

**AASB Exposure Draft**

**ED 3XY**  
[Month 202X]

# Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements

Comments to the AASB by XX Month 202X

**Note for Board members:**

This is a working draft of the ED with several sections still to be developed and finalised, including the effect of the decisions the Board is requested to make regarding this Agenda Item and Agenda Item 3 for the June 2024 Board meeting. Therefore, the drafting including paragraphs numbers and reference may change in a future draft.

The objective of the agenda paper is to seek the Board's feedback on the drafting of the amendments, in particular to the *Conceptual Framework for Financial Reporting*.

Further, staff is seeking the Board's preliminary feedback on the following drafting areas:

- (a) the consequential amendments to AASB 1, AASB 1053 and AASB 1057;
- (b) the consequential amendments to AusCF paragraphs in various Standards and Interpretations; and
- (c) give not-for-profit entities the same access to transitional relief on first applying the *Conceptual Framework* as was available to many for-profit private sector entities.

There are no questions to the Board in this paper, however, Agenda Paper 7.1 includes questions regarding drafting of this paper. Staff have also included Notes to the Board in this paper to draw the Board members' attention to particular matters.



**Australian Government**

**Australian Accounting  
Standards Board**

## Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by [date to be determined by the Board].

### 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](http://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@aaasb.gov.au](mailto:standard@aaasb.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.

Draft

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# Introduction

## Australian Accounting Standards

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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. AASB Exposure Draft 3XX *General Purpose Financial Statements – Simplified Accounting for Not-for-Profit Private Sector Tier 3 Entities*, issued at the same time as this Exposure Draft, proposes a third tier of Australian Accounting Standards that will be accessible by not-for-profit private sector entities.

## Exposure Drafts

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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

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[to be developed]

## What we are proposing

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[to be developed]

## What happens next

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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

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Comments are invited on any of the proposals in this Exposure Draft by [date]. 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 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

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[to be developed]

## General matters for comment

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[to be developed]

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PREFACE

**[DRAFT] ACCOUNTING STANDARD  
AASB 20XX-X AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – LIMITING THE ABILITY  
OF NOT-FOR-PROFIT ENTITIES TO PREPARE SPECIAL PURPOSE FINANCIAL STATEMENTS**

*from paragraph*

[To be generated]

**[DRAFT] BASIS FOR CONCLUSIONS ON AASB 20XX-X**

[Draft] Australian Accounting Standard AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* is set out in paragraphs 1–y and Appendix A. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 20XX-X is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards*. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

Draft

## **Preface**

### **Standards amended by AASB 20XX-X**

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This [draft] Standard makes amendments to the Australian Accounting Standards, Interpretations and other pronouncements listed in paragraph 1 of the Standard.

### **Main features of this [draft] Standard**

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#### **Main requirements**

[To be developed]

#### **Application date**

This [draft] Standard applies to annual periods beginning on or after [date], with earlier application permitted.

*Draft*

## [Draft] Accounting Standard AASB 20XX-X

The Australian Accounting Standards Board makes Accounting Standard AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* under section 334 of the *Corporations Act 2001*.

Dated ... [date]

Keith Kendall  
Chair – AASB

## [Draft] Accounting Standard AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*

### Objective

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- 1 This Standard amends:
- (a) the *Conceptual Framework for Financial Reporting* (May 2019);
  - (b) the *Framework for the Preparation and Presentation of Financial Statements* (July 2004);
  - (c) Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* (August 1990);
  - (d) AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015);
  - (e) AASB 2 *Share-based Payment* (July 2015);
  - (f) AASB 3 *Business Combinations* (August 2015);
  - (g) AASB 6 *Exploration for and Evaluation of Mineral Resources* (August 2015);
  - (h) AASB 7 *Financial Instruments: Disclosures* (August 2015);
  - (i) AASB 8 *Operating Segments* (August 2015);
  - (j) AASB 9 *Financial Instruments* (December 2014);
  - (k) AASB 10 *Consolidated Financial Statements* (July 2015);
  - (l) AASB 12 *Disclosure of Interests in Other Entities* (August 2015);
  - (m) AASB 14 *Regulatory Deferral Accounts* (June 2014);
  - (n) AASB 17 *Insurance Contracts* (July 2017);
  - (o) AASB 101 *Presentation of Financial Statements* (July 2015);
  - (p) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (August 2015);
  - (q) AASB 110 *Events after the Reporting Period* (August 2015);
  - (r) AASB 112 *Income Taxes* (August 2015);
  - (s) AASB 116 *Property, Plant and Equipment* (August 2015);
  - (t) AASB 119 *Employee Benefits* (August 2015);
  - (u) AASB 121 *The Effects of Changes in Foreign Exchange Rates* (August 2015);
  - (v) AASB 124 *Related Party Disclosures* (July 2015);
  - (w) AASB 128 *Investments in Associates and Joint Ventures* (August 2015);
  - (x) AASB 132 *Financial Instruments: Presentation* (August 2015);
  - (y) AASB 133 *Earnings per Share* (August 2015);
  - (z) AASB 134 *Interim Financial Reporting* (August 2015);
  - (aa) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (August 2015);
  - (bb) AASB 139 *Financial Instruments: Recognition and Measurement* (August 2015);

- (cc) AASB 140 *Investment Property* (August 2015);
- (dd) AASB 141 *Agriculture* (August 2015);
- (ee) AASB 1023 *General Insurance Contracts* (July 2004);
- (ff) AASB 1048 *Interpretation of Standards* (December 2017);
- (gg) AASB 1052 *Disaggregated Disclosures* (December 2007)
- (hh) AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010);
- (ii) AASB 1054 *Australian Additional Disclosures* (May 2011);
- (jj) AASB 1056 *Superannuation Entities* (December 2023);
- (kk) AASB 1057 *Application of Australian Accounting Standards* (July 2015);
- (ll) Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (August 2015);
- (mm) Interpretation 132 *Intangible Assets – Web Site Costs* (August 2015);
- (nn) Interpretation 1003 *Australian Petroleum Resource Rent Tax* (November 2007);
- (oo) Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* (July 2004); and
- (pp) AASB Practice Statement 2 *Making Materiality Judgements* (December 2017);

to extend the application of the *Conceptual Framework for Financial Reporting* to not-for-profit entities and make consequential amendments to other Standards and pronouncements.

**Note 1 to Board members:**

The majority of the amendments to AASB pronouncements other than the *Conceptual Framework* relate to amendments required to AusCF paragraphs. AusCF paragraphs were added into many AASB pronouncements as part of the Board’s for-profit financial reporting framework project. The additions were mainly made via AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*. An AusCF paragraph explaining the entities (NFP and some for-profit private sector entities) to which AusCF paragraphs were applicable was added into those pronouncements that needed to maintain a reference to the *Framework for the Preparation and Presentation of Financial Statements* and/or referred to a ‘reporting entity’ in the text of the pronouncement. These AusCF paragraphs must now be consequentially amended as a result of the Board’s proposals regarding extending the application of the *Conceptual Framework* to NFP entities.

- 2 The amendments made to the *Conceptual Framework for Financial Reporting* by this Standard limit the population of not-for-profit entities for which the reporting entity concept in SAC 1 remains relevant. When this Standard is effective, many not-for-profit entities will no longer be able to prepare special purpose financial statements in satisfaction of a constituting or other document requirement to prepare financial statements that comply with Australian Accounting Standards or when legislation requires the preparation of financial statements that comply with either Australian Accounting Standards or accounting standards.

