



<b>Project:</b>	<b>Not-for-Profit Private Sector Financial Reporting Framework</b>	<b>Meeting:</b>	AASB October 2025 (M215)
<b>Topic:</b>	<b>Project update &amp; redeliberation of selected sections of the draft Tier 3 Standard</b>	<b>Agenda Item:</b>	6.0
		<b>Date:</b>	16 September 2025
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Project redeliberations

## Objective of this agenda item

- 1 The objective of this agenda item is for the Board to consider an update on its Not-for-Profit Private Sector Financial Reporting Framework (NFP FRF) project and decide how to finalise certain proposals exposed in ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*, having regard to the feedback received on the exposure draft and other developments.

## Attachments

- 2 Papers for this agenda item are:
  - (a) Agenda paper 6.1 Redeliberation – Financial instruments;
  - (b) Agenda paper 6.2 Redeliberation – Revenue;
  - (c) Agenda paper 6.3 Redeliberation – Related party disclosures; and
  - (d) Agenda paper 6.4 Redeliberation – Transition to Tier 3 and amendments to other Standards.

## Background and decisions made by the Board

- 3 ED 335 was issued in late October 2024 with a four-month consultation period ending 28 February 2025. The exposure draft contained the Board's proposals for a Tier 3 Standard with simplified recognition, measurement, presentation and disclosure requirements, transition provisions and effective date. At the same time, the Board issued ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, which exposed the Board's proposals to extend the application of the *Conceptual Framework for Financial Reporting* and Australian Accounting Standards to more NFP private and public sector entities.
- 4 At the May 2025 meeting, the Board considered a collation of the feedback on the proposals in ED 335 and ED 334 and decided to continue the projects and begin redeliberation.
- 5 At the July and August 2025 meetings, the Board redeliberated on certain proposals in ED 335 and made decisions about them, in addition to some editorial decisions, as summarised in the table below:

Topics	Board decisions
<b>ED 335 proposals</b>	
Section 1: <i>Objective, Scope and Application</i>	<ul style="list-style-type: none"> <li>• Clarify that topic-based Accounting Standards apply to specified transactions/ events within their scope</li> <li>• Reconfirm not to develop financial reporting thresholds on who can apply the Tier 3 Standard</li> </ul>
Section 2-7 relating to primary financial statements	<ul style="list-style-type: none"> <li>• Add guidance on disclosing liabilities with covenants in Section 3</li> <li>• Permit dual classification of expenses by nature and function if more useful in Section 4</li> <li>• Clarify that cash receipts from investment and cash receipts from/payments under loans held for dealing or trading purposes are cash flows from operating activities in Section 6</li> <li>• Clarify the difference between the alternative approaches to presenting cash flows from operating activities under the indirect method in Section 6</li> </ul>
Section 8: <i>Notable Relationships, Consolidated and Separate Financial Statements</i>	<ul style="list-style-type: none"> <li>• Clarify the operation of Section 8 and its requirements, including the interaction between Sections 8 and 13</li> <li>• Clarify that separate financial statements have the same meaning as in Tier 1/ Tier 2 reporting requirements</li> <li>• Clarify that if an entity elects to measure and recognise its first investment in a notable relationship entity at fair value through other comprehensive income (FVTOCI), that measurement basis must be applied consistently to all of the entity's investments in notable relationship entities</li> <li>• Clarify the relationship between power and the right to appoint key management personnel</li> </ul>
Section 9: <i>Accounting Policies, Estimates and Errors</i>	Require full retrospective application of corrections of prior period errors and related disclosures
Section 11: <i>Fair Value Measurement</i>	Remove 'in general' from para. 11.7 to limit the scope of when an entity considers whether a different use by market participants would maximise the value of the asset
Section 12: <i>Inventories</i>	<ul style="list-style-type: none"> <li>• Clarify that the accounting policy choice for initial measurement can be made for each individual item of inventory</li> <li>• Remove reference to course materials under development</li> <li>• Add reference to net realisable value</li> <li>• Move the guidance on measuring a loss of service potential of inventories held for distribution to Section 23: <i>Impairment of Assets</i> and clarify that measurement of recoverable amount is required when one of the impairment indicators is present</li> </ul>
Section 13: <i>Investment in Associates and Joint Arrangements</i>	<ul style="list-style-type: none"> <li>• In applying the equity method of accounting: <ul style="list-style-type: none"> <li>○ require transaction costs incurred in acquiring an associate or joint venture to be expensed as incurred</li> <li>○ not to articulate how the consideration paid for the associate or joint venture should be determined</li> <li>○ allow, but not require, an investor to adjust an investee's financial statements to reflect the application of the investor's accounting policies</li> </ul> </li> <li>• Clarify that the election to measure the investment in an associate or joint venture at FVTOCI applies to all associates, and all joint ventures, respectively</li> </ul>
Section 14: <i>Investment Property</i>	Remove disclosure requirements of commitments for repairs, maintenance or enhancements

