



Project:	Post-Implementation Review of AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> and AASB 1055 <i>Budgetary Reporting</i>	Meeting:	AASB 19 August 2025 (M214)
Topic:	Consider stakeholder feedback and decide on the standard-setting response	Agenda Item:	7.1
		Date:	29 July 2025
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		Decision-Making:	Medium
		Project Status:	Decide on the standard-setting response

Objective of this paper

- 1 This paper follows Agenda Paper 7.0. The objectives of this paper are for the Board to:
 - (a) **consider** the potential improvements to AASB 1049 and AASB 1055 noted in pages 31 and 32 of the Report to the FRC (Agenda Paper 7.2); and
 - (b) **decide** on the standard-setting response.

Abbreviations

- 2 The abbreviations set out in Agenda Paper 7.0 Appendix A are used in this paper.

Structure of this paper

- 3 Pages 31 and 32 of the Report to the FRC (Agenda Paper 7.2) noted the potential improvements to AASB 1049 and AASB 1055 expressed by stakeholders during the post-implementation review (PIR). Staff have summarised those potential improvements into 10 topics, which are discussed separately in the paper, as follows:
 - (a) [Section 1](#): Consider removing or simplifying the requirement for disclosures of total assets by function
 - (b) [Section 2](#): Review, rationalise and update the information on harmonisation differences and respective examples

- (c) [Section 3](#): Allow for user-defined fiscal aggregates and clarify relationship with AASB 18 *Presentation and Disclosure in Financial Statements* – Management-defined performance measures
- (d) [Section 4](#): Remove the requirement to present a statement of changes in equity in circumstances where it is redundant
- (e) [Section 5](#): Improving the clarity and utility of required disclosures of the differences between the GFS framework and the GAAP
- (f) [Section 6](#): Guidance on transfers, including during Machinery of Government entity changes and transfers from the GGS to other government sectors
- (g) [Section 7](#): Clarify when an entity is classified as GGS, PFC or PNFC and what constitutes a transaction versus an other economic flow
- (h) [Section 8](#): Incorporate disclosure guidance in respect of financial instruments (AASB 9) and fair value measurement of non-financial assets (AASB 13), targeted to the needs of the users of government financial reports
- (i) [Section 9](#): Update the out-of-date paragraphs and references to the AGFSM 2005 version
- (j) [Section 10](#): Potential Improvements to AASB 1055 *Budgetary Reporting*

Section 1: Consider removing or simplifying the requirement for disclosures of total assets by function

Relevant requirements and recommendations from the Report to the FRC

AASB 1049	
48	In respect of each broad function identified in Table 2.6 “Government Purpose Classification: Major Groups” of the [Australian Bureau of Statistics] ABS GFS Manual 2005 (ABS Catalogue No. 5514.0) ¹ The whole of government and the GGS shall disclose by way of note: <ul style="list-style-type: none"> a) a description of that function; b) the carrying amount of assets recognised in the respective statements of financial position that are reliably attributable to that function.” [emphasis added] c) expenses, excluding losses, included in operating result in the respective statements of comprehensive income for the reporting period that are reliably attributable to that function.

- 4 The broad functions to which the disclosure requirements in AASB 1049.48 apply relate to the following 11 functions of a Government: General Public Services, Defence, Public Order and Safety, Economic Affairs, Environment Protection, Housing and Community Amenities, Health, Recreation, Culture and Religion, Education, Social Protection, and Transport.
- 5 The Report to the FRC recommended either simplifying or removing the requirements of AASB 1049.48(b) because:
 - (a) this disclosure is not mandated by the AGFSM; the ABS only requires disclosure of total expenses by function; and

¹ This has been replaced by AGFS 2015 [Appendix 1 Part C Table A1C.1 - Broad classification of the COFOG -A](#).

- (b) the attribution of functions to total assets is problematic when it comes to assets such as cash or investments or office accommodation and can result in significant judgements being exercised which may not be consistent across jurisdictions; and
 - (c) the disclosure is not widely used.
- 6 The Report to the FRC suggested an option might be to restrict the disclosure to property, plant and equipment or to make the disclosure voluntary.

Stakeholder feedback

- 7 In feedback to the questionnaire in 2025, stakeholders reiterated their request for the AASB to review the disclosure of assets by function.