## Application

- 3 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards and Interpretations set out in AASB 1057 *Application of Australian Accounting Standards* and the other pronouncements.
- 4 An entity shall apply this Standard for annual reporting periods beginning on or after [date]. This Standard may be applied to annual periods beginning before [date], provided that [AASB 10XX *General Purpose Financial Statements – Not-For-Profit Private Sector Tier 3 Entities*] is applied at the same time. When an entity applies this Standard to such an annual period, it shall disclose that fact.
- 5 This Standard uses underlining, striking out and other typographical material to identify the amendments to a Standard or an Interpretation, 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 the *Conceptual Framework for Financial Reporting*

6 Paragraph Aus1.1 is amended and paragraph Aus1.2A is added as follows. Paragraphs Aus1.2 and Aus1.3 are unamended but have been included for ease of reference:

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

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

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

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

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

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

except as otherwise required by Australian Accounting Standards.

### **Note 2 to Board members:**

The approach taken to developing proposed amendments to Aus1.1 is discussed in Agenda Paper 7.1. As noted in that agenda paper, there are other possible amendments that could be made to this paragraph.

7 Staff’s approach to the drafting of paragraph Aus1.1 of the *Conceptual Framework* is discussed in Agenda Paper 7.1. As noted in that agenda paper, there are other possible amendments that could be made to the paragraph. Paragraph AusSP1.5.1 is added after paragraph SP1.5 as follows. Paragraph SP1.5 is unamended but has been included for ease of reference:

SP1.5 The *Conceptual Framework* contributes to the stated mission of the Board, including developing Standards that bring transparency, accountability and efficiency to financial markets in Australia. The Board’s work serves the public interest by fostering trust, growth and long-term financial stability in the Australian economy. The *Conceptual Framework* provides the foundation for Standards that:

- (a) contribute to transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.
- (b) strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. Standards based on the *Conceptual Framework* provide information needed to hold management to account. As a source of globally comparable information, those Standards are also of vital importance to regulators around the world.
- (c) contribute to economic efficiency by helping investors to identify opportunities and risks across the world, thus improving capital allocation. For businesses, the use of a single,



trusted accounting language derived from Standards based on the *Conceptual Framework* lowers the cost of capital and reduces international reporting costs.

AusSP1.5.1 In respect of not-for-profit entities, the *Conceptual Framework* also contributes to the stated mission of the Board, including developing Standards that bring transparency and accountability of those entities to their resource providers and beneficiaries, and efficiency to the allocation of scarce resources to not-for-profit entities in Australia. The *Conceptual Framework* also, in respect of not-for-profit entities, provides the foundation for Standards that:

- (a) strengthen accountability by reducing the information gap between the providers of resources and the people to whom they have entrusted those resources. Standards based on the *Conceptual Framework* contribute to providing information needed to hold management to account.
- (b) contribute to better deployment of scarce resources by helping resource providers and beneficiaries to compare the efficiency and effectiveness of service delivery by different entities, and the capacity of entities to provide services in the future, thus assisting the allocation of resources and the identification of future resource needs.

**Note 3 to Board members:**

With respect to AusSP1.5.1(a), at its 7-8 March 2024 meeting the Board observed that supplementary or other information besides that provided by Standards based on the *Conceptual Framework* is also important information that is needed to hold management to account. Staff have amended the wording of AusSP1.5.1(a) to more explicitly acknowledge this by using the term “contribute to providing” instead of “provide” but note the resulting slight textual inconsistency to SP1.5(b).

With respect to AusSP1.5.1(b), at its 7-8 March 2024 meeting the Board observed the drafting had a for-profit slant, and requested staff to consider whether it could be improved. The text of paragraph AusSP1.5(b) considered by the Board at its previous meeting read as follows:

*... contribute to economic efficiency by helping resource providers and beneficiaries to compare the efficiency and effectiveness of service delivery by different entities, and the capacity of entities to provide services in the future, thus assisting the allocation of resources and the identification of future resource needs.*

Staff have amended the previous reference to economic efficiency, but have left unamended the reference to the efficiency and effectiveness of service delivery by different entities and the capacity of entities to provide services in the future as staff think that these references are consistent with Aus1.2.1 and Aus1.3.1 (see below). Staff also note that the Auditing and Assurance Standards Board (AUASB) Standard ASAE 3500 *Performance Engagements* observes that performance engagements are often initiated by a Government (or Auditor-General) to evaluate the efficiency and effectiveness of a government controlled or delivered activity. Consequently, staff think these terms also apply equally to the not-for-profit sector.

8 Paragraphs Aus1.2.1 and Aus1.3.1 are added as follows. Paragraphs 1.2 and 1.3 are unamended but have been included for ease of reference:<sup>1</sup>

**Objective, usefulness and limitations of general purpose financial reporting**

1.2 The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors 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, management’s actions that affect the use of the entity’s economic resources.

Aus1.2.1 Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). Such users may make resource allocation decisions in relation to not-for-profit entities that differ from those identified in paragraph 1.2. For example, donors and other funders decide whether to commit resources to an entity, taxpayers decide who should represent them in government, recipients decide whether they can continue to rely on the provision of goods and services from the entity or whether to seek alternative suppliers, and parliaments decide, on behalf of constituents, whether to support particular programmes for

<sup>1</sup> The footnotes to paragraph 1.2 have not been reproduced here.

delivery by an entity. In relation to not-for-profit entities, where pertinent, all references in the Conceptual Framework to ‘existing and potential investors, lenders and other creditors’ (and related terms) should be read as a reference to this broader range of users.

**Note 4 to Board members:**

Paragraph Aus1.2.1 has been amended to reorder the text to give better visibility in the paragraph to donors as resource providers, and the term ‘funders’ has also been added to the paragraph, as directed by the Board at its 7-8 March 2024 meeting. The term ‘funders’ provides better clarity than ‘donors’, which had been previously employed to encapsulate both donors and other funders (e.g. sponsors and grantors). Staff have also updated the text of the paragraph to avoid using the language ‘fund’ and ‘donate’ in light of the inclusion of the term ‘funders’.

The paragraph previously considered by the Board read as follows:

*Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as investors, lenders and other creditors, donors and taxpayers), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). ... For example, taxpayers decide, on behalf of constituents, whether to fund particular programmes for delivery by an entity, taxpayers decide who should represent them in government, donors decide whether to donate resources to an entity, and recipients decide whether they can continue to rely on the provision of goods and services from the entity or whether to seek alternative suppliers. ...*

1.3 The decisions described in paragraph 1.2 depend on the returns that existing and potential investors, lenders and other creditors expect, for example, dividends, principal and interest payments or market price increases. Investors’, lenders’ and other creditors’ expectations about returns depend on their assessment of the amount, timing and uncertainty of (the prospects for) future net cash inflows to the entity and on their assessment of management’s stewardship of the entity’s economic resources. Existing and potential investors, lenders and other creditors need information to help them make those assessments.

Aus1.3.1 In respect of not-for-profit entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with the ability of the entity to achieve its objectives (whether financial or non-financial), which in turn may depend, at least in part, on the entity’s prospects for future net cash inflows and management’s stewardship of the entity’s economic resources (see also paragraph Aus1.18.1). Users will, for example, be interested in the capability of the entity’s resources to provide goods and services in the future. Accordingly, in relation to not-for-profit entities, where pertinent, references in this Conceptual Framework to ‘assessing prospects for future net cash inflows to the entity’, ‘assessing prospects for how future cash flows will be distributed among those with a claim against the reporting entity’ and ‘assessing management’s stewardship of the entity’s economic resources’ (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in this paragraph.

