



Project:	Implementation Guidance for Not-for-Profit Entities on Income and Expense Categorisation	Meeting:	AASB October 2026 (M223)
Topic:	Consider draft Exposure Draft	Agenda Item:	4.0
		Date:	15 October 2026
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		Decision-Making:	High
		Project Status:	Drafting Exposure Draft

Objective of this agenda item

- The objectives of this agenda item are for the Board to:
 - consider** a draft Exposure Draft (ED) that would clarify the new income and expense categorisation requirements for not-for-profit (NFP) entities (Agenda Paper 4.1); and
 - if appropriate, **approve** the publication of the ED and **decide** the next steps for finalising the ED (Agenda Paper 4.2).

Attachments

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| Agenda Paper 4.1 | Draft ED 34X <i>Implementation Guidance for Not-for-Profit Entities on Categorising Income and Expenses</i> |
| Agenda Paper 4.2 | Proposed next steps and timeline |

Background

- At its [August 2026 meeting](#) (M222), after considering the feedback received on [ED 338](#) *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*, the Board:
 - voted to make Amending Standard [AASB 2026-4](#) *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*. The Standard was published on 3 September 2026; and
 - decided to develop an ED to clarify the new income and expense categorisation requirements for both Tier 1 and Tier 2 NFP entities.

- 3 The Board decided that the ED would propose guidance to clarify:
- (a) how income recognised under AASB 1058 *Income of Not-for-Profit Entities* should be categorised in the statement of profit or loss; and
 - (b) whether, and in what circumstances, NFP entities might be considered to be investing in assets or providing financing to customers as a specified main business activity (SMBA).

Drafting approach

- 4 In respect to Tier 1 NFP entities, the Board decided that the ED should propose mandatory implementation guidance to be included in a new Australian Appendix to AASB 18 *Presentation and Disclosure in Financial Statements*. Accordingly, staff have prepared a proposed new Appendix E to be included in AASB 18.
- 5 In respect to Tier 2 NFP entities, while acknowledging that it has yet to make a final decision on whether and how to align the classification and presentation requirements in AASB 1060¹ with AASB 18 requirements (which is discussed in Agenda Item 3), the Board noted that the proposed guidance would address transactions commonly undertaken by all NFP entities and that earlier stakeholder feedback indicated support for considering the implications for Tier 2 entities. Accordingly, the Board instructed staff to prepare the ED that would also include proposed guidance for Tier 2 NFP entities.
- 6 Accordingly, the draft ED (presented as Agenda Paper 4.1) proposes mandatory implementation guidance to be included in AASB 1060 using the paragraph references in the pre-ballot draft of AASB 2026-X *Amendments to Australian Accounting Standards – Tier 2 Classification and Presentation* (presented as Agenda Paper 3.2). Given that the Board has not yet reached a final decision on the matters discussed in Agenda Item 3, the proposed Tier 2 guidance and related paragraph references in the draft ED may need to be revised to reflect the Board's decisions on that agenda item.
- 7 The [Appendix](#) to this paper summarises the Board's decisions in August 2026 regarding the nature of the NFP guidance to be included in the ED and the paragraphs where guidance is included, as well as Specific Matters for Comment and the relevant Basis for Conclusions paragraphs.

Proposed Specific Matter for Comment to seek feedback on costs and benefits

- 8 As noted in Section 3 of Agenda Paper 3.1, staff recommend that the Board consider including a Specific Matter for Comment (SMC) in the ED to address feedback from a regulator and a preparer in response to [ED 341](#) *Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18*, indicating that applying the AASB 18 requirements to NFP private sector entities could impose a significant burden.
- 9 Staff have drafted proposed paragraphs BC9–BC15 and SMC 1 of the ED on the assumption that the Board agrees with the staff recommendations in Agenda Paper 3.1. The proposed SMC 1 is intended to seek stakeholders' views on the costs and benefits of applying the AASB 18 classification and presentation requirements to NFP private sector entities.

1 AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

Appendix: Summary of Board decisions and development of draft ED

A1 The draft ED presented as Agenda Paper 4.1 proposes to include:

- (a) Appendix E *Australian Implementation guidance for not-for-profit entities* in AASB 18;
- (b) Appendix D *Implementation guidance for not-for-profit entities* in AASB 1060; and
- (c) *Illustrative examples for not-for-profit entities* to accompany AASB 18 and AASB 1060.

A2 Subject to the Board's decisions on Agenda Item 3 regarding the alignment of AASB 1060 with the classification and presentation requirements in AASB 18, the proposed implementation guidance for Tier 2 NFP entities is intended to be identical to the proposed implementation guidance for Tier 1 NFP entities. Accordingly, the proposed Appendix E to AASB 18 and Appendix D to AASB 1060 contain identical guidance, with the only differences relating to paragraph references.

A3 The following table summarises the Board's decisions made at its August 2026 meeting and indicates how the decisions have been reflected in the draft ED, the relevant Specific Matters for Comment (SMC) and paragraph references to the draft Basis for Conclusions (BC).

Board decision	New paragraphs proposed in draft ED	SMC question(s)	BC paragraph(s)
<i>Specified main business activities</i>			
Only having a charitable purpose does not preclude an NFP entity from investing in assets or providing financing to customers as a SMBA.	AASB 18.E11 AASB 1060.D11	Q2–Q4	BC21–BC22
Specify that the preparation of separate budgets, forecasts, financial performance reports or other disaggregated financial information for internal management decision making relating to investing or financing activities may provide evidence that investing in particular types of assets or providing financing to customers is a SMBA. Include examples of cases in which an NFP entity may have a specified main business activity, depending on the facts and circumstances.	AASB 18.E11–E13 AASB 1060.D11–D13 IE1–IE3	Q2–Q4	BC23–BC28
<i>Classification of income recognised under AASB 1058</i>			
Clarify that income recognised on the initial recognition of donated assets and from the unwinding of liabilities relating to capital grants recognised in accordance with AASB 1058 is classified in the operating category.	AASB 18.E14–E17 AASB 1060.D14–D17	Q5–Q6	BC31–BC40
Confirm that investment income earned on donated financial assets remains subject to the classification requirements in AASB 18 and is classified in the investing category unless investing in assets is a SMBA, and highlight that additional disclosures may assist financial statement users in understanding restrictions attached to donations.	AASB 18.E18–E20 AASB 1060.D18–D20	Q5–Q6	BC46–BC52

Board decision	New paragraphs proposed in draft ED	SMC question(s)	BC paragraph(s)
Clarify that the notions of operating, investing and financing activities in AASB 18 are not intended to be equivalent to those used in AASB 107.	AASB 18.E3–E4 AASB 1060.D3–D4	N/A	BC41–BC45
Effective date			
Seek views from stakeholders on whether the effective dates for AASB 18 and amendments to AASB 1060 remain appropriate: • Tier 1 NFP entities: annual periods beginning on or after 1 January 2028, with earlier application permitted. • Tier 2 NFP entities: annual periods beginning on or after 1 July 2030, with earlier application permitted.	N/A	Q7–Q8	BC53–BC56