Staff analysis

- 8 In respect to the stakeholder feedback described in paragraph 55(b), staff consider that assets such as investments or office accommodation could be used for multiple purposes and it may be difficult to determine the percentage of such assets being used for a specific function. However, in such situations, it would mean that the carrying amount of assets recognised cannot be “reliably attributable” to a function and therefore would not be required to be disclosed under AASB 1049.48(b).
- 9 AASB 1049.BC56 states that “the Board noted that governments are already providing comparable disaggregated information of GFS expenses and net acquisitions of GFS non-financial assets as part of their GFS reporting requirements and it **does not appear to be unduly onerous**. The Standard makes it clear that **disaggregation should only occur where it can be reliably attributable to a function.**” [emphasis added]
- 10 However, staff observed that IPSASB 22 *Disclosure of Financial Information About The General Government Sector* and XRB PBE IPSAS 22 *Disclosure Of Financial Information About The General Government Sector* do not require the disclosure of total assets by function.
- 11 Staff consider that further input from the stakeholders would be needed to understand:
- (a) why significant judgment is needed when the Standard is clear that disaggregation should only occur where it can be reliably attributable to a function; and
 - (b) the usefulness of the disclosure of total assets by function in the financial statements of WoG and GGS, since:
 - (i) disclosure of total expenses by function is already required by AASB 1049.48(c), and the Board noted in AASB 1049.BC54 to AASB 1049 that this disclosure is useful in understanding the disbursement of the overall resources of a government; and
 - (ii) each department (which forms part of GGS and WoG) is required by AASB 1052 *Disaggregated Information* to disclose the assets deployed (and liabilities incurred) that are reliably attributable to each major activity of the department.
- 12 AASB 1052 applies to government departments and local government, but not to WoG and GGS. It requires:
- (a) government departments to disclose the identity and purpose of each major activity, a summary of the department's objectives and the expenses (by major class) and income

(showing separately each major class, user charges and income from government) reliably attributable to each activity; and

- (b) local government to disclose the nature and objective of a function or activity and the carrying amount of assets, income and expenses that are reliably attributable to that function.

13 At its May 2023 meeting, the Board decided to undertake a PIR of AASB 1052, but later deferred this project to focus on other priority projects.

Staff recommendation

14 Stakeholders noted in their response to the questionnaire that this is not an urgent matter to address. Staff recommend seeking input on the above matters when the Board undertakes the PIR of AASB 1052. This is because:

- (a) AASB 1052 requires government departments and local government entities to disclose disaggregated information relating to assets similar to the requirements in AASB 1049.48; and
- (b) seeking feedback on the requirements in AASB 1049.48 concurrently with the PIR of AASB 1052 would provide a more holistic view on disaggregated disclosures by function or major activity of a government entity.

Question for Board members:

Q1: Do Board members agree with the staff recommendation to seek further input from stakeholders on the requirement for WoG and GGS to disclose total assets by function in financial statements (required in AASB 1049.48(b)) as part of the forthcoming PIR of AASB 1052? If Board members disagree, what alternatives do Board members propose?

Section 2: Review, rationalise and update the information on harmonisation differences and respective examples

15 Stakeholders commented that some references to other Accounting Standards and examples of GFS-GAAP harmonisation differences noted in AASB 1049 are outdated, and additions and changes to existing examples should be made.

16 The following table summarises stakeholder comments and staff recommendations.

AASB 1049 reference/stakeholder comment	Staff analysis and recommendations
<p>AASB 1049.14(a) states that "... for example, the requirement for the fair value of an intangible asset to be determined by reference to an active market under AASB 138 [<i>Intangible Assets</i>] continues to apply ..."</p> <p>Some stakeholders commented that AASB 1049.14(a) should also consider intangible assets recognised as part of service concession arrangements, recognised in accordance with AASB 1059 <i>Service Concession Arrangements: Grantors</i>.</p>	<p>Staff noted that the issue is unrelated to AASB 1049, but related to the requirement in AASB 1059 to recognise internally generated intangible assets which are not permitted to be recognised under AASB 138.</p> <p>The concerns about fair value measurement of intangible assets arising from AASB 1059 have been raised with the Board during the PIR of AASB 1059. That PIR commenced in 2022 but was paused in 2023–2024.</p>