9 Paragraphs Aus1.15.1, Aus1.16.1, Aus1.18.1 and a footnote are added as follows. Paragraphs 1.15, 1.16 and 1.18 are unamended but have been included for ease of reference:

**Changes in economic resources and claims**

1.15 Changes in a reporting entity’s economic resources and claims result from that entity’s financial performance (see paragraphs 1.17–1.20) and from other events or transactions such as issuing debt or equity instruments (see paragraph 1.21). To properly assess both the prospects for future net cash inflows to the reporting entity and management’s stewardship of the entity’s economic resources, users need to be able to identify those two types of changes.

Aus1.15.1 In respect of not-for-profit entities, transactions in equity instruments and distributions to investors typically do not occur (however, exceptions may occur, such as where a not-for-profit entity controls a for-profit subsidiary with equity instruments, possibly including non-controlling equity interests, that generates surpluses to subsidise the service-delivery activities of that not-for-profit parent entity).<sup>6</sup>

<sup>6</sup> See paragraph Aus4.67.1, which refers to the typical absence of defined equity interests in not-for-profit entities and states that each reference to an ‘equity claim’ in this *Conceptual Framework* should, in relation to not-for-profit entities, be read as a reference to a residual interest in the entity.

1.16 Information about a reporting entity’s financial performance helps users to understand the return that the entity has produced on its economic resources. Information about the return the entity has produced can help users to assess management’s stewardship of the entity’s economic resources.

Information about the variability and components of that return is also important, especially in assessing the uncertainty of future cash flows. Information about a reporting entity's past financial performance and how its management discharged its stewardship responsibilities is usually helpful in predicting the entity's future returns on its economic resources.

Aus1.16.1 In respect of a not-for-profit entity, information about its past financial performance and how its management discharged its stewardship responsibilities is usually helpful for predicting:

- (a) the volume and cost of future services; and
- (b) the sustainability of future service delivery through managing the resources needed to deliver those services, and through recovering the cost of those future services from taxes, appropriations, donations and other income.

...

#### **Financial performance reflected by accrual accounting**

...

1.18 Information about a reporting entity's financial performance during a period, reflected by changes in its economic resources and claims other than by obtaining additional resources directly from investors and creditors (see paragraph 1.21), is useful in assessing the entity's past and future ability to generate net cash inflows. That information indicates the extent to which the reporting entity has increased its available economic resources, and thus its capacity for generating net cash inflows through its operations rather than by obtaining additional resources directly from investors and creditors. Information about a reporting entity's financial performance during a period can also help users to assess management's stewardship of the entity's economic resources.

Aus1.18.1 In respect of not-for-profit entities, information useful for assessing an entity's past and future ability to generate net cash inflows through its operations and management's stewardship of the entity's economic resources is, in turn, useful for assessing whether income from taxpayers, donors and other sources was sufficient, and is likely to remain sufficient, to meet the cost of a given volume and quality of goods and services the entity provides. These assessments are in addition to others mentioned in paragraph Aus1.16.1.

10 Paragraph Aus2.41.1 is added as follows. Paragraphs 2.39 – 2.41 are unamended but have been included for ease of reference:

#### **The cost constraint on useful financial reporting**

2.39 Cost is a pervasive constraint on the information that can be provided by financial reporting. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.

2.40 Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.

2.41 Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. An individual investor, lender or other creditor also receives benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.

Aus2.41.1 In respect of not-for-profit entities, reporting financial information that is relevant and faithfully represents what it purports to represent similarly helps users to make decisions with more confidence and make more informed decisions. Information that helps users understand how management have discharged their responsibilities results in more efficient allocation of scarce resources to not-for-profit entities throughout the economy.

#### **Note 5 to Board members:**

The drafting of paragraph Aus2.41.1 previously referenced the allocation of loan capital. At its 7-8 March 2024 meeting, Board members observed that NFP entities are not usually funded by loans, and suggested revising the text to be a broader reference to the discharge of management accountability. Staff have revised the text having regard to the comment raised.

The paragraph previously considered by the Board read as follows:

*In respect of not-for-profit entities, reporting financial information that is relevant and faithfully represents what it purports to represent similarly helps users to make decisions with more confidence and make more informed decisions. This results in more efficient allocation of loan capital and, most importantly, other scarce resources to not-for-profit entities throughout the economy.*

11 Paragraphs Aus4.4.1, Aus4.16.1, Aus4.16.2, Aus4.25.1 and Aus4.67.1 are added as follows. Paragraphs 4.3, 4.4, 4.16, 4.25 and 4.67 are unamended but have been included for ease of reference:

**Definition of an asset**

4.3 An asset is a present economic resource controlled by the entity as a result of past events.

4.4 An economic resource is a right that has the potential to produce economic benefits.

Aus4.4.1 In respect of not-for-profit entities in the public or private sector, in pursuing their objectives, goods and services are provided that have the capacity to satisfy human wants and needs. Assets provide a means for entities to achieve their objectives. The potential to produce economic benefits is the essence of assets and is synonymous with the notion of service potential, and is used in the Conceptual Framework as a reference also to service potential. The potential to produce economic benefits can be described as the scarce capacity to provide benefits to the entities that use them in pursuing their objectives, and is common to all assets irrespective of their physical or other form.

**Note 6 to Board members:**

Staff have revised the drafting of paragraph Aus4.4.1 to avoid developing a definition of service potential. The revised drafting better expresses that an economic resource is a right to service potential, rather than an economic resource being the right to the potential to provide services.

The paragraph considered by the Board at its 7-8 March 2024 meeting read as follows:

*In respect of not-for-profit entities in the public or private sector, in pursuing their objectives, goods and services are provided that have the capacity to satisfy human wants and needs. Assets provide a means for entities to achieve their objectives. The potential to produce economic benefits is the essence of assets and is synonymous with the notion of service potential. Consequently, 'the potential to produce economic benefits' (and related terms) is used in the Conceptual Framework as a reference also to the potential to produce services (described elsewhere in the Conceptual Framework as 'service potential'). The potential to produce economic benefits can be described as the scarce capacity to provide benefits to the entities that use them in pursuing their objectives, and is common to all assets irrespective of their physical or other form.*

...

**Potential to produce economic benefits**

...

4.16 An economic resource could produce economic benefits for an entity by entitling or enabling it to do, for example, one or more of the following:

- (a) receive contractual cash flows or another economic resource;
- (b) exchange economic resources with another party on favourable terms;
- (c) produce cash inflows or avoid cash outflows by, for example:
  - (i) using the economic resource either individually or in combination with other economic resources to produce goods or provide services;
  - (ii) using the economic resource to enhance the value of other economic resources;  
or
  - (iii) leasing the economic resource to another party;
- (d) receive cash or other economic resources by selling the economic resource; or
- (e) extinguish liabilities by transferring the economic resource.

Aus4.16.1 In respect of not-for-profit entities, whether in the public or private sector, the potential to produce economic benefits is also used to provide goods and services in accordance with the entities' objectives. However, since the entities do not have the generation of profit as a principal objective, the provision of goods and services may not result in cash inflows to the entities, because the recipients of the goods and services may not transfer cash or other benefits to the entities in exchange.

