



<b>Project:</b>	<b>AASB 1060 Review</b>	<b>Meeting:</b>	212
<b>Topic:</b>	<b>PIR of AASB 1060 and AASB 2020-2</b>	<b>Agenda Item:</b>	8.1
		<b>Date:</b>	15 April 2025
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Consider questions for ITC

## Objective of this paper

- 1 The objective of this agenda item is for the Board to consider the structure and content of an upcoming Invitation to Comment (ITC) consultation document regarding the Post-implementation Review (PIR) of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and AASB 2020-2 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

## Structure of this paper

- 2 This Staff Paper is set out as follows:
  - (a) Background (paragraphs 3 to 16)
  - (b) Review of any relevant research (paragraphs 17 to 20)
  - (c) Targeted outreach conducted (paragraphs 21 to 23)
  - (d) Proposed questions (paragraphs 24 to 28)
  - (e) Next steps and project timeline (paragraph 29)

## Background

- 3 The development of AASB 1060 and AASB 2020-2 was part of a broader project undertaken by the AASB to improve the consistency, comparability, transparency and enforceability of financial reporting in Australia, particularly for for-profit sector entities.
- 4 The project began with the release of Invitation to Comment (ITC) 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* in May 2018 to gather stakeholder feedback on several proposals, including clarifying the application of the 'reporting entity' concept and transitioning from Special Purpose Financial Statements (SPFS) to General Purpose Financial Statements (GPFS). It also sought to align Australian reporting requirements with the IASB's Revised Conceptual Framework, to ensure consistency with international standards.
- 5 Following extensive consultation—including over 160 targeted stakeholder meetings, surveys, academic research, and input from regulators—the AASB concluded in early 2019 that action was required to address the lack of comparability and transparency arising from the use of SPFS. In

particular, many entities preparing SPFS did not apply all recognition and measurement requirements of Australian Accounting Standards (AAS), leading to inconsistent financial reporting outcomes despite similar reporting obligations.

- 6 To address these concerns, in August 2019, the AASB issued two Exposure Drafts (ED):
  - (a) [ED 295 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#) proposed a new disclosure framework for all Tier 2 entities, including both for-profit and not-for-profit (NFP) entities, based on principles from the IFRS for SMEs Standard. This framework aimed to replace the existing Reduced Disclosure Requirements (RDR) with a more targeted and user-focused set of Simplified Disclosures, later formalised in AASB 1060.
  - (b) [ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#) proposed to remove the ability of certain for-profit sector entities to prepare SPFS, instead requiring these entities to prepare GPFS in accordance with the recognition and measurement requirements of AAS and apply the new Simplified Disclosure framework.
- 7 These proposals were supported by stakeholders seeking more consistent and comparable financial reporting. However, feedback also highlighted the need for appropriate transition relief and implementation support, particularly for entities new to preparing GPFS.
- 8 Following consideration of stakeholder feedback, the Board made some key decisions, including:
  - (a) Deferring the effective date of the changes by 12 months to apply to annual reporting periods beginning on or after 1 July 2021;
  - (b) Providing transitional relief, including relief from restating comparatives for early adopters; and
  - (c) Introducing a single disclosure standard (AASB 1060) for Tier 2 entities, improving usability and reducing duplication across standards.
- 9 In March 2020, the AASB finalised and issued two standards that apply to annual periods beginning on or after 1 July 2021, with earlier application permitted:
  - (a) AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, which sets out a new, stand-alone disclosure Standard to be applied by all Tier 2 entities (i.e. for-profit and not-for-profit entities). It replaces the RDR framework; and
  - (b) AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, which removes the ability of certain for-profit sector entities to self-assess financial reporting requirements and prepare SPFS. The affected entities included:
    - (i) For-profit sector entities lodging financial reports under the *Corporations Act 2001*, such as large proprietary companies and financial services licensees;
    - (ii) Entities required by legislation or constituting documents (amended on or after 1 July 2021) to prepare financial statements in accordance with AAS; and
    - (iii) Other entities voluntarily electing to prepare GPFS.
- 10 Not-for-profit (NFP) private sector entities were not directly affected by the removal of SPFS under AASB 2020-2. However, they may choose to voluntarily prepare Tier 2 GPFS, in which case they are required to comply with AASB 1060. Their ability to continue preparing SPFS remains under review as part of the AASB's separate project on the Australian Financial Reporting Framework for NFP Private Sector Entities.

