

# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 241

21 August 2025

## Welcome to the AASB Action Alert

The AASB Board met in public and in private on 19 August 2025. At the meeting, the Board made key decisions in relation to:

### [Not-for-Profit Private Sector Financial Reporting Framework \(Tier 3\)](#)

### [Tier 2 – Contracts Referencing Nature-dependent Electricity](#)

### [Post-implementation Review – Government Financial Reporting \(AASB 1049\)](#)

### [Definition of Public Accountability](#)

The Board also discussed the following topics:

### [Conceptual Framework References](#)

### [AASB Agenda Consultation](#)

## Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

The Board continued its redeliberations of the proposals exposed in Exposure Draft ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*. The Board made the following key decisions:

- (a) Section 8: *Notable Relationships and Consolidated and Separate Financial Statements* – to amend the drafting to clarify:
  - (i) the intended operation of the Section and its requirements, including clarifying the interaction between Section 8 and Section 13: *Investments in Associates and Joint Ventures*;
  - (ii) that separate financial statements have the same meaning as in Tier 1 and Tier 2 reporting requirements;

**Contact us:** Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007

**Phone** (03) 9617 7600 **Email** [standard@aasb.gov.au](mailto:standard@aasb.gov.au) **Website** [www.aasb.gov.au](http://www.aasb.gov.au)

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- (iii) that if the fair value through other comprehensive income (FVTOCI) measurement and recognition election is made in accounting for the entity's first investment in a notable relationship entity, then that measurement approach applies to all of the entity's investments in notable relationship entities; and
  - (iv) the relationship between power and the right to appoint key management personnel;
- (b) Section 13: *Investments in Associates and Joint Ventures* –
  - (i) in applying the equity method of accounting:
    - (A) to require transaction costs incurred in acquiring an associate or joint venture to be expensed as incurred;
    - (B) not to articulate how the consideration paid for the associate or joint venture should be determined; and
    - (C) to allow, but not require, an investor to adjust an investee's financial statements to reflect the application of the investor's accounting policies; and
  - (ii) to clarify that the election to measure the investment in an associate or a joint venture at FVTOCI applies to all associates, and all joint ventures, respectively;
- (c) Section 16: *Intangible Assets* – to remove the disclosure requirement in paragraph 16.28(b) regarding whether an independent valuer was involved when intangible assets are stated at revalued amounts;
- (d) Section 17: *Entity Combinations* –
  - (i) to require an entity combination to be recognised from the date of gaining control of the acquired entity or operating unit;
  - (ii) to extend the exemption from measuring assets at fair value to donated non-financial assets for which the entity paid a nominal or other significantly discounted amount and that were originally measured at cost. For the purposes of entity combination accounting, the carrying amounts of the donated assets should be determined as though the Tier 3 Standard had always applied to the assets (for example, the cost of a donated building would be subject to depreciation from the time when it is available for use);
  - (iii) to specify that an internally generated intangible asset acquired in an entity combination is not recognised; and

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- (iv) to 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; and
- (e) Section 23: *Impairment of Assets* –
  - (i) to clarify that the recoverable amounts of non-financial assets (other than inventory) are measured at an individual asset level;
  - (ii) to include inventories as a class of non-financial assets for which disclosure of information about impairment losses would be required;
  - (iii) to 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 paragraph 23.11(c) and (d); and
  - (iv) to require impairment losses to be disclosed separately from depreciation and amortisation expenses by omitting paragraph 23.12.

In addition, the Board decided that a Tier 3 Standard should, as proposed in ED 335, allow entities to initially measure non-financial assets acquired for significantly less than their fair value ('donated non-financial assets') at either their cost or fair value (or the current replacement cost, for inventories).

The Board will continue its redeliberations of the proposals in ED 335 at the next meeting.

### **Tier 2 – Contracts Referencing Nature-dependent Electricity**

The Board voted to make Accounting Standard AASB 2025-3 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures*. This Standard amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. For contracts referencing nature-dependent electricity meeting the 'own-use' criteria and recognised as procurement contracts, Tier 2 entities are required to disclose:

- (a) information about contractual features that expose the entity to variability in the underlying amount of electricity and the risk that the entity would be required to purchase electricity at a time when the entity cannot use the electricity;
- (b) qualitative information about how the entity assesses whether a contract might become onerous; and
- (c) qualitative information about the effects on the entity's financial performance for the reporting period.

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This Standard also provides Tier 2 entities with transitional relief equivalent to that available to entities applying the requirements of AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity* in Tier 1 general purpose financial statements for the first time.