Aus4.16.2 In respect of not-for-profit entities, the fact that they do not charge, or do not charge fully, their beneficiaries or customers for the goods and services they provide does not deprive those outputs of utility or value; nor does it preclude the entities from benefiting from the assets used to

provide the goods and services. For example, assets such as monuments, museums, cathedrals and historical treasures provide needed or desired services to beneficiaries, typically at little or no direct cost to the beneficiaries. These assets benefit the entities by enabling them to meet their objectives of providing needed services to beneficiaries.

...

#### **Control**

...

4.25 Sometimes one party (a principal) engages another party (an agent) to act on behalf of, and for the benefit of, the principal. For example, a principal may engage an agent to arrange sales of goods controlled by the principal. If an agent has custody of an economic resource controlled by the principal, that economic resource is not an asset of the agent. Furthermore, if the agent has an obligation to transfer to a third party an economic resource controlled by the principal, that obligation is not a liability of the agent, because the economic resource that would be transferred is the principal's economic resource, not the agent's.

Aus4.25.1 In respect of not-for-profit entities, rather than to arrange sales of goods, a principal may engage an agent to arrange the distribution of goods controlled by the principal to eligible beneficiaries.

#### **Note 7 to Board members:**

Paragraph Aus4.25.1 previously included an example of where a NFP agent has custody of the principal's resources. At its 7-8 March 2024 meeting, staff noted their intention to revise the proposed paragraph to limit it to an acknowledgement that for NFP entities, goods may be distributed rather than sold. The staff recommendation was made having regard to the extent to which IPSASB's conceptual framework guidance about agent-principal relationships mirrored that of the IASB's conceptual framework.

The paragraph previously considered by the Board read as follows:

*Examples of where not-for-profit entities act as an agent of another entity and have custody of economic resources controlled by the principal are where public sector not-for-profit entities collect taxes, fines or fees on behalf of other entities; and where not-for-profit entities (in either the public or private sector) receive resources for transfer to eligible beneficiaries in accordance with legislation or other external authority. Where the not-for-profit entity with custody of the economic resources lacks either, or both, the present ability to direct the use of the economic resources and the present ability to obtain the economic benefits that may flow from the economic resources, it does not control the economic resources.*

...

#### **Definition of equity**

...

4.67 Business activities are often undertaken by entities such as sole proprietorships, partnerships, trusts or various types of government business undertakings. The legal and regulatory frameworks for such entities are often different from frameworks that apply to corporate entities. For example, there may be few, if any, restrictions on the distribution to holders of equity claims against such entities. Nevertheless, the definition of equity in paragraph 4.63 of the *Conceptual Framework* applies to all reporting entities.

Aus4.67.1 In respect of not-for-profit entities, residual interests in the entity's assets are not necessarily held in the form of equity claims. In a not-for-profit entity in the private sector, there is typically an absence of defined financial interests of an ownership group conveying entitlement to the rights described in paragraph 4.65. However, some party or parties would be entitled to any assets remaining after the liabilities have been satisfied. In the case of not-for-profit entities in the public sector, it is normally the community, through its elected representatives in government, that holds the ultimate residual interest. Each reference to an 'equity claim' in this *Conceptual Framework* should, in relation to not-for-profit entities, be read as a reference to a residual interest in the entity, whether held as an equity claim or otherwise.

12 Paragraphs Aus6.30.1 and Aus6.41.1 are added as follows. Paragraphs 6.30 and 6.41 are unamended but have been included for ease of reference:

#### **Historical cost**

...

6.30 Information about the cost of assets sold or consumed, including goods and services consumed immediately (see paragraph 4.8), and about the consideration received, may have predictive value.

That information can be used as an input in predicting future margins from the future sale of goods (including goods not currently held by the entity) and services and hence to assess the entity's prospects for future net cash inflows. To assess an entity's prospects for future cash flows, users of financial statements often focus on the entity's prospects for generating future margins over many periods, not just on its prospects for generating margins from goods already held. Income and expenses measured at historical cost may also have confirmatory value because they may provide feedback to users of financial statements about their previous predictions of cash flows or of margins. Information about the cost of assets sold or consumed may also help in an assessment of how efficiently and effectively the entity's management has discharged its responsibilities to use the entity's economic resources.

Aus6.30.1 The cost of assets sold or consumed by a not-for-profit entity may have predictive value because that cost is useful as an input in predicting the cost of goods or services to be provided to customers and beneficiaries in the future (including through sales) in pursuing its not-for-profit objectives, and the extent to which that cost will be recovered from future income.

...

*Current cost*

...

6.41 Like historical cost, current cost provides information about the cost of an asset consumed or about income from the fulfilment of liabilities. That information can be used to derive current margins and can be used as an input in predicting future margins. Unlike historical cost, current cost reflects prices prevailing at the time of consumption or fulfilment. When price changes are significant, margins based on current cost may be more useful for predicting future margins than margins based on historical cost.

Aus6.41.1 For not-for-profit entities, using current cost to measure the cost of an asset consumed or income from the fulfilment of liabilities provides information that can also be used to derive current margins and be used as an input in predicting future margins; however, margins might be assessed at a higher level of aggregation of income and expenses within the entity than is the case for for-profit entities. For example, when the cost of goods and services provided to customers and beneficiaries is recovered from sales revenues and financial support in the form of rates, taxes, appropriations or donations, margins on the cost of goods and services provided might be assessed at a whole-of-entity level. In addition, for not-for-profit entities, using current cost to measure the cost of an asset consumed or income from the fulfilment of liabilities provides information that can be used as input in predicting the cost of goods and services provided to customers and beneficiaries in the future, which is useful information in its own right (not just as an input to predicted margins). When price changes are significant, using current cost to measure the cost of an asset consumed or income from the fulfilment of liabilities may be more useful for predicting the cost of goods and services provided in the future (and, consequently, future margins) than measures of those items based on historical cost.

13 Paragraph Aus6.56.1 is added as follows. Paragraphs 6.54-6.56 and 6.57 are unamended but have been included for ease of reference:

*Contribution to future cash flows*

6.54 As noted in paragraph 1.14, some economic resources produce cash flows directly; in other cases, economic resources are used in combination to produce cash flows indirectly. How economic resources are used, and hence how assets and liabilities produce cash flows, depends in part on the nature of the business activities conducted by the entity.

6.55 When a business activity of an entity involves the use of several economic resources that produce cash flows indirectly, by being used in combination to produce and market goods or services to customers, historical cost or current cost is likely to provide relevant information about that activity. For example, property, plant and equipment is typically used in combination with an entity's other economic resources. Similarly, inventory typically cannot be sold to a customer, except by making extensive use of the entity's other economic resources (for example, in production and marketing activities). Paragraphs 6.24-6.31 and 6.40-6.42 explain how measuring such assets at historical cost or current cost can provide relevant information that can be used to derive margins achieved during the period.

6.56 For assets and liabilities that produce cash flows directly, such as assets that can be sold independently and without a significant economic penalty (for example, without significant business disruption), the measurement basis that provides the most relevant information is likely to be a current value that incorporates current estimates of the amount, timing and uncertainty of the future cash flows.

Aus6.56.1 Notwithstanding paragraph 6.55, historical cost or current cost may or may not provide relevant information about the activity of non-financial assets that produce cash flows indirectly when those economic resources are held by a not-for-profit entity for its service potential rather than its potential to produce economic benefits in the form of cash inflows. Similarly, notwithstanding paragraph 6.56, a current value measurement basis may or may not provide the most relevant information about the activity of non-financial assets that produce cash flows directly when the asset is held by a not-for-profit entity for its service potential rather than its potential to produce economic benefits in the form of cash inflows.