AASB 1049 reference/stakeholder comment	Staff analysis and recommendations
	<p>Staff are in the process of analysing stakeholder feedback on the PIR of AASB 1059 and plan to present findings to the Board in 2026.</p> <p>Staff recommendation: Assess whether changes to AASB 1049.14(a) are needed after considering the results of the PIR of AASB 1059.</p>
<p>AASB 1049.14(f) states that “dividends paid by entities within the PNFC sector and PFC sector that may be classified by those sectors as a financing cash flow or as a component of cash flows from operating activities under AASB 107. Because classification as a financing cash flow is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring classification of dividends paid as a financing cash flow” [emphasis added]</p>	<p>AASB 1049.14(f) refers to the text in AASB 107 <i>Statement of Cash Flows</i> that pre-dates AASB 18 <i>Presentation and Disclosure in Financial Statements</i>.</p> <p>AASB 18 amended AASB 107 and, when effective, entities that do not either invest in assets or provide financing to customers as a main business activity would no longer be able to classify dividends paid as operating cash flows.</p> <p>At its July 2025 meeting, the Board decided to publish an Exposure Draft to propose, as an interim step, retaining the current policy choice for classifying dividends received and interest paid and received for NFP public sector entities, including WoG and GGS.</p> <p>Staff recommendation: Assess whether changes to AASB 1049.14(f) are needed as part of the development of the Exposure Draft.</p>
<p>AASB 1049.14(g) states that “government grants ... the options in AASB 120 [<i>Accounting for Government Grants and Disclosure of Government Assistance</i>] are not adopted and instead the principles in AASB 1004 Contributions are applied” [emphasis added]</p> <p>Some stakeholders commented that AASB 1049.14(g) should be updated to refer to AASB 1058 <i>Income of Not-for-profit Entities</i> instead of AASB 1004.</p>	<p>Staff agree with stakeholders that it would be beneficial to update AASB 1049.14(g) because AASB 1058 and AASB 15 <i>Revenue from Contracts with Customers</i> supersede the income recognition requirements previously contained in AASB 1004.</p> <p>Staff recommendation: Propose amending AASB 1049.14(g) in the Exposure Draft so that the reference to AASB 1004 is updated to refer to AASB 1058.</p>
<p>AASB 1049.31(a)(ii) states that “changes in the fair value of financial instruments measured at fair value, that do not arise from undistributed interest or dividends, are classified as other economic flows, irrespective of whether the instruments are classified as ‘fair value through profit or loss’ or ‘available-for-sale’.” [emphasis added]</p> <p>Some stakeholders commented that AASB 1049.31(a)(ii) should be updated since AASB 9 <i>Financial Instruments</i> does not refer to the term ‘available-for-sale’, which was in the</p>	<p>Staff agree with stakeholders that it would be beneficial to update AASB 1049.31(a)(ii) to align with the terminology in AASB 9, which refers to ‘fair value through profit or loss’ and ‘fair value through other comprehensive income’.</p> <p>Staff recommendation: Propose amending AASB 1049.31(a)(ii) in the Exposure Draft to align with the terminology in AASB 9.</p>

AASB 1049 reference/stakeholder comment	Staff analysis and recommendations
superseded AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	
<p>Under AASB 9.B5.1.2A, an entity recognises the difference between the fair value of a concessionary loan and the transaction price as a gain or loss. Such a gain or loss is also recognised in WoG and GGS financial statements. This is different to the treatment in AGFSM.</p> <p>Under AGFSM an entity recognises a concessionary loan at market price, but does not recognise the difference between the market price and transaction price.</p> <p>AASB 1049.31(b)(iii) mentions this difference in accounting treatment as an example of “GAAP recognises an item that GFS does not recognise in the reporting period”.</p> <p>Some stakeholders commented that, because both AASB 9 and AGFSM require recognition of a concessionary loan, the accounting treatment differences should be noted in AASB 1049.31(a) as an example of “where GAAP and GFS both recognise the item in the reporting period”.</p>	<p>AASB 1049.31(b)(iii) states “an expense that arises from the initial recognition of the difference between the fair value of a concessionary loan and the transaction price (the loan proceeds) is classified as transactions, by analogy with the GFS classification of subsidies.” [emphasis added]</p> <p>Staff consider that the subject of AASB 1049.31(b)(iii) is the recognition of the loss arising from the difference between the fair value of a concessionary loan and its transaction price, rather than the recognition of the loan. Therefore, categorising this difference as an example of “GAAP recognises an item that GFS does not recognise in the reporting period” within AASB 1049.31(b) is appropriate.</p> <p>However, stakeholder feedback indicates that it might be more beneficial to explain the differences in the accounting treatment of the underlying concessionary loan, and not only explain the treatment of the gain/loss between fair value and transaction price.</p> <p>Staff recommendation: Assess whether the list of convergence difference examples in AASB 1049 would require updating after considering the forthcoming AGFSM.</p>
<p>Stakeholders commented that the list of examples in AASB 1049 should be updated to include convergence differences that have arisen from Standards issued since AASB 1049 was published, such as AASB 16 <i>Leases</i> and AASB 1059.</p> <p>Under AGFSM 2015:</p> <ul style="list-style-type: none"> operating leases do not give rise to an asset to a lessee, unlike AASB 16, where a right-of-use asset is recognised; and the grantor of a service concession arrangement does not recognise the service concession asset if the risks and rewards of the asset lie with the operator. In accordance with AASB 1059, the grantor recognises the service concession asset if it controls the asset. The risks and rewards concept in AGFSM 2015 and the control concept in AASB 1059 are not aligned. 	<p>In respect to the stakeholder comments about updating the list of convergence difference examples and the four illustrative examples in AASB 1049, staff consider that it might be beneficial, but not essential, that AASB 1049 outlines all convergence differences between GAAP and AGFSM.</p> <p>Stakeholder responses to the questionnaire indicated that there is clear understanding of these convergence differences among preparers of WoG and GGS financial statements and there is no urgent need to update the list of convergence differences or the illustrative examples in AASB 1049.</p> <p>The AGFSM Section 17 Relationship with other statistical systems Part D Relationship to Australian Accounting Standards (prepared by the ABS) outlines some of the similarities and differences</p>