<b>Topics</b>	<b>Board decisions</b>
Section 15: <i>Property, Plant and Equipment</i>	<ul style="list-style-type: none"> <li>• Clarify that parts of Section 15 apply to investment property measured at cost</li> <li>• Remove reference to software and include land and buildings as an example of a class of assets</li> </ul>
Section 16: <i>Intangible Assets</i>	Remove the disclosure requirement in para. 16.28(b) regarding whether an independent valuer was involved when intangible assets are stated at revalued amounts
Section 17: <i>Entity Combinations</i>	<ul style="list-style-type: none"> <li>• Require an entity combination to be recognised from the date of gaining control of the acquired entity or operating unit</li> <li>• Extend the exemption from fair value measurement to donated non-financial assets acquired by the entity at a nominal or significantly discounted amount and that were initially measured at cost. For the purpose of accounting for entity combinations, the carrying amount of such donated assets should be determined as if the Tier 3 Standard had always applied</li> <li>• Specify that an internally generated intangible asset acquired in an entity combination is not recognised</li> <li>• Clarify that it is the acquiree's accounting policies that are adjusted before the carrying amounts of the acquiree's assets, liabilities and items of equity are combined with those of the acquirer</li> </ul>
Section 18: <i>Leases</i>	Lessees are not required to separate cost of services from lease payments
Section 19: <i>Provisions and Contingencies</i>	Clarify that provisions are measured at the entity's best estimate of the undiscounted amount to be paid
Section 21: <i>Expenses</i>	Finalise as exposed in ED 335
Section 22: <i>Borrowing Costs</i>	Finalise as exposed in ED 335
Section 23: <i>Impairment of Assets</i>	<ul style="list-style-type: none"> <li>• Clarify that the recoverable amounts of non-financial assets (other than inventory) are measured at an individual asset level</li> <li>• Include inventories as a class of non-financial assets for which disclosures of information about impairment losses would be required</li> <li>• Clarify that Section 23 applies only to non-financial assets by removing the requirement to disclose impairment information for investments in associates and joint ventures in paragraphs 23.11(c) and (d)</li> <li>• Require impairment losses to be disclosed separately from depreciation and amortisation expenses by omitting paragraph 23.12</li> </ul>
Section 24: <i>Employee Benefits</i>	Finalise as exposed in ED 335
Section 25: <i>Income Taxes</i>	Finalise as exposed in ED 335
Section 26: <i>Foreign Currency Translation</i>	Clarify that exchange gains/losses on monetary items are recognised in profit or loss
Section 27: <i>Events Occurring after the Reporting Period</i>	Finalise as exposed in ED 335
Appendix A: <i>Glossary of terms</i>	Include Tier 2 terminology in the glossary of terms or within the body of the Tier 3 Standard where the same meaning is intended

6 The [Not-for-Profit Private Sector Financial Reporting Framework Project Summary](#) provides an overview of the Board's decisions in respect of the project resulting in ED 335.

- 7 At this meeting, the Board is expected to finalise its consideration of Category B proposals<sup>1</sup> having regard to the Agenda Papers noted in paragraph 2.
- 8 This paper presents a project update for other developments and seeks the Board's consideration of the expected joint timeline for the NFP FRF and Conceptual Framework: Not-for-Profit Amendments projects.