6.57 When a business activity of an entity involves managing financial assets and financial liabilities with the objective of collecting contractual cash flows, amortised cost may provide relevant information that can be used to derive the margin between the interest earned on the assets and the interest incurred on the liabilities. However, in assessing whether amortised cost will provide useful information, it is also necessary to consider the characteristics of the financial asset or financial liability. Amortised cost is unlikely to provide relevant information about cash flows that depend on factors other than principal and interest.

**Note 8 to Board members:**

At its 7-8 March 2024 meeting, the Board reconfirmed its decision to exclude the non-financial assets of not-for-profit entities held primarily for their service potential (ie not primarily to generate net cash inflows) from paragraphs 6.55 and 6.56 of the *Conceptual Framework*. Agenda Paper 7.1 seeks a Board decision on whether to similarly exclude from these paragraphs any non-financial liabilities arising in conjunction with these assets. The drafting of paragraph Aus6.56.1 reflects the staff recommendation in Agenda Paper 7.1 that a modification to the *Conceptual Framework* is not necessary in such instance.

At the March 2024 meeting, staff also noted their intention to further consider the drafting of the Aus paragraph to determine whether it would be possible to reframe the Board’s decision to exclude the non-financial assets of not-for-profit entities held primarily for their service potential from paragraphs 6.55 and 6.56 of the *Conceptual Framework* in a more NFP-oriented manner rather than a scope exclusion. The text presented above reflects the staff proposed redraft of the paragraph. Staff note that it is less definitive than the paragraph previously considered by the Board, which read as follows:

*Paragraphs 6.55–6.56 do not apply to:*

(a) *non-financial assets of not-for-profit entities held primarily for their service potential (ie not primarily to generate net cash inflows); and*

(b) *non-financial liabilities that arose in connection with the use of those non-financial assets (eg provisions for restoration of assets).*

14 The Appendix is amended as follows:  
*The following defined terms are extracted or derived from the relevant paragraphs of the Conceptual Framework for Financial Reporting.*

...		
economic resource	A right that has the potential to produce economic benefits.	CF.4.4
	<u>A right that has the potential to produce economic benefits (including a right to service potential).</u>	<u>CF.Aus4.4.1</u>
...		
equity claim	A claim on the residual interest in the assets of the entity after deducting all its liabilities.	CF.4.64
	<u>A residual interest in the entity, whether held as an equity claim or otherwise.</u>	<u>CF.Aus4.67.1</u>
...		
primary users (of general purpose financial reports)	Existing and potential investors, lenders and other creditors.	CF.1.2
	<u>Existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as</u>	<u>CF.Aus1.2.1</u>

beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament).

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

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15 Paragraphs Aus1.2A and Aus1.2B are amended and paragraph Aus1.2AA is added as follows. Paragraphs Aus1.1 and Aus1.3 – Aus1.5 are unamended but have been included for ease of reference:

### **Application**

Aus1.1 The concepts in this *Framework* are not set out as requirements for the purpose of preparing general purpose financial statements. This is consistent with the:

- (a) [deleted]
- (b) [deleted]
- (c) *Australian Securities and Investments Commission Act 2001*, section 227(1).

Aus1.2 This *Framework* applies to periods beginning on or after 1 January 2005.

Aus1.2A With respect to for-profit entities, this *Framework* does not apply in relation to reporting periods beginning on or after 1 July 2021 to:

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

except as otherwise required by Australian Accounting Standards.

Aus1.2AA With respect to not-for-profit entities, this *Framework* does not apply in relation to reporting periods beginning on or after [date] to:

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

except as otherwise required by Australian Accounting Standards.

Aus1.2B If an entity identified in paragraph Aus1.2A or Aus1.2AA elects to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period prior to its mandatory application for the entity, the entity shall not apply this *Framework* to that period, except as otherwise required by Australian Accounting Standards.

Aus1.3 This *Framework* shall not be applied to annual reporting periods beginning before 1 January 2005.

Aus1.4 When applicable, this *Framework* supersedes:

- (a) Statement of Accounting Concepts SAC 2 *Objective of General Purpose Financial Reporting* as issued in August 1990;
- (b) Statement of Accounting Concepts SAC 3 *Qualitative Characteristics of Financial Information* as issued in August 1990; and
- (c) Statement of Accounting Concepts SAC 4 *Definition and Recognition of the Elements of Financial Statements* as issued in March 1995.



Aus1.5 SAC 2, SAC 3 and SAC 4 remain applicable until superseded by this *Framework*.

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

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- 16 Paragraphs 2A and 2B are amended and paragraph 2AA is added as follows. Paragraph 2 is unamended but has been included for ease of reference:
- 2 This Statement applies to each reporting entity in relation to its first reporting period that ends on or after 31 August 1990, and in relation to subsequent reporting periods.
- 2A With respect to for-profit entities, this Statement does not apply in relation to reporting periods beginning on or after 1 July 2021 to:
- (a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
  - (b) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021; and
  - (c) other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.
- ~~2AA With respect to not-for-profit entities, this Statement does not apply in relation to reporting periods beginning on or after [date] to:~~
- ~~(a) not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;~~
  - ~~(b) other not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after [date]; and~~
  - ~~(c) other not-for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.~~
- 2B If an entity identified in paragraph 2A or 2AA elects to apply the *Conceptual Framework for Financial Reporting* to an annual reporting period prior to its mandatory application for the entity, the entity shall not apply this Statement to that period.

## **Amendments to AASB 1 *First-time Adoption of Australian Accounting Standards***

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- 17 Paragraph Aus12.2 is added as follows. Paragraph Aus12.1 is unamended but has been included for ease of reference:
- Aus12.1 Entities that elect to apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to periods beginning before 1 July 2021 (ie early application) may also elect to apply the short-term exemptions from restating comparative information set out in AASB 1053 *Application of Tiers of Australian Accounting Standards* Appendix E, where applicable. For entities that apply that relief, references to the ‘date of transition to Australian Accounting Standards’ in this Standard shall mean the beginning of the first Australian-Accounting-Standards reporting period.
- Aus12.2 A not-for-profit entity that is a first-time adopter and that elects to apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to periods beginning before [date] may also elect to apply the short-term exemptions from restating comparative information set out in AASB 1053 *Application of Tiers of Australian Accounting Standards* Appendix F, where applicable. For entities that apply that relief, references to the ‘date of transition to Australian Accounting Standards’ in this Standard shall mean the beginning of the first Australian-Accounting-Standards reporting period.

## Amendments to AASB 2 Share-based Payment

- 18 Paragraph AusCF1 is amended and paragraph [Aus63E.1] is added as follows. Paragraph 63E is unamended but has been included for ease of reference:

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

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

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

### Note 9 to Board members:

The approach taken to developing proposed amendments to AusCF1 is discussed in Agenda Paper 7.1. As noted in that agenda paper, there are other possible amendments that could be made to this paragraph.

Staff have taken this approach to similar AusCF1 paragraphs in other Australian Accounting Standards in this ED (not separately identified by a Note to Board members).

- 63E AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added paragraph AusCF1 and amended the footnote to the definition of an equity instrument in Appendix A. An entity shall apply the amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 2 retrospectively, subject to (in the case of the amendment to Appendix A) the transitional provisions in paragraphs 53–59 of this Standard, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 2 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

Aus63E.1 AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, issued in [Month Date], amended paragraph AusCF1 and added this paragraph. An entity shall apply those amendments for annual periods beginning on or after [date]. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 20XX-X. An entity shall apply the amendments to AASB 2 retrospectively, subject to (in respect of the change in the definition of a liability) the transitional provisions in paragraphs 53–59 of this Standard, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 2 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

...