AASB 1049 reference/stakeholder comment	Staff analysis and recommendations
<p>Stakeholders also commented that it would be helpful if AASB 1049 is subjected to a regular review to ensure it is kept up to date for changes to Australian Accounting Standards and/or the AGFSM.</p>	<p>between the AGFSM and Australian Accounting Standards. Staff note that it also does not refer to convergence differences relating to leases or service concession arrangements.</p>
<p>AASB 1049 is accompanied by four Illustrative Examples with explanatory notes. Some stakeholders who responded to the PIR of AASB 1049 commented that these examples should be updated to reflect any new convergence differences.</p> <p>In contrast, a stakeholder noted that these examples are extensive and potentially costly for the AASB to maintain. They suggested that examples are no longer necessary because:</p> <ul style="list-style-type: none"> affected jurisdictions may be sufficiently familiar with the requirements; and the UPF provides a similar reporting format to that illustrated in AASB 1049. <p>Most stakeholders who responded to the targeted outreach in 2025 confirmed that there is no urgent need to update these examples.</p>	<p>As noted in Agenda Paper 7.0, the IMF is undertaking a project to update its GFSM 2014 version with a targeted completion date by December 2027. Further convergence assessments might be needed when the revised AGFSM is available.</p> <p>Staff recommendation: Assess whether the list of convergence difference examples and the illustrative examples in AASB 1049 would require updating after considering the forthcoming AGFSM.</p> <p>Staff plan to liaise with ABS staff in due course to discuss whether and how Part D of Section 17 of AGFSM will be updated to reflect any convergence differences not noted in the current version.</p>

Question for Board members:

Q2: Do Board members agree with the staff recommendations noted in the table in paragraph 16 of this paper? If Board members disagree, what alternatives do Board members propose?

Section 3: Allow for user-defined fiscal aggregates and clarify relationship with AASB 18 *Presentation and Disclosure in Financial Statements* – Management-defined performance measures

17 The following table summarises stakeholder comments and staff recommendations.

Stakeholder comment	Staff analysis and recommendations
AASB 1049 requires WoG and GGS to disclose key fiscal aggregates in financial statements. ²	AASB 1049 allows for alternative key fiscal aggregates (in accordance with AASB 1049.18A-18B) and fiscal aggregates not measured in a

² As defined in AASB 1049 Appendix A, key fiscal aggregates are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth and cash surplus/(deficit).

Stakeholder comment	Staff analysis and recommendations
<p>A stakeholder suggested that AASB 1049 should provide for more user-defined fiscal aggregates, noting that not all jurisdictions use the designated key fiscal aggregates in decision-making, and some use additional aggregates such as aggregate measures of government debt.</p>	<p>manner consistent with recognised amounts or the AGFSM to be disclosed (in accordance with AASB 1049.18C-18D).</p> <p>Staff recommendation: No standard-setting work is required to allow for more user-defined fiscal aggregates.</p>
<p>A stakeholder noted that the disclosure requirements related to management-defined performance measures (MPMs) arising from AASB 18 should be clarified with regard to key fiscal aggregates.</p>	<p>A subtotal of income and expenses, such as a key fiscal aggregate disclosed within a set of financial statements, does not meet the description of an MPM. The Board considered this matter at its May 2025 meeting when discussing the application of AASB 18 by NFP public sector entities (see Section 4 of Agenda Paper 5.1 for that meeting).</p> <p>The Board decided that the forthcoming Exposure Draft will:</p> <ul style="list-style-type: none"> clarify in the Basis for Conclusions that a key fiscal aggregate disclosed within a set of financial statements does not meet the description of an MPM; and propose that NFP public sector entities, including WoG and GGS, be exempted from mandatory disclosure of MPMs, while noted that entities may voluntarily disclose information about MPMs that they consider useful for their users. <p>Staff recommendation: No further standard-setting work (other than that already agreed) is required to clarify requirements regarding MPMs.</p>

Question for Board members:

Q3: Do Board members agree with the staff recommendations noted in the table in paragraph 17 of this paper? If Board members disagree, what alternatives do Board members propose?

Section 4: Remove the requirement to present a statement of changes in equity in circumstances where it is redundant

- 18 AASB 1049.34A requires WoG and GGS to present a statement of changes in equity.
- 19 One stakeholder suggested that the mandatory requirement to provide a statement of changes in equity should be removed in circumstances where it is redundant because it does not provide additional information to that in the other statements and explanatory notes.