- 11 At its 8-9 September 2021 meeting, the Board considered a proposed post-implementation review (PIR) process and a strategy for undertaking PIRs on the domestic AAS, including Interpretations on issue.<sup>1</sup>
- 12 The Board agreed to progress its PIR work in tranches over the 2021-2025 period. It concurred with the staff recommendation at the time that the PIR of AASB 1060 and AASB 2020-2 would commence in Q3 of 2023. However, in May 2023, work on the Board's PIRs was paused to enable the Board to focus on developing Australian Sustainability Reporting Standards and other high-priority financial reporting projects. In March 2024, the Board received an update that the PIR of AASB 1060 and AASB 2020-2 had recommenced. In September 2024, the Board decided to conduct the PIRs in Q3 2025, along with outreach activities on AASB 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability for Tier 2 entities*.<sup>2</sup> This paper provides Board members with an update on the work performed on these PIRs to date.
- 13 In accordance with paragraph 7.15.1 of the [AASB Due Process Framework for Setting Standards](#) (due process framework), the Board performs a PIR of each new domestic Standard or Interpretation or major amendments to such a pronouncement, generally when the new requirements have been applied for two years. However, for most regulatory PIRs, the Office of Impact Analysis (OIA) require the PIR to be completed within five years of the pronouncement implementation.
- 14 AASB 1060 and AASB 2020-2 first applied to annual periods beginning on or after 1 July 2021, and as such, the AASB should complete its PIR for these standards by June 2026.
- 15 A PIR evaluates whether an implemented pronouncement is operating as intended and is effectively and efficiently meeting the pronouncement objectives in addressing the original problem. A PIR is not a standard-setting project and does not automatically lead to standard-setting. It is also not intended to lead to the resolution of every concern raised. More information on the PIR process can be found on the [AASB website](#).
- 16 Staff intend to release an ITC to gather feedback. Paragraph 29 sets out the timeline for the PIR of AASB 1060 and AASB 2020-2.

### Review of any relevant research

- 17 The *due process framework* requires a review of any relevant research. Staff have performed a literature review on the topics. The following keywords were used to search for relevant academic papers in Business Source Complete, Google Scholar, and other academic databases, including the Social Science Research Network (SSRN) and Research Gate: "AASB 1060", "AASB 2022-2", "Tier-2 entities", "special purpose financial statement", "special purpose financial report", "SPFS" and "simplified disclosures".
- 18 Our preliminary findings from the literature review indicate that limited published academic research papers are relevant to the PIR. This outcome is not unexpected, given there is limited access to the data of Tier-2 entities.<sup>3</sup> Staff will analyse the identified published academic research for relevance to this project and provide the Board with an update on its literature review findings at a future Board meeting.
- 19 In October 2024, the Board engaged a research team—Professor Matt Pinnuck and Professor Brad Potter from the University of Melbourne—to investigate the reporting framework choices of private sector non-listed entities eligible to apply AASB 1060. The study examined a sample of 609 large proprietary entities with reporting periods ending between 30 June 2022 and 30 June 2023.

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1 For the purposes of the PIR, "domestic" references both a Standard issued as AASB 10XX and not-for-profit amendments, including guidance, to the suite of Standards that incorporate IFRSs.

2 [Minutes of the 208th meeting of the AASB](#)

3 For example, fees are required to obtain lodged financial reports of a proprietary entity. See <https://asic.gov.au/online-services/search-asic-registers/search-fees/>

Preliminary findings show that 89% of these entities reported under AASB 1060, indicating a high level of adoption overall. The final research report is expected in Q2 2025, and its findings will inform the PIR.

- 20 In October 2024, the Board also engaged a research team—Dr Kevin Thai and Dr Prabashi Dharmasiri from RMIT University—to investigate the reporting framework choices of charities eligible to apply for AASB 1060. Findings from this research are expected in the near future.

### **Targeted outreach conducted**

- 21 In the November 2023 meeting, the Board decided to conduct targeted outreach in Q2 2024 to gather preliminary feedback on AASB 1060 and AASB 2020-2. Consequently, in June 2024, staff conducted two virtual roundtables, and other targeted outreach activities to gather preliminary feedback was gathered on whether:
- (a) there were any significant problems or concerns following the application of AASB 2020-2 and the removal of the ability for certain for-profit private sector entities to prepare SPFS or with the implementation and initial and ongoing application of AASB 1060; and
  - (b) AASB 1060 should be replaced or amended as a result of the Board issuing AASB 18 *Presentation and Disclosure in Financial Statements* and the IASB issuing IFRS 19 *Subsidiaries without Public Accountability*.
- 22 Feedback received from both roundtables raised no significant concerns about AASB 1060 and AASB 2020-2. In addition, stakeholders did not appear to support replacing AASB 1060 with IFRS 19. However, stakeholders also acknowledge that they have a lack of understanding of IFRS 19 requirements and would reconsider their views when future outreach is conducted. In September 2024, the Board acknowledged that AASB 1060, AASB 18, IFRS 19 and the revised IFRS for SMEs Accounting Standard (i.e. the third edition which was expected to be released by the IFRS Foundation in Q1 2025) are interrelated and would be more effectively considered together. As such, the Board decided to conduct outreach to gather stakeholder feedback for all related matters in Q3 2025.
- 23 During Q2 2025, as part of preparing the proposed content for the ITC on the PIR, staff attended several stakeholder meetings and took the opportunity to ask stakeholders whether there were any issues with AASB 1060 and AASB 2020-2. Almost all stakeholders reaffirmed that they have no significant concerns. However, stakeholders raised concerns about the Board's timeline to consider incorporating AASB 18 into AASB 1060 as many Tier-2 entities want to early adopt AASB 18 and they are currently unable to do so. However, this is beyond the scope of the PIR. This matter is addressed in Agenda Papers 8.2, 8.3 and 8.4.