### Note 10 to Board members:

Draft paragraph Aus63E.1 reflects staff's preliminary drafting to replicate for not-for-profit entities currently preparing Tier 1 general purpose financial statements the same transitional provisions as available to non AusCF entities on issue of AASB 2019-1 (refer paragraphs 63E). Staff are continuing to assess whether the drafting of the paragraph achieves this purpose.

Staff have taken this approach in similar new effective date paragraphs to be inserted into other Australian Accounting Standards in this ED (not separately identified by a Note to Board members). As here, staff are continuing also to assess whether the drafting shown in this working draft provides not-for-profit entities currently preparing Tier 1 general purpose financial statements with access to the same transitional provisions as available to non AusCF entities on issue of AASB 2019-1.

- 19 Paragraph Aus63E.1 provides not-for-profit entities with access to the same transitional relief as available to for-profit private sector entities on initial application of the *Conceptual Framework*.

## Amendments to AASB 3 Business Combinations

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20 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

(a) ~~not for profit entities; and~~

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

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit~~ Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

21 Paragraphs Aus64Q.1 are added as follows. Paragraph 64Q is unamended but included for ease of reference:

64Q AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*, issued in June 2020, amended paragraphs 11, 14, 21, 22 and 23 and added paragraphs AusCF11, 21A, 21B, AusCF21B, 21C and 23A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in May 2019.

Aus64Q.1 AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, issued in [Month Date], amended paragraph AusCF1. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after [date]. Earlier application is permitted if at the same time the entity also applies all other amendments made by AASB 20XX-X.

## Amendments to AASB 6 Exploration for and Evaluation of Mineral Resources

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22 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF paragraphs included in this Standard apply only to:

(a) ~~not for profit entities; and~~

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

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit~~ Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

23 Paragraphs Aus26A.1 and Aus26A.2 are added as follows. Paragraphs 10, AusCF10 and 26A are unamended but have been included for ease of reference:

10 Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*) and AASB 138 *Intangible Assets* provide guidance on the recognition of assets arising from development.

AusCF10 Notwithstanding paragraph 10, in respect of AusCF entities, expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*) and AASB 138 *Intangible Assets* provide guidance on the recognition of assets arising from development.

...

26A AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs and amended paragraph 10. An entity shall apply the amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 6 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 6 by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

Aus26A.1 AASB 20XX-X *Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, issued in [Month Date], amended paragraph AusCF1. An entity shall apply those amendments for annual periods beginning on or after [date]. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 20XX-X.

Aus26A.2 Notwithstanding paragraph 26A, a not-for-profit entity applying AASB 20XX-X and paragraph 10 as amended by AASB 2019-1 for the first time shall apply paragraph 10 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if the entity determines that retrospective application of paragraph 10 would be impracticable or would involve undue cost or effort, it shall apply the paragraph by reference to paragraphs 23–28, 50–53 and 54F of AASB 108.

**Note 11 to Board members:**

Besides the AusCF1 paragraphs, AASB 2019-1 also inserted several other AusCF paragraphs into the Australian Accounting Standards, e.g. AusCF10 as shown above. These AusCF paragraphs retained, for AusCF entities, the text of the equivalent-IFRS paragraph ‘pre’ issue of the *Conceptual Framework*. In the main, the difference between the AusCF paragraph and the IFRS-equivalent paragraph is to acknowledge that references to the *Conceptual Framework* do not apply to AusCF entities.

This was the most efficient way of communicating that the requirements for not-for-profit and other AusCF entities had not changed at the time of the Board’s For-Profit Phase 2: Adopt RCF and Remove SPFS for Certain For-Profit Private Sector Entities project. However, staff note that the object of AusCF10 and similar other AusCF paragraphs in other Australian Accounting Standards (not shown in this ED as no amendments are currently proposed) could also be communicated in another way – e.g. as a footnote or comment that, in respect of AusCF entities, the reference to the *Conceptual Framework* should be taken instead as a reference to the *Framework for the Preparation and Presentation of Financial Statements*. Staff think there could be a case for doing so in recognition of the smaller population of AusCF entities preparing general purpose financial statements following completion of this Board project.

Nevertheless, this draft ED does not make any amendment to this type of AusCF paragraphs consistent with a staff drafting approach of limiting amendments to the current text to help reinforce that the current Board project focus is on NFP entities.

## Amendments to AASB 7 *Financial Instruments: Disclosures*

24 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## Amendments to AASB 8 *Operating Segments*

25 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 9 *Financial Instruments***

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26 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 10 *Consolidated Financial Statements***

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27 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF paragraphs included in this Standard apply only to:

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

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

## **Amendments to AASB 12 *Disclosure of Interests in Other Entities***

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28 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 14 *Regulatory Deferral Accounts***

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29 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

- (a) ~~not for profit entities; and~~

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

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

## Amendments to AASB 17 Insurance Contracts

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- 30 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## Amendments to AASB 101 Presentation of Financial Statements

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- 31 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

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

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

- 32 Paragraph Aus136.1 is added. Paragraphs –136, AusCFAus136.1 and AusCFAus136.2 are unamended but have been included for ease of reference:

...

### Capital

...

136 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user’ understanding of an entity’s capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Aus136.1 ~~[Deleted by the AASB]~~ A not-for-profit entity need not present the disclosures required by paragraphs 134–136.

AusCFAus136.1 In respect of AusCF entities, an entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is not a reporting entity need not present the disclosures required by paragraphs 134–136.

AusCFAus136.2 Notwithstanding paragraph AusCFAus136.1, in respect of AusCF entities, a not-for-profit entity need not present the disclosures required by paragraphs 134–136.

- 33 Appendix A (Australian defined terms) is amended as follows:

Aus7.2 In respect of public sector entities, ~~local governments, governments and most, if not all, government departments are reporting entities:~~

*government* means the Australian Government, the Government of the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia, Tasmania, Victoria or Western Australia.

*government department* means a government controlled entity, created pursuant to administrative arrangements or otherwise designated as a government department by the government which controls it.

*local government* means an entity comprising all entities controlled by a governing body elected or appointed pursuant to a Local Government Act or similar legislation.

## **Amendments to AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors**

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34 Paragraphs AusCF1 is amended and paragraphs Aus54.1 and Aus54.2 are added as follows. Paragraphs 11, AusCF11 and 54F are unamended but have been included for ease of reference:

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

(a) ~~not for profit entities; and~~

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

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

### **Selection and application of accounting policies**

...

11 In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order: (a) the requirements in Australian Accounting Standards dealing with similar and related issues; and (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Conceptual Framework for Financial Reporting (Conceptual Framework)* (as identified in AASB 1048 *Interpretation of Standards*). [footnote 2 has not been reproduced]

AusCF11 Notwithstanding paragraph 11, in respect of AusCF entities, in making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements in Australian Accounting Standards dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*<sup>AusCF2</sup>.

AusCF2 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*).

...

### **Effective date and transition**

...

54F AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs and amended paragraph 11(b). An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply paragraph 11 retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply paragraph 11 by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in AASB 2019-1 would involve undue cost or effort,

an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to ‘is impracticable’ as ‘involves undue cost or effort’ and any reference to ‘practicable’ as ‘possible without undue cost or effort’.

Aus54F.1 AASB 20XX-X Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements, issued in [Month Date], amended paragraph AusCF1. An entity shall apply those amendments for annual periods beginning on or after [date]. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 20XX-X.