- 20 In contrast, other stakeholders, while acknowledging that there are cases where the information contained in the statement of changes in equity can be readily found in other components of the financial statements, do not support removing the requirement to prepare a statement of changes in equity because it is a fundamental component of the financial statements.

Staff analysis

- 21 AASB 101 and AASB 18 require all entities to present a statement of changes in equity. Similarly, IPSAS 1 *Presentation of Financial Reports* and XRB PBE IPSAS 1 *Presentation of Financial Reports* require NFP public sector entities to present a Statement of Changes in Net Assets/Equity.
- 22 The IPSASB is currently undertaking its Presentation of Financial Statements project and expects to publish a consultation paper in Q3 2025. This project includes reviewing the statement of changes in net asset/equity.³
- 23 There is no precedent for removing the statement of changes in equity if it is redundant for reporting entities that do have equity. Removing the statement may raise issues for users who look at it for easily identifiable equity information. Staff are not aware that the presentation of the statement of changes in equity is unduly onerous.

Staff recommendation

- 24 Staff consider that the feedback received to date does not indicate a public-sector-specific reason that would warrant permitting entities to omit a statement of changes in equity.
- 25 Since the Board is developing an Exposure Draft on the application of AASB 18 by NFP public sector entities that would clarify the primary financial statements presentation requirements of WoG and GGS, staff consider it appropriate to seek further input from stakeholders on this matter. Staff recommend adding specific matters for comment in the Exposure Draft to seek input on:
- (a) whether there is a public-sector-specific reason, in any circumstances, to not to require a statement of changes in equity at the WoG or GGS level; and
 - (b) whether the preparation of the statement of changes in equity is unduly onerous.

3 The IPSASB has not adopted the changes made by the IASB in 2007, which related to the adoption of an 'Other Comprehensive Income' (OCI) statement approach. As a result, the IPSAS statement of changes in net assets/equity presents income and expenses that are recognised directly in net assets/equity (i.e. items that are typically recognised in Other Comprehensive Income such as unrealised revaluations of certain non-current assets or financial instruments at fair value and remeasurement of defined benefit plans), whereas those income and expenses are not recognised in an IPSAS statement of financial performance. As such, users of the statement of surplus/deficit do not have sight of the quantitative and qualitative detail of the transactions accounted for directly in net assets/equity ([Agenda Item 11 Presentation of Financial Statements](#), p. 7, IPSASB 6-9 December 2022 Meeting).

Question for Board members:

Q4: Do Board members agree with the staff recommendation to seek further stakeholder input about the mandatory requirement to present a statement of changes in equity in circumstances where it is redundant?

Q5: Do Board members agree with the staff recommendation that feedback should be sought in the forthcoming Exposure Draft on the application of AASB 18 by NFP public sector entities?

If Board members disagree, what alternatives do Board members propose?

Section 5: Improving the clarity and utility of required disclosures of the differences between the GFS framework and the GAAP

Relevant requirements and recommendations from the Report to the FRC

AASB 1049

AASB 1049.41(a)(i)&(ii) and 52(b)(ii)&(iii) require the disclosures of reconciliation differences of key fiscal aggregates that arise from recognition or measurements differences between GAAP and GFS.

- 41 In addition to the disclosures required to be made in other explanatory notes in accordance with other applicable Australian Accounting Standards, the following disclosures shall be made:
- (a) for the whole of government and the GGS:
 - (i) where the key fiscal aggregates measured in accordance with the ABS GFS Manual differ from the key fiscal aggregates provided pursuant to paragraph 16 of this Standard:
 - (A) (1) the key fiscal aggregates measured in accordance with the ABS GFS Manual; and
 - (2) a reconciliation of the two measures of key fiscal aggregates and an explanation of the differences; or
 - (B) an explanation of how each of the key fiscal aggregates provided pursuant to paragraph 16 of this Standard is calculated and how it differs from the corresponding key fiscal aggregate measured in accordance with the ABS GFS manual
- 52 The whole of government shall disclose by way of note, in respect of the GGS, PNFC sector and PFC sector as defined in the ABS GFS Manual:
- (a) a description of each sector;
 - (b) for each sector:
 - (i) a statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows that are consistent with the whole of government's corresponding financial statements prepared in accordance with this Standard;
 - (ii) where the key fiscal aggregates measured in accordance with the ABS GFS Manual differ from the key fiscal aggregates determined in a manner consistent with paragraph 16 of this Standard:
 - (A) (1) the key fiscal aggregates measured in accordance with the ABS GFS Manual; and
 - (2) a reconciliation of the two measures of key fiscal aggregates and an explanation of the differences; or
 - (B) an explanation of how each of the key fiscal aggregates provided pursuant to paragraph 16 of this Standard is calculated and how it differs from the corresponding key fiscal aggregate measured in accordance with the ABS GFS manual; [...]