### **Proposed questions**

- 24 In light of no specific concerns being raised by stakeholders so far in relation to AASB 1060 or AASB 2020-2, staff recommend the proposed questions in the ITC should be broadly designed to seek feedback on whether/how well the standards are achieving its original objectives.
- 25 As noted in the cover memo, to help ensure stakeholder feedback remains within the relevant scope, the ITC will be divided into two sections. Section A will focus on two topics, Topic 1) the PIR of AASB 1060 and Topic 2) the PIR of AASB 2020-2. Section B will seek feedback on the potential effects of AASB 18, IFRS 19, and the third edition of the IFRS for SMEs Accounting Standard on AASB 1060.
- 26 To support stakeholders in providing their feedback, the ITC would include relevant background information to 'set the scene' and give context to the questions that are being asked (e.g. explain the background and objective of AASB 1060 and then ask a question about whether the objective was met).

## *Topic 1: PIR of AASB 1060*

- 27 Staff propose the following types of questions be included in the ITC for Topic 1 to seek feedback about stakeholders' experiences with AASB 1060:

### **Question 1: Transition relief**

AASB 1060 was effective for annual periods beginning on or after 1 July 2021, with **early application permitted**. Entities that chose to early adopt AASB 1060 could elect to apply optional short-term exemptions.

If you early adopted AASB 1060, did you make use of the optional transition relief?

Did you experience any issues preparing the required disclosures under AASB 1060 for the first time? If yes, what issues?

Do you think the transition relief was sufficient? If not, please explain why, and what alternatives or additional transitional relief you think was needed.

### **Question 2: Support provided**

Do you consider the educational materials, including webinars and publications prepared by AASB staff prior to the mandatory application of AASB 1060, were helpful? If not, what additional activities or resources would you have found helpful?

### **Question 3: Disclosures of individual material items**

During the development of AASB 1060, some stakeholders raised concerns about the absence of a specific requirement to disclose individually material items of income and expenses in the financial statements. The Board acknowledged these concerns and noted that entities applying AASB 1060 would still be expected to disclose information that is not presented elsewhere, but that is relevant to an understanding of the financial statement under paragraph 91(c) of AASB 1060.

Are you aware of, or have you observed, instances where entities have not disclosed the required information in their financial statements? If yes, please explain why the entity did not make the required disclosures.

### **Question 4: Adequacy of disclosure requirements**

Do you consider any of the disclosure requirements in AASB 1060 to be excessive? Or are there any areas where you consider the disclosures required by AASB 1060 to be insufficient? If yes, please specify which requirements and provide your rationale, including suggestions for which disclosures you think should be streamlined or expanded.

When considering your response, please also consider whether the proposed amendments to AASB 1060 in Topic 1 and 2 of Section B would address your concerns.

### **Question 5: Overall objective and costs vs benefits**

In your view, overall, has AASB 1060 achieved an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS? If not, please explain why.

Are the costs of applying AASB 1060 significantly greater than you expected? If yes, please outline the nature and significance of any unexpected costs you encountered (e.g. system upgrades, training, disclosure preparation) and explain whether the costs are ongoing or limited to the transition period.

Are the expected benefits of applying AASB 1060 significantly different from what you expected? If yes, please explain why.

Please provide any examples or supporting observations.

### Question 6: Moving forward

When AASB 1060 was being developed, the AASB decided that its disclosure requirements should be reviewed whenever the IFRS for SMEs Accounting Standard is updated, a new Australian Accounting Standard or Interpretation is issued, or amendments are made to existing Australian Accounting Standards or Interpretations. This approach has resulted in many amendments being made to AASB 1060 since it was issued in 2020.

Do you have any comments about the AASB's approach to maintaining AASB 1060?

For example:

- (a) do you consider the approach to be onerous due to the frequency of changes?
- (b) would you prefer the AASB adopt a review process that considers all non-urgent amendments on a periodic basis (e.g. annually). Under this approach, urgent amendments (e.g. COVID-19-related disclosures) would still be considered as they arose.