Aus54F.2 Notwithstanding paragraph 54F, if a not-for-profit entity applying AASB 20XX-X and paragraph 11 as amended by AASB 2019-1 for the first time determines that retrospective application of paragraph 11 would be impracticable or would involve undue cost or effort, it shall apply paragraph 11 by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in AASB 20XX-X would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to ‘is impracticable’ as ‘involves undue cost or effort’ and any reference to ‘practicable’ as ‘possible without undue cost or effort’.

## **Amendments to AASB 110 Events after the Reporting Period**

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35 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 112 Income Taxes**

---

36 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 116 Property, Plant and Equipment**

---

37 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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



## Amendments to AASB 119 *Employee Benefits*

---

38 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## Amendments to AASB 121 *The Effects of Changes in Foreign Exchange Rates*

---

39 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## Amendments to AASB 124 *Related Party Disclosures*

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40 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## Amendments to AASB 128 *Investments in Associates and Joint Ventures*

---

41 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## Amendments to AASB 132 *Financial Instruments: Presentation*

---

42 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

(a) ~~not for profit entities; and~~

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

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

## Amendments to AASB 133 *Earnings per Share*

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43 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

(a) ~~not for profit entities; and~~

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

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

## Amendments to AASB 134 *Interim Financial Reporting*

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44 Paragraph AusCF1 is amended and paragraph Aus58.1 is added as follows. Paragraphs 31, AusCF31, 33, AusCF33 and B23 are unamended but have been included for ease of reference:

AusCF1 AusCF paragraphs and footnotes included in this Standard apply only to:

(a) ~~not for profit entities; and~~

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

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs or footnotes.

...

**Same accounting policies as annual**

...

31 Under the *Conceptual Framework for Financial Reporting (Conceptual Framework)* (as identified in AASB 1048 *Interpretation of Standards*), recognition is the process of capturing, for inclusion in the statement of financial position or the statement(s) of financial performance, an item that meets the definition of one of the elements of the financial statements. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.

AusCF31 Notwithstanding paragraph 31, in respect of AusCF entities, under the *Framework for the Preparation and Presentation of Financial Statements (the Framework)* (as identified in AASB 1048 *Interpretation of Standards*)<sup>AusCF3</sup>, recognition is the 'process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the criteria for recognition'. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.

AusCF3 In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*.

...

33 An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The *Conceptual Framework* does not allow the recognition of items in the statement of financial position which do not meet the definition of assets or liabilities.

AusCF33 Notwithstanding paragraph 33, in respect of AusCF entities, an essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The *Framework* says that 'expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably ... [The] Framework does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.'

...

#### Effective date

...

58 AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, issued in 2019, added AusCF paragraphs and amended paragraphs 31, 33 and B23. An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 2019-1. An entity shall apply the amendments to AASB 134 retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to AASB 134 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of AASB 108.

Aus58.1 AASB 20XX-X Amendments to Australian Accounting Standards – Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements, issued in [Month Date], amended paragraph AusCF1. An entity shall apply those amendments for annual periods beginning on or after [date]. Earlier application is permitted if at the same time an entity also applies all other amendments made by AASB 20XX-X.

Aus58.2 Notwithstanding paragraph Aus58.1, if a not-for-profit entity applying AASB 20XX-X and paragraphs 31 and 33 as amended by AASB 2019-1 for the first time determines that retrospective application of paragraphs 31 and 33 would be impracticable or would involve undue cost or effort, it shall apply the amendments to paragraphs 31 and 33 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of AASB 108.

...

#### Contractual or anticipated purchase price changes

B23 Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated but discretionary rebates and discounts are not anticipated because the resulting asset or liability would not satisfy the conditions in the *Framework*<sup>4</sup> that an asset must be a resource controlled by the entity as a result of a past event and that a liability must be a present obligation whose settlement is expected to result in an outflow of resources.

4 The reference to the *Framework* is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004.

## Amendments to AASB 137 Provisions, Contingent Liabilities and Contingent Assets

---

45 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

(a) ~~not for profit entities; and~~

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

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

## **Amendments to AASB 139 *Financial Instruments: Recognition and Measurement***

---

46 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 140 *Investment Property***

---

47 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB 141 *Agriculture***

---

48 Paragraph AusCF1 is added before paragraph 1 as follows:

AusCF1 AusCF entities are entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*). For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. Entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

## **Amendments to AASB 1023 *General Insurance Contracts***

---

49 Paragraph AusCF1 is amended as follows.

AusCF1 AusCF paragraphs included in this Standard apply only to:

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

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit e~~Entities

applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

## **Amendments to AASB 1048 Interpretation of Standards**

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50 [To be developed]

## **Amendments to AASB 1052 Disaggregated Disclosures**

---

51 Paragraph AusCF2 is added as follows:

AusCF2 AusCF entities are entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*). For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. Entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

## **Amendments to AASB 1053 Application of Tiers of Australian Accounting Standards**

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### **Note 12 to Board members:**

Staff are also considering whether a potential amendment to paragraph 20A of AASB 1053 is required.

52 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

53 In Appendix C accompanying AASB 1053, Chart 1: *First-time Adoption of Tier 1 or Tier 2 Reporting Requirements* and Chart 3: *Re-application of Tier 2 Reporting Requirements* are replaced with the following charts. [To be developed]

54 Appendix F is added as follows:

### **Appendix F**

#### **Short-term exemptions for entities applying Tier 2 – Simplified Disclosures for periods beginning before [date]**

*This appendix is an integral part of AASB 1053*

#### **Short-term exemptions for not-for-profit entities**

F1 This appendix sets out optional short-term exemptions for not-for-profit entities applying AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to periods beginning before [date], as follows:

- (a) relief from distinguishing the correction of errors and changes in accounting policy, for periods beginning before [date] (see paragraph F3);
- (b) relief from providing comparative information not previously disclosed in the notes, for periods beginning before [date] (see paragraph F4); and
- (c) relief from restating comparative information, for periods beginning before [date] (see paragraphs F5–F7).

F2 If an entity applies one or more of the exemptions set out in this appendix, it shall disclose that fact.

#### **Relief from distinguishing the correction of errors and changes in accounting policy**

- F3 For periods beginning before [date], notwithstanding AASB 1060 paragraph 211 (for entities applying AASB 1 *First-time Adoption of Australian Accounting Standards* to the period) and AASB 1060 paragraph 110 (for entities applying AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* instead of AASB 1), an entity applying paragraph 18A(a) or (b) need not distinguish the correction of errors and changes in accounting policies if the entity becomes aware of errors made in its most recent previous special purpose financial statements.

**Relief from presenting comparative information not previously disclosed in the notes**

- F4 Notwithstanding AASB 1060 paragraph 20, entities that elect to apply AASB 1060 to periods beginning before [date] (ie early application) need not present comparative information in the notes if the entity did not disclose the comparable information in its most recent previous special purpose financial statements.