- 26 The Report to the FRC (Agenda Paper 7.2, p. 22) recommends that fundamentally, no changes should be made to the disclosure requirements relating to the explanation of convergence differences,

particularly in the light of the relief provided by AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations*.

- 27 As an opportunity to strengthen AASB 1049, the Report to the FRC (Agenda Paper 7.2, p. 30) does, however, suggest that the Board consider “improving the clarity and utility of required disclosures of the differences between the GFS framework and the GAAP, particularly those resulting from the increasing complexity in the requirements of new Australian Accounting Standards, which create additional convergence differences”.

Staff analysis

- 28 Originally, paragraphs AASB 1049.41 and 52 required a quantitative explanation or reconciliation of differences in key fiscal aggregates measured in accordance with Australian Accounting Standards and AGFSM. Noting stakeholder concerns about the requirements for quantitative disclosures, the Board issued AASB 2019-7 to provide an option to disclose a qualitative explanation of the differences (paragraphs AASB 1049.41(i)(B) and AASB 1049.52(b)(ii)(B)).
- 29 The Board noted that the relief provided in AASB 2019-7 is an interim solution (AASB 2019-7.BC3) and that “ideally stakeholders’ concerns should be addressed as part of the already planned comprehensive post-implementation review (PIR) of AASB 1049 in the context of the review of the public sector financial reporting framework” (AASB 2019-7.BC4).
- 30 Based on feedback obtained in 2025, it appears that stakeholders continue to request the AASB to review the requirement to report on the convergence difference between GAAP and GFS. However, stakeholders did not clearly explain what the focus of a review of these disclosure requirements should be.

Staff recommendation

- 31 Given that further convergence assessments will need to be undertaken when the new AGFSM is available, staff recommend reviewing the requirements in AASB 1049.41 and 52 after considering the forthcoming AGFSM.

Questions for Board members:

Q6: Do Board members agree with the staff recommendations to review the requirements in AASB 1049.41 and 52 after considering the forthcoming AGFSM? If Board members disagree, what alternatives do Board members propose?

Section 6 Guidance on Machinery of Government entity changes and transfers between GGS and other government sectors

Stakeholder feedback

- 32 Stakeholders have requested guidance to clarify:
- (a) the accounting treatment of accumulated equity reserve balances on Machinery of Government entity changes (i.e. restructure of administrative arrangements) in the financial statements of the transferee, the transferor and the WoG where the transfers are between GGS and PFC/PNFC sectors; and
 - (b) whether transfers between GGS and other government sectors should be recognised as equity or income.

- 33 In respect to paragraph 32(a), stakeholders commented that where an entity has an asset revaluation reserve and all its assets and liabilities have been transferred to another entity due to a restructure of administrative arrangements, it is unclear in AASB 1049 or other Australian Accounting Standards whether the transferee would recognise:
- (a) the transferor's asset revaluation reserve balance as its own asset revaluation reserve; or
 - (b) the entire equity balance of the transferor as a single line item as 'contribution by owners'.
- 34 Stakeholders commented that there is diversity in practice across different jurisdictions on how equity balances are treated in a restructuring of administrative arrangements.
- 35 In respect to paragraph 32(b), stakeholders request that the Board consider providing guidance or clarifying the criteria for determining whether a receipt of cash or other assets in the PNFC/PNC sector from the GGS should be recognised as equity or income.
- 36 There is diversity in practice across different jurisdictions in the treatment of transfers of assets between sectors, particularly where there is no consideration. A stakeholder commented that additional guidance or clarification would "reduce the risk of management bias and the ability of governments to use GFS principles to obtain a specific budgetary outcome".
- 37 Further, stakeholders noted that these matters may best be resolved through amendments to AASB 1004 and Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*, rather than to AASB 1049.

Staff analysis

- 38 Staff agree that:
- (a) Australian Accounting Standards do not specify the accounting treatment of equity reserve balances in a restructure of administrative arrangements; and
 - (b) judgement is required to determine whether transfers between GGS and other government sectors should be recognised as equity or income, and further guidance might be helpful.
- 39 Staff consider that the matters raised by stakeholders relate not only to transfers between GGS and PNFC/PFC sectors, but also to restructuring of administrative arrangements and transfers among government entities.
- 40 Requirements relating to equity transfers and the restructuring of administrative arrangements and other equity transfers for public sector entities are set out in AASB 1004 and Interpretation 1038. These pronouncements do not specify the treatment of equity balances in a restructuring of administrative arrangements, and the stakeholder feedback indicates that further guidance might be needed to assist stakeholders in determining whether transfers of assets and liabilities between government entities should be recognised as equity or income.
- 41 At its May 2023 meeting, the Board decided to undertake a PIR of AASB 1004 and Interpretation 1038, but later deferred the project to focus on other priorities.