### **Project update — Other developments**

- 9 As noted at the Board's July 2025 meeting, the IASB issued the third edition of the IFRS for SMEs Standard in February 2025. Staff have reviewed the changes from the IFRS for SMEs exposure draft (on which the drafting of various sections of ED 335 was based) to determine their relevance to the NFP FRF project. Any relevant developments are included in the staff analysis for the sections of the draft Tier 3 Standard in the respective agenda papers presented at this meeting for the Board's consideration.
- 10 The IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in May 2024 which allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosures. To be eligible, subsidiaries must not have public accountability and must have a parent entity that prepares publicly available consolidated financial statements in accordance with IFRS. The Board will be seeking stakeholder feedback at its upcoming invitation to comment as part of updating AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to evaluate the suitability of IFRS 19 for adoption in Australia. While there may be some differences in classification/disclosure requirements between AASB 1060 and IFRS 19 that are also reflected in the draft Tier 3 Standard;<sup>2</sup> staff do not expect IFRS 19 to affect the development of the Tier 3 Standard because:
  - (a) the draft Tier 3 Standard contains fewer disclosures than AASB 1060 and IFRS 19 would appear to contain more disclosures than AASB 1060 and the Board had previously decided that the Tier 2 disclosures should serve as the upper limit for developing Tier 3 disclosures; and
  - (b) the Board has not yet decided whether and if so, how IFRS 19 should be adopted in Australia.

### **Project timeline and milestones**

- 11 The table in paragraph 12 sets out an expected joint timeline for the NFP FRF and Conceptual Framework: Not-for-Profit Amendments projects to facilitate Board member consideration, given the interaction between these two projects.
- 12 The proposed timeline has been revised since it was last presented at the August 2025 Board meeting. Staff now propose to move consideration of the draft Standard for ED 334 and the discussion on the proposed effective date for amendments to the *Conceptual Framework* from November 2025 to Q1 2026. This change reflects the fact that the Board has already completed its substantial technical decisions regarding ED 334. In light of the Board's time and priorities,

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1 Category B proposals are those where the feedback received informs of further points for consideration, such that it is unclear whether the Board proposals will be finalised in the manner exposed. This is based on stakeholders having expressed mixed views or substantive concerns about one or more particular aspects of the proposals.

2 Para. B101 of IFRS 19 specifies that if an entity has the right, at the end of the reporting period, to roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. Whereas para. 47A of AASB 1060 and para 3.11 of ED 335 allow, rather than require, an entity to classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement to of those liabilities is subject to the entity complying with covenants within twelve months after the reporting date.

staff considered it more efficient to present the draft Standard for ED 334 alongside a fuller draft of ED 335 for the Board’s consideration in Q1 2026. Staff will continue to actively consider and make any necessary updates to the project timelines at each Board meeting.

Topics	Date
ED 334 <ul style="list-style-type: none"> <li>• Redeliberation: Transitional provisions</li> </ul> ED 335 proposals – redeliberations of: <ul style="list-style-type: none"> <li>• Section 10: <i>Financial Instruments</i> (SMC 16 – SMC 18)</li> <li>• Section 20: <i>Revenue</i> (SMC 28 and SMC 29)</li> <li>• Section 28: <i>Related Party Disclosures</i> (SMC 37)</li> <li>• Section 29: <i>Transition to Tier 3 General Purpose Financial Statements</i> (SMC 38) and Appendix C: <i>Amendments to other Australian Accounting Standards</i> (SMC 40)</li> </ul>	At this meeting
ED 335 <ul style="list-style-type: none"> <li>• Bring drafting for consideration and make decisions on all remaining technical issues, including setting an effective date, and sweep issues</li> <li>• Consider amendments needed to the <i>AASB Not-for-Profit Entity Standard-Setting Framework</i></li> </ul>	November 2025 meeting
ED 334 <ul style="list-style-type: none"> <li>• Redeliberation: Effective date, and bring a draft amending Standard for consideration</li> </ul> ED 334 and ED 335 <ul style="list-style-type: none"> <li>• Bring remaining sweep and other issues, revised draft Standards, Policy Impact Analysis, explanatory statements, and vote on final pronouncements</li> </ul>	H1 2026

**Question to Board members**

Do Board members have any comments on the project timeline presented in paragraph 12 above, or any other matters noted in this agenda paper?