**Relief from restating comparative information for certain not-for-profit entities**

- F5 Paragraphs E6–E7 apply to a not-for-profit private sector entity that elects to apply AASB 1060 to periods beginning before [date] (ie early application) and also applies AASB 1 in preparing its first Australian-Accounting-Standards financial statements (Tier 2) for the period.
- F6 Notwithstanding AASB 1 paragraph 7, comparative information need not be restated in the entity’s first Australian-Accounting-Standards financial statements (Tier 2). Under this approach, references to the ‘date of transition to Australian Accounting Standards’ in AASB 1 shall mean the beginning of the first Australian-Accounting-Standards reporting period. Consequently, consistent with AASB 1 paragraph 11, the entity shall recognise adjustments arising from any differences between the carrying amounts in its previous special purpose financial statements and its opening carrying amounts based on the retrospective application of Australian Accounting Standards directly in retained earnings (or, if appropriate, another category of equity) at the beginning of the first Australian-Accounting-Standards reporting period.
- F7 An entity that elects to not restate comparative information in its first Australian-Accounting-Standards financial statements (Tier 2) in accordance with paragraph F6 need not provide the reconciliations required by AASB 1060 paragraphs 210(b) and (c). The entity shall:
- (a) present two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, as follows:
    - (i) the statements and related notes as at the end of the first Australian-Accounting-Standards reporting period, compliant with Australian Accounting Standards; and
    - (ii) the statements and related notes presented in its most recent previous special purpose financial statements (not necessarily compliant with Australian Accounting Standards);
  - (b) disclose a reconciliation of its equity presented in its most recent previous special purpose financial statements to its equity determined in accordance with Australian Accounting Standards – Simplified Disclosures at the date of transition to Australian Accounting Standards – Simplified Disclosures;
  - (c) disclose a description of the main adjustments that would have been required to make the comparative statement of profit or loss and other comprehensive income and separate statement of profit or loss (if presented) compliant with Australian Accounting Standards. The entity need not quantify those adjustments; and
  - (d) prominently label the comparative information that is not compliant with Australian Accounting Standards as such.

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## **Amendments to AASB 1054 Australian Additional Disclosures**

- 55 [To be developed]

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## **Amendments to AASB 1056 Superannuation Entities**

- 56 Paragraph AusCF1 is amended as follows.

AusCF1 AusCF paragraphs included in this Standard apply only to:

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

Such entities are referred to as 'AusCF entities'. For AusCF entities, the term 'reporting entity' is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit~~ Entities applying the *Conceptual Framework for Financial Reporting* (as set out in paragraph Aus1.1 of the *Conceptual Framework*) shall not apply AusCF paragraphs.

57 Paragraphs AG28 and AusCFAG28 are amended as follows.

AG28 A receivable meeting the definition and recognition criteria for an asset in the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*) would be measured at its intrinsic value. That is, the difference between the defined benefit member liabilities and the amount of the other recognised assets held to meet those liabilities, unless the amount of the receivable is capped in some manner.

AusCFAG28 Notwithstanding paragraph AG28, in respect of AusCF entities, a receivable meeting the definition and recognition criteria for an asset in the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*) would be measured at its intrinsic value. That is, the difference between the defined benefit member liabilities and the amount of the other recognised assets held to meet those liabilities, unless the amount of the receivable is capped in some manner.

## Amendments to AASB 1057 *Application of Australian Accounting Standards*

### Note 13 to Board members:

Staff note that there is a potential inconsistency between the application paragraph "each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements" as used in AASB 1057, and paragraph Aus1.1(c) of the *Conceptual Framework* (refer Drafting Approach Election 3 in Agenda Paper 7.1). Staff are continuing to consider the matter and will update the draft ED as necessary and to reflect the outcomes of any decisions the Board makes regarding Drafting Approach Election 3.

58 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

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

### Application of this Standard

2 This Standard applies to:

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

- (fb) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards; and
- ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements; and~~
- ~~(d) financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.~~

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

### Application of Australian Accounting Standards

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

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

5A AASB 4 *Insurance Contracts* applies to:

- (a) general purpose financial statements of each public sector ~~reporting~~ entity; and
- (b) financial statements of each public sector entity that are, or are held out to be, general purpose financial statements; in respect of annual periods beginning before 1 July 2026.

However, a public sector entity may elect to apply AASB 17 *Insurance Contracts* instead of AASB 4.

...

7 Except as specified in paragraph 20C, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 1048 *Interpretation of Standards* apply to:

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



~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.~~

...

9 AASB 133 *Earnings per Share* applies to:

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

10 AASB 134 *Interim Financial Reporting* applies to:

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

...

11A AASB 1023 *General Insurance Contracts* applies to:

- (a) general purpose financial statements of each public sector ~~reporting~~ entity; and
- (b) financial statements of each public sector entity that are, or are held out to be, general purpose financial statements; in respect of annual periods beginning before 1 July 2026.

However, a public sector entity may elect to apply AASB 17 *Insurance Contracts* instead of AASB 1023.

...

18 AASB 1053 *Application of Tiers of Australian Accounting Standards* applies to:

- ~~(a) each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act*;~~
- ~~(b) general purpose financial statements of each not for profit entity that is a reporting entity;~~
- ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements; and~~
- ~~(d) financial statements of GGSs prepared in accordance with AASB 1049;~~
- (ea) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; and
- (fb) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021;
- ~~(c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements; and~~
- ~~(d) financial statements of GGSs prepared in accordance with AASB 1049.~~

- 18A AASB 1054 *Australian Additional Disclosures* applies to:
- (a) ~~each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act*;~~
  - (b) ~~general purpose financial statements of each not for profit entity that is a reporting entity;~~
  - (c) ~~each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
  - (~~a~~) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; and
  - (~~b~~) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards; and
  - (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.
- 19 AASB 1055 *Budgetary Reporting* applies to:
- (a) whole of government general purpose financial statements of each government;
  - (b) financial statements of each government's GGS;
  - (c) general purpose financial statements of each not-for-profit ~~reporting~~ entity within the GGS; and
  - (d) financial statements of each not-for-profit entity within the GGS that are, or are held out to be, general purpose financial statements.
- 20 AASB 1056 *Superannuation Entities* applies to:
- (a) ~~general purpose financial statements of each not for profit superannuation entity that is a reporting entity;~~
  - (b) ~~each superannuation entity that elects to prepare financial statements that are held out to be general purpose financial statements;~~
  - (~~a~~) for-profit private sector and not-for-profit superannuation entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; and
  - (~~b~~) other for-profit private sector and not-for-profit superannuation entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021; and
  - (c) each superannuation entity that elects to prepare financial statements that are held out to be general purpose financial statements.
- 20A AASB 1058 *Income of Not-for-Profit Entities* applies to:
- (a) each not-for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act* and that is a reporting entity; and
  - (b) ~~general purpose financial statements of each other not for profit entity that is a reporting entity; and~~
  - (~~b~~) financial statements of a not-for-profit entity that are, or are held out to be, general purpose financial statements.

...

#### **Application of Australian Interpretations**

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

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

...

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

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

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

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act ~~and that is a reporting entity;~~ and
- (b) ~~general purpose financial statements of each other reporting entity;~~ and
- (~~eb~~) financial statements that are, or are held out to be, general purpose financial statements.

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

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

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

## **Amendments to Interpretation 16 *Hedges of a Net Investment in a Foreign Operation***

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61 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to Interpretation 132 *Intangible Assets – Web Site Costs***

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62 [To be developed]

## **Amendments to Interpretation 1003 *Australian Petroleum Resource Rent Tax***

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63 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to Interpretation 1031 *Accounting for the Goods and Services Tax (GST)***

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64 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

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

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

## **Amendments to AASB Practice Statement 2 *Making Materiality Judgements***

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65 [to be developed]

**Commencement of the legislative instrument**

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66 For legal purposes, this legislative instrument commences on [date].

*Draft*

**Basis for Conclusions**

[to be developed]

*Draft*