Staff recommendation

- 42 Staff consider that, instead of addressing equity transfer matters at the GGS level in isolation, all matters relating to equity transfers within the public sector should be considered collectively. This proposed approach is supported by stakeholders responding to the 2025 targeted outreach.

- 43 Staff recommend seeking further feedback on the issues relating to transfers, including considering whether further guidance should be developed to assist public sector entities in determining whether a transfer between public sector entities should be recognised as equity or income, as part of the forthcoming PIR of AASB 1004 and Interpretation 1038.

Question for Board members:

Q7: Do Board members agree with the staff recommendation to include matters related to treatment of equity transfers and restructuring of administrative arrangements among GGS and PFC/PNFC sectors in the forthcoming PIR of AASB 1004 and Interpretation 1038? If Board members disagree, what alternatives do Board members propose?

Section 7 Clarify when an entity is classified as GGS, PFC or PNFC and what constitutes a transaction versus an other economic flow

AASB 1049	AGFSM
AASB 1049 Appendix A defines the GGS, PFC and PNFC sectors, transactions and other economic flows with reference to the definition of the AGFSM.	The GGS, PFC and PNFC sectors, transactions and other economic flows are defined in the AGFSM Glossary (also refer to Appendix A of Agenda Paper 7.0).

- 44 Stakeholders have asked for clarification about when an entity is classified as GGS, PFC or PNFC. Stakeholders commented that there is a lack of understanding of AASB 1049 amongst users and preparers, creating a risk of diversity in interpretation and practice.
- 45 As an example, stakeholders noted that there seems to be considerable discretion around whether an entity is included within the GGS or not. This often provides structuring opportunity, allowing governments to move certain entities/operations into PNFC or PFC sectors to achieve certain budgetary/fiscal outcomes.
- 46 Another example includes diversity in classification of transactions versus other economic flows.

Staff recommendation

- 47 Staff note that GGS, PFC and PNFC sectors, transactions and other economic flows are defined in AGFSM, which is consistent with the IMF's GFSM. Those definitions are copied into AASB 1049 Appendix A – they are not definitions developed by the AASB. As such, staff do not consider it appropriate for the Board to modify the definitions or to provide guidance on definitions set by the ABS.
- 48 Staff recommend no standard-setting action on this matter. Staff will pass on the stakeholder feedback to ABS staff so that they may be able to consider whether guidance might need to be developed to clarify the classification of entities under GFS. AASB staff meet periodically with ABS staff to discuss issues of mutual interest.

Question for Board members:

Q8: Do Board members agree with the staff recommendation for no further standard-setting activity on this matter? If Board members disagree, what further activity do Board members propose?

Section 8: Incorporate disclosure guidance in respect of financial instruments (AASB 9) and fair value measurement of non-financial assets (AASB 13), targeted to the needs of the users of government financial reports

- 49 The Report to the FRC noted that some stakeholders would like additional guidance in respect of financial instruments and fair value measurement of non-financial assets, targeting the needs of the users of government financial reports. Staff note that while this feedback was received in connection with the PIR of AASB 1049, these topics are related more to standards other than AASB 1049.
- 50 In respect to financial instruments – the IPSASB issued IPSAS 41 *Financial Instruments* in August 2018, which is based on IFRS 9 *Financial Instruments* with additional guidance specific to the NFP public sector. Consistent with the Board’s views noted on p. 8 of the [Feedback Statement](#) on the PIR of AASB 1058, the Board will consider whether “IPSAS 41 and IPSAS 47 *Revenue* could provide useful guidance to address the accounting treatment of financial assets, including the subsequent measurement of statutory receivables, for NFP entities”, staff consider there is merit in considering whether any guidance in IPSAS 41 might be useful for NFP public sector entities in Australia.
- 51 In respect to fair value measurement – the 2025 stakeholder feedback confirmed that the request for additional guidance is being met by the Board’s modifications to AASB 13 *Fair Value Measurement* made by AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (effective for periods beginning on or after 1 January 2024). Therefore, no further standard-setting action is required.

Staff recommendation

- 52 Staff recommend seeking input from stakeholders as part of the forthcoming Agenda Consultation on whether there is a need to add a project in the work program to consider enhancing AASB 9 for application by NFP public sector entities, including considering IPSAS 41.
- 53 Staff recommend that no further standard-setting activity is required with regard to fair value measurement of non-financial assets.

Questions for Board members:

- Q9: Do Board members agree with the staff recommendations to seek input from stakeholders as part of the AASB Agenda Consultation on whether there is a need to add a project in the work program to consider enhancing AASB 9 for application by NFP public sector entities, including considering IPSAS 41? If Board members disagree, what alternatives do Board members propose?
- Q10: Do Board members agree with the staff recommendation that no further standard-setting activity is required with regard to fair value measurement of non-financial assets? If Board members disagree, what further activity do Board members propose?