### Question 7: Other comments

Do you have any additional feedback or suggestions related to AASB 1060?

#### Question for Board members

**Question 1** Do Board members agree with the types of questions staff recommend including in the ITC to seek feedback about stakeholders' experiences with AASB 1060 (see paragraph 27)? If not, what would Board members suggest?

### Topic 2: PIR of AASB 2020-2

- 28 Staff propose the following types of questions be included in the ITC for Topic 2 to seek feedback about stakeholders' experiences with the removal of SPFS for certain for-profit private sector entities:

#### Question 1: Transition Relief

AASB 2020-2 removed the ability for certain for-profit private sector entities to prepare SPFS. The Standard was effective for annual periods beginning on or after 1 July 2021, with **early application permitted**. To encourage affected for-profit private sector entities that were preparing SPFS to prepare GPFS in advance of the mandatory effective date of AASB 2020-2, optional short-term exemptions were provided.

If you early adopted AASB 2020-2, did you use the optional transition relief during the transition?

Do you think the **transition relief** was sufficient? If not, please explain why, and what alternatives or additional transition relief you think was needed.

#### Question 2: Overall objective

The objective of AASB 2020-2 was to improve financial reporting by removing the ability of certain for-profit private sector entities to prepare Special Purpose Financial Statements (SPFS), requiring them to prepare General Purpose Financial Statements (GPFS) instead.

Have you observed improvements in the **consistency, comparability, transparency** and **enforceability** of financial statements following the implementation of AASB 2020-2? If not, please explain why and what additional improvements you considered are needed.

Please provide any examples or supporting observations.

#### Question 3: Costs and benefits

Entities transitioning from SPFS to GPFS were expected to incur additional costs, primarily during the transition period; however, the ongoing costs are expected to decrease thereafter.

Were the costs of preparing GPFS for the first time significantly greater than you expected? If yes, please outline the nature and significance of any unexpected costs you encountered during the transition (e.g. system upgrades, training, disclosure preparation).

Have there been any significant unexpected ongoing costs in preparing GPFS that were not anticipated prior to the transition? If yes, please outline the nature and significance of the unexpected costs you encountered (e.g. system upgrades and training).

Are the expected benefits of preparing GPFS significantly different from what you expected? If yes, please explain why.

Please provide any examples or supporting observations.

**Question 4: Other Comments**

Do you have any additional feedback on the removal of SPFS for certain for-profit private sector entities?

**Question for Board members**

**Question 2** Do Board members agree with the types of questions staff recommend including in the ITC to seek feedback about stakeholders' experience with the removal of SPFS for certain for-profit private sector entities (see paragraph 28)? If not, what would Board members suggest?

**Next steps and project timeline**

29 The following table contains the proposed timeline for the PIR of AASB 1060 and AASB 2020-2:

Proposed timeline	Project milestones and staff comment
	<b>Planning phase</b>
June 2024 (Completed)	Steps 1, 2: Review of original project documentation and collation of identified issues.  Step 4: Seek preliminary feedback from targeted stakeholders (as necessary) and review feedback received  As noted in paragraphs 21-23, several outreach activities were conducted to gather preliminary feedback.
<b>Board meeting:</b> 1 May 2025	Step 3: Finalise findings from academic research.  As noted in paragraphs 19 and 20 the Board engaged two research teams.  Steps 5, 6: Prioritise issues identified in the planning phase to determine the scope of the consultation document and discuss steps 1–5 (as necessary) with the Board before developing the consultation document.  Step 8: Discuss the proposed content of the consultation document with the Board and approve for issue.  To align with other planned consultations that relate to AASB 1060, staff intend to ask the Board to approve the content of an ITC at this meeting. The ITC is expected to be issued in Q3 2025 and to have a comment period of 120 days. See Agenda Paper 8.0 for additional information.

Proposed timeline	Project milestones and staff comment
	<b>Outreach phase</b>
Q3 2025	Step 7: Draft consultation document (i.e. Invitation to Comment). Step 9: Undertake general and targeted outreach to seek stakeholder feedback on the consultation document.
	<b>Feedback and next steps</b>
Q3-Q4 2025	Step 10: Consultation comment period closes in Q3 2025. Step 11: Review and summarise responses received on the consultation document and through outreach. Perform follow-up procedures where appropriate. Step 12: Identify possible 'next steps' to respond to findings. Step 13: Discuss feedback and possible next steps with the Board.
Q4 2025 – Q1 2026	Step 14: Prepare a feedback statement, discuss it with the Board and publish the feedback statement.

#### Question for Board members

**Question 3** Do Board members have any comments on the next steps and project timeline?