



<b>Project:</b>	Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities	<b>Meeting:</b>	AASB October 2025 (M215)
<b>Topic:</b>	Proposed next steps and timeline	<b>Agenda Item:</b>	7.2
		<b>Date of paper:</b>	19 September 2025
<b>Contact(s):</b>	Patricia Au <a href="mailto:pau@aasb.gov.au">pau@aasb.gov.au</a> Angus Thomson <a href="mailto:athomson@aasb.gov.au">athomson@aasb.gov.au</a>	<b>Project Priority:</b>	High
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Drafting Exposure Draft

## Objective of this paper

- 1 This paper is designed to be read after reading Agenda Papers 7.0 and 7.1. The objectives of this paper are for the Board to:
  - (a) **note** an update on a follow-up matter relating to convergence difference between Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) regarding concessionary loans;
  - (b) **decide** the next steps for finalising the publication of the Exposure Draft (ED);
  - (c) **decide** the comment period for the ED; and
  - (d) **consider** a proposed timeline for completing the project.

## GAAP-GFS convergence difference regarding concessionary loans

### Background

- 2 At its August 2025 meeting, the Board considered the recommendations made in the Report to the FRC from the FRC's independent Post-implementation Review (PIR) of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Board noted feedback from a stakeholder suggesting that AASB 1049.31(b)(iii) may require modification because the 2015 version of the Australian GFS Manual has changed how concessionary loans should be recognised under GFS. The Board asked staff to undertake further work on this matter and to provide an update at this meeting.
- 3 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]
- 4 The GFS Manual classifies income and expenses as either 'transactions' or 'other economic flows'. Therefore, AASB 1049 requires the income statement of the whole of government and GGS financial statements to classify all income and expenses (measured in accordance with Australian Accounting Standards) as either 'transactions' or 'other economic flows'. These terms are defined in the Australian GFS Manual and AASB 1049 Appendix A as follows:

- (a) transactions – interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions; and
  - (b) other economic flows – changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets).
- 5 AASB 1049.31 lists examples of income/expenses to be recognised in the whole of government and GGS financial statements as either ‘transactions’ or ‘other economic flows’. It is subdivided into two paragraphs:
- (a) AASB 1049.31(a) lists income/expenses where “GAAP and GFS **both recognise the item** in the reporting period”; whereas
  - (b) AASB 1049.31(b) lists income/expenses where “GAAP recognises an item that GFS **does not recognise** in the reporting period”.
- 6 AASB 1049.31(b)(iii) specifies that an expense arising from the initial recognition of the difference between the fair value of a concessionary loan and the transaction price (measured in accordance with paragraph B5.1.2A of AASB 9 *Financial Instruments*) should be classified as a ‘transaction’ rather than ‘other economic flow’ in the whole of government and GGS financial statements.

### **Staff analysis**

- 7 Staff have confirmed with the stakeholder who raised the comment with the FRC that their suggestion for amending AASB 1049.31(b)(iii) pertained only to the location of that paragraph, not the substance. The stakeholder commented that:
- (a) the 2015 version of the Australian GFS Manual requires the difference between the market value and the contractual value of a concessionary loan to be recognised in the balance sheet at initial recognition, whereas AASB 9 requires recognition in the income statement. Therefore, when describing the GAAP-GFS difference, it should be described as an expense where “GAAP and GFS **both recognise the item** in the reporting period” under AASB 1049.31(a), rather than under AASB 1049.31(b); and
  - (b) no changes are needed to the substance of AASB 1049.31(b)(iii). The accepted practice among Treasury Offices is that the expense arising from the difference between the fair value of a concessionary loan and the transaction price is classified as ‘transactions’ in the whole of government and GGS financial statements.
- 8 However, when seeking clarification on how the GFS treats and classifies expenses related to concessionary loans, staff observed some ambiguity between the Australian GFS Manual, the [Uniform Presentation Framework](#) (which outlines the formats for governments' budget papers) and AASB 1049.31(b)(iii). Therefore, there might be a need to assess the substance of AASB 1049.31(b)(iii) – whether the expense arising from the difference between the fair value of a concessionary loan and the transaction price (measured in accordance with AASB 9) should be classified as an ‘other economic flows. Staff also found that there may be issues to consider beyond the GAAP-GFS difference on how a concessionary loan is initially recognised.
- 9 Staff recommend not to address the matter relating to AASB 1049.31(b)(iii) in the proposed ED. This is because:
- (a) depending on further analysis of the complexity of the GAAP-GFS difference, it might be better addressed as part of the Board’s future work on assessing the lists of GAAP-GFS convergence difference and illustrative examples in AASB 1049 after considering the forthcoming Australian GSF Manual or the Board’s annual improvements process; and
  - (b) the convergence difference regarding concessionary loans does not appear urgent. In the response to the 2025 staff questionnaire about AASB 1049, no stakeholders indicated that AASB 1049.31(b)(iii) would require amendments ahead of the Board’s assessment of the forthcoming Australian GSF Manual. The

stakeholder who raised the comment with the FRC is of the view that the substance of AASB 1049.31(b)(iii) remains correct and is consistent with current practice.