Section 9: Update the out-of-date paragraphs and references to the AGFSM 2005 version

- 54 Stakeholders noted that AASB 1049 contains several outdated references to the superseded AGFSM 2005 version, including outdated page references in AASB 1049 Appendix A *Key Terms*.
- 55 AASB 1049.13B requires a government to apply the version of the ABS GFS Manual effective at the beginning of the previous annual reporting period or any version effective at a later date, as the basis for GFS information included in the financial statements under the Standard. Therefore, it is not essential that references to AGFSM in AASB 1049 be updated.

- 56 Staff agree that it might be more useful if references to AGFSM are updated to reflect the 2015 version or the relevant current version. Staff consider that this should be undertaken after the board considers the forthcoming version of the AGFSM. This is because:
- (a) references may need further updating as a result of the AGFSM being changed; and
 - (b) stakeholders have been able to navigate between AASB 1049 and the 2015 version of AGFSM for nine years without significant issues. The feedback received in 2025 confirmed no urgent need to update AGFSM references.
- 57 Staff recommend deferring updating references to AGFSM until after the Board considers the forthcoming AGFSM.

Question for Board members:

Q11: Do Board members agree with the staff recommendation to defer updating references to AGFSM after considering the forthcoming AGFSM? If Board members disagree, what further activity do Board members propose?

Section 10: Potential Improvements to AASB 1055 *Budgetary Reporting*

- 58 The Report to the FRC (p. 23) recommended that
- “Given the lack of compelling evidence of any major shortcomings in the requirements of AASB 1055, there should be **no major amendments** made to the standard.” [emphasis added]
- 59 Stakeholders, however, suggested reducing the extent of budgetary disclosures, as outlined in the Report to the FRC (p. 32):
- “Consider whether the budgetary reporting relating to the Balance Sheet should only focus on items like capital expenditure, borrowings and unusual or particularly significant items. Budgetary information on the Statement of Cash Flows could be removed as variations in cash flows are primarily the result of variations affecting the Operating Statement and Balance Sheet, therefore the explanations of movements in the cash flow refer to the underlying movements and offer little informative value”
 - “AASB 1055 should be amended to allow the principal budget versus actual comparison to use the latest budget, in addition to or as a replacement for the current original Budget comparison requirement. This would reflect government accountabilities in practice. As background, the unique circumstances of the public sector mean that budgets are reviewed more often than is the case in the private sector ...”
 - “it would be useful to require entities provide meaningful disclosures on the elements contributing to movements recorded as ‘Other Economic Flows’ are made, rather than just a narrative about what each item is. For example, if there is a material change to an actuarial assumption, disclosure of the key factors causing the material change would be useful”
- 60 Stakeholder feedback obtained in 2025 reiterated the findings outlined in the Report to the FRC. The majority of stakeholders agreed that potential improvements to AASB 1055 should be considered holistically with the feedback expected on the forthcoming PIR of AASB 1055 with respect to entities within the GGS.
- 61 Two individual jurisdictional stakeholders disagreed with delaying work because:

- (a) the fundamental requirements in AASB 1055 relate to forecasts presented in budget papers. Budget papers always present general government consolidated forecast income statements, balance sheets, statements of cash flows, whereas the presentation of individual entity forecasts can vary by jurisdiction. Therefore, it makes sense to complete the work on the application to general government consolidated at the same time, or even before, considering the application to individual entities; and
- (b) some changes to AASB 1055 would provide cost relief and remove unnecessary disclosures immediately for WoG, and should be applied immediately to all entities applying AASB 1055 – even prior to the PIR for AASB 1055 for individual entities being undertaken.

Staff recommendation

- 62 At its May 2023 meeting, the Board decided to undertake a PIR of AASB 1055 with respect to entities within the GGS, but later deferred this project to focus on other priorities.
- 63 Staff are of the view that the feedback received on the PIR of AASB 1055 at the consolidated GGS level (as noted in the Report to the FRC) should be considered after undertaking the PIR of AASB 1055 with respect to entities within the GGS, as this would allow for a holistic consideration of budgetary reporting requirements at individual and consolidated entity levels. This approach is supported by most stakeholders.
- 64 The comments from the two stakeholders noted in paragraph 61 suggest that there may be a preference to prioritise undertaking the PIR of AASB 1055 for entities within the GGS over other planned PIRs or other public-sector projects on the work program. Staff consider that it would be beneficial to seek feedback from stakeholders regarding the priorities for the PIR of AASB 1055 for GGS entities, as well as other PIRs discussed in this paper, during the forthcoming Agenda Consultation.

Question for Board members:

Q12: Do Board members agree with the staff recommendations that any potential further standard-setting activity relating to AASB 1055 should be considered after undertaking the PIR of AASB 1055 for entities within the GGS? If Board members disagree, what alternatives do Board members propose?