter the presentation requirements or accounting treatments available under the full AAS when it developed AASB 1060. The general principle was to retain the presentation requirements of the full AAS.

Commented [MR41]: Including reference here, rather than in a footnote, on the basis that these BCs will become all part of the BCs to AASB 1060, and we don't usually use footnotes for internal references within the same document.

BC11 To simplify the application of AASB 1060 for Tier 2 entities, the AASB decided to replace Standards that exclusively addressed presentation and disclosure requirements with the corresponding requirements in AASB 1060 (see AASB 1060 paragraph BC54). These Standards were:

(a) AASB 7 *Financial Instruments: Disclosures*;

(b) AASB 12 *Disclosure of Interests in Other Entities*;

(c) AASB 101 *Presentation of Financial Statements*;

(d) AASB 107 *Statement of Cash Flows*; and

(e) AASB 124 *Related Party Disclosures*.

BC12 As AASB 1060 includes all mandatory presentation and disclosure requirements from the five Standards noted above, entities applying AASB 1060 do not need to comply with those Standards.[1] However, entities may refer to those Standards for guidance in complying with the AASB 1060 requirements, as the guidance was not included in AASB 1060 – see AASB 1060 paragraphs 2 and BC55.

BC13 When drafting AASB 1060, the AASB further applied the following principles in relation to the guidance provided by Standards whose presentation and disclosure requirements were incorporated in AASB 1060:

(a) guidance was included where it was also included in the *IFRS for SMEs* Accounting Standard;

(b) definitions from the replaced Standards were included in Appendix A; and

(c) paragraph 2 of AASB 1060 notes that entities are permitted to refer to the replaced Standards for further guidance.

1 Paragraphs 20A and 20B of AASB 1057 *Application of Australian Accounting Standards*

Consideration of the impact of AASB 18 on AASB 1060

BC14 As AASB 18 introduces new presentation and classification requirements and will replace AASB 101, AASB 1060 will need to be amended to retain alignment of the presentation requirements for Tier 1 and Tier 2 entities.

BC15 AASB 18 has also relocated some paragraphs from AASB 101 to AASB 108. This change is relevant for AASB 1060 because:

(a) presentation requirements, related guidance and definitions from AASB 101 were included in AASB 1060 so that entities are not required to comply with AASB 101. However, presentation requirements and guidance from AASB 101 were included in AASB 1060 only to the extent that it is also included in the *IFRS for SMEs* Accounting Standard; and

(b) definitions and presentation requirements that are in AASB 108 continue to apply to Tier 2 entities. Tier 2 entities are only exempt from applying the disclosure requirements in AASB 108, which are listed in Appendix A of AASB 108.

BC16 Internationally, the IASB did not consider the effect of IFRS 18 in its second comprehensive review of the *IFRS for SMEs* Accounting Standard. However, it plans to address this topic in the next review of the Standard. The new Standard IFRS 19 *Subsidiaries without Public Accountability: Disclosures* covers only disclosure requirements. Entities applying IFRS 19 must comply with the presentation and classification requirements of IFRS 18.

Approach to updating AASB 1060 for the new 18 classification and presentation requirements

BC17 To maintain consistency of the classification and presentation of items in the primary financial statements of Tier 1 and Tier 2 entities, the AASB proposes making equivalent amendments to AASB 1060. However, the AASB proposes retaining the following two presentation simplifications from the *IFRS for SMEs* Accounting Standard, which will continue to differ from full IFRS Standards. These concessions are:

(a) an entity is not required to present a third statement of financial position when it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) an entity is permitted to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors and changes in accounting policy.

BC18 AASB 1060 currently includes presentation and classification requirements, including related guidance of AASB 101, in the main body of the Standard and in Appendix A (definitions) to the extent these requirements and guidance was included in the *IFRS for SMEs* Accounting Standard. In ITC 56, the AASB asked stakeholders for their views on the following two approaches to achieve alignment of the presentation and classification requirements for Tier 1 and Tier 2 entities:

(a) Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18.

(b) Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements.

BC19 On balance, most stakeholders favoured option A, which is therefore the option adopted in this Exposure Draft.

BC20 Where new paragraphs were added from AASB 18, the source of those requirements is noted in [square brackets] at the end of each relevant paragraph. This, together with the existing references to the *IFRS for SMEs* Accounting Standard, shows whether a particular requirement was taken from the *IFRS for SMEs* Accounting Standard or from AASB 18.