- 10 The proposed paragraph BC88(a) in the draft ED (Agenda Paper 7.1), which describes the Board's standard-setting response to the recommendations noted in the Report to the FRC, states that the Board plans to consider the forthcoming updated Australian GFS Manual before updating convergence difference examples and the Illustrative Examples in AASB 1049. Staff consider that the BC text (subject to any changes the Board might agree to make) is sufficient in documenting the Board's intention to consider GAAP-GFS convergence differences, which would not preclude concessionary loans, in a future project.

**Question for Board members**

Q1: Do Board members support the staff recommendation to not address the matter relating to AASB 1049.31(b)(iii) in the ED?

**Next steps for finalising the publication of the ED**

- 11 Subject to the number and nature of changes the Board decided to make to the draft ED presented as Agenda Paper 7.1, staff recommend the ED can be approved for publication at this (October) meeting, with the final wording approved by the Chair out of session. Other options to finalise the ED include:
- (a) approve publishing the ED at the October meeting, and nominate a subcommittee of the Board to finalise the drafting of the ED for publication;
  - (b) the Board to consider and approve a revised ED out of session; or
  - (c) the Board to consider and approve a revised ED in-session at the November Board meeting.

**Question for Board members**

Q2: Do Board members support the staff recommendation, or one of the other options, as the appropriate next step for finalising the ED?

**Exposure Draft comment period**

- 12 Section 6.5 of the [AASB Due Process Framework for Setting Standards](#) states that the Board would generally provide a 90-day comment period for an ED. While staff consider that a 90-day comment period is sufficient for the proposals in the ED, which is about providing relief and clarifying how the requirements in AASB 18 *Presentation and Disclosures in Financial Statements* are to be applied by superannuation and not-for-profit (NFP) entities, staff recommend a 120-day comment period. This is because:
- (a) the Board is also seeking feedback on *Invitation to Comment ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2* in the same period. ITC 56 closes on 22 January 2026; and
  - (b) members of the Financial Reporting and Accounting Committee of the Australasian Council of Auditors-General (ACAG-FRAC) requested a 120-day comment period for the ED.
- 13 Assuming the ED is published by the end of October 2025, a 120-day comment period would end on 28 February 2026. As noted in the proposed timeline below, providing a 120-day comment period, instead of 90 days, would mean that the Board would unlikely be able to finalise the amending Standard before 30 June 2026. Given that superannuation and NFP entities are only required to apply AASB 18 for annual periods beginning on or after 1 January 2028, finalising the amending Standard in Q3 2026 is unlikely to have a significant effect on the implementation of AASB 18 by these entities. A 120-day comment period will also help compensate for the December-January holiday period.

**Question for Board members**

Q3: Do Board members agree with providing a 120-day comment period for the ED?

**Proposed timeline**

- 14 The following table contains staff's proposed timeline for completing the project, assuming the Board would approve publishing the ED at the October meeting.

Meeting/Deliverable	Project Milestones
<b>October 2025</b>	Subject to the Board's decision in Q1, the Board Chair or a subcommittee of the Board to review and finalise the drafting of the ED for publication by the end of October 2025.  Propose a 120-day comment period until the end of February 2026.
<b>November 2025 – February 2026</b>	Outreach to stakeholders.
<b>March–April 2026</b>	Staff to summarise and analyse feedback on the ED.
<b>April/May 2026</b> Board meeting	Board to consider stakeholder feedback and staff's recommended changes to the proposals in response to stakeholders' feedback.
<b>June/July 2026</b> Board meeting	Board to consider a draft version of the amending Standard, and to decide whether there is a need to publish a Fatal-Flaw Review (FFR) Draft version of the amending Standard for public consultation.
<b>July/August 2026</b>	Either undertake further due process for a FFR Draft amending Standard or finalise the Standard out of session.

**Question for Board members**

Q4: Do Board members have any comments about the proposed draft timeline?