Including guidance on presentation requirements in AASB 1060

BC21 Some of the paragraphs currently included in AASB 1060 are identified as application guidance in AASB 18, whereas other content classified as application guidance in AASB 18 is presently incorporated within the definitions in Appendix A of AASB 1060. To establish a consistent principle for future updates, the AASB has adopted the following approach in this Exposure Draft:

(a) include all of the classification and presentation requirements that are in the main body of AASB 18 in AASB 1060;

(b) update the definitions in Appendix A of AASB 1060 to align with those in AASB 18;

(c) specify in AASB 1060 paragraph 2 that the application guidance in Appendix B of AASB 18 continues to apply to the extent that it is relevant to the classification and presentation requirements, and include references to this application guidance with the relevant requirements in AASB 1060; and

(d) remove guidance from AASB 1060 that is now included in Appendix B of AASB 18, but retain paragraphs that specify additional disclosure requirements (i.e. where the guidance not only explains how to develop the disclosures, but also requires additional disclosures under certain circumstances and those disclosures are currently included in AASB 1060).[2]

BC22 While stakeholders had previously raised concerns about presentation guidance that was not included directly in AASB 1060 (see AASB 1060 paragraph BC55), AASB 18 now includes application guidance in an appendix (Appendix B). It, therefore, provides a clearer approach to distinguishing which classification and presentation guidance from AASB 18 should be included in AASB 1060 and which should be referred to by Tier 2 entities without being included directly in AASB 1060 (i.e. the guidance in Appendix B). Including all paragraphs from the body of AASB 18 that deal with classification and presentation requirements in AASB 1060 and referring to relevant guidance in Appendix B of AASB 18 will ensure consistency in the presentation of the primary financial statements of Tier 1 and Tier 2 entities. It will also avoid making arbitrary decisions on which guidance should be included in AASB 1060 and which could be omitted.

BC23 Presentation requirements included in other standards that are not replaced in their entirety by AASB 1060, such as AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, continue to apply to Tier 2 entities.

Commented [MR42]: Other examples are AASB 14 and AASB 16 para 49. Have not checked whether this is a complete list.

BC24 Although this approach increases the volume of AASB 1060, feedback from stakeholders on ITC 56 was that they liked the fact that AASB 1060 covers most presentation and all disclosure requirements and is therefore a quasi 'one-stop-shop' for the preparation of the financial statements.

Amendments to the statement of cash flow requirements and other changes

BC25 AASB 18 further made several consequential amendments to AASB 107 *Statement of Cash Flows.* To ensure Tier 2 entities apply the same presentation requirements to their statement of cash flows as Tier 1 entities, this ED therefore also proposes amendments to the equivalent paragraphs in AASB 1060.

BC26 Some paragraphs that were previously included in AASB 101 *Presentation of Financial Statements* have been moved to AASB 108 *Basis of Preparation of Financial Statements* by AASB 18*.* Where those paragraphs cover presentation requirements, they will apply to Tier 2 entities, as AASB 108 is not one of the standards that are replaced in their entirety by AASB 1060. This ED therefore proposes to delete the relevant paragraphs from AASB 1060. However, where the paragraphs include disclosure requirements, they will be retained.

BC27 Finally, this ED proposes several editorial changes to AASB 1060. These are the result of changes made by AASB 18 to the language used in the Standard, in particular the clear distinction between presenting items in the primary financial statements versus disclosing information in the notes.

Effective date

Commented [MR43]: To discuss/consider whether we should include BCs re the transition requirements

BC28 The Board proposes that the amendments are made effective for annual periods beginning on or after 1 January 202X with earlier application permitted. Tier 2 entities will therefore be able to apply the same presentation requirements as Tier 1 entities for financial periods beginning on or after 1 January 2027, but they will have a xx year grace period before the new requirements become mandatory for them.

BC29 In October 2025, the AASB issued ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* which proposes amendments to

(a) AASB 18 and AASB 107 *Statement of Cash Flows* to relieve superannuation entities and NFP public sector entities preparing Tier 1 general purpose financial statements (GPFS) from certain requirements;

2 See, for example, paragraph 47A of AASB 1060 which requires disclosures about certain loan arrangements that are subject covenants. In AASB 18, this is now covered in paragraph B106. However, paragraph 47A should be retained in AASB 1060, as it is a disclosure requirement.

(b) AASB 18 to clarify how certain principles should be applied by NFP entities in the private and public sectors;

(c) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to align certain terminology with that used in recent Australian Accounting Standards;

(d) AASB 1056 *Superannuation Entities* to facilitate application of AASB 18 and AASB 107 by superannuation entities; and

(e) AASB 1054 *Australian Additional Disclosures* and AASB 1039 *Concise Financial Reports* for consistency with AASB 107 in respect of entities preparing Tier 1 GPFS, including for-profit private sector entities.

BC30 If any relief is provided to NFP entities preparing Tier 1 GPFS (for example, the amendments proposed in ED 338), the AASB will consider providing equivalent relief for Tier 2 entities.