AASB 2025-3 applies to annual periods beginning on or after 1 January 2026, with earlier application permitted. The Standard will be published on the AASB Standards Portal.

### Post-implementation Review – Government Financial Reporting (AASB 1049)

In 2021, the Financial Reporting Council completed an independent Post-implementation Review (PIR) of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 1055 *Budgetary Reporting* relating to Whole of Government (WoG) and General Government Sector (GGS) financial statements. The FRC asked the Board to consider the recommendations in the PIR Report to the FRC.

At this meeting, the Board considered the recommendations in the PIR Report and decided on its standard-setting response, as follows:

- (a) in developing the Exposure Draft to propose how a government should apply AASB 18 *Presentation and Disclosure in Financial Statements* in preparing WoG and GGS financial statements, the Board will consider potential amendments in relation to the following matters:
  - (i) the classification of cash flows from dividends paid (AASB 1049 paragraph 14(f));
  - (ii) differences in the treatment of concessionary loans between the Australian Government Finance Statistics (GFS) Manual and Accounting Standards (AASB 1049 paragraph 31(b));
  - (iii) clarifying that the AASB 18 requirements relating to management-defined performance measures do not apply to key fiscal aggregates, as decided at the May 2025 meeting; and
  - (iv) editorial changes to align terminology with recent Accounting Standards;
- (b) the Exposure Draft will seek further stakeholder input on whether there is a public-sector-specific reason to not require a statement of changes in equity in WoG or GGS financial statements;
- (c) since the International Monetary Fund is updating the international GFS Manual, the Board will consider the forthcoming Australian GFS Manual, to be issued by the Australian Bureau of Statistics (ABS), before addressing:
  - (i) updating convergence difference examples and the Illustrative Examples in AASB 1049;

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- (ii) potential amendments to the requirements for disclosing convergence differences for key fiscal aggregates (AASB 1049 paragraphs 41 and 52); and
  - (iii) updating references in AASB 1049 to the ABS GFS Manual;
- (d) the following matters raised by stakeholders during the PIR of AASB 1049 will be considered in further PIRs of related accounting pronouncements:
  - (i) potential amendments to AASB 1049 paragraph 14(a) regarding fair value measurement of intangible assets arising from service concession arrangements – in the PIR of AASB 1059 *Service Concession Arrangements: Grantors*;
  - (ii) the disclosure of total assets by function (AASB 1049 paragraph 48(b)) – in the PIR of AASB 1052 *Disaggregated Disclosures*;
  - (iii) equity transfers and restructuring of administrative arrangements among GGS and other government sectors – in the PIR of AASB 1004 *Contributions* and Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*; and
  - (iv) budgetary reporting at the consolidated GGS level – concurrently with the PIR of AASB 1055 for entities within the GGS; and
- (e) in response to the feedback regarding financial instruments, the Board decided to seek further input through its forthcoming Agenda Consultation on whether to add a project to the work program to consider enhancing AASB 9 *Financial Instruments* for application by NFP public sector entities, including whether such a project should consider amendments based on IPSAS 41 *Financial Instruments*.

The Board also concluded that no standard-setting work is needed for the following stakeholder requests noted in the PIR Report to the FRC:

- (a) disclosure of user-defined fiscal aggregates in the WoG and GGS financial statements – already permitted under AASB 1049 paragraphs 18A–18D;
- (b) clarification of the classification of entities into the GGS or other government sectors and of transactions versus other economic flows – since these terms are defined in AASB 1049 by incorporating the definitions in the ABS GFS Manual, the Board will pass the feedback to the ABS for its consideration; and
- (c) guidance on fair value measurement of non-financial assets – this request has been met by the Board's work that culminated in the issuance of AASB 2022-10 *Amendments to Australian*

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*Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.*

### Definition of Public Accountability

The Board discussed the application of the definition of ‘public accountability’ in Australia, following recent amendments by the IASB, and decided to propose an amendment to paragraph B4 of AASB 1053 *Application of Tiers of Australian Accounting Standards* to align its wording with the revised definition in the *IFRS for SMEs Accounting Standard*. As the proposed amendment is intended only to clarify the application of the definition and is not expected to affect current practice in Australia, the Board decided to defer including the proposal in an Exposure Draft until a future, appropriate time.

The Board also considered feedback on Appendix B of AASB 1053 received in 2018 in response to Invitation to Comment ITC 39 *Consultation Paper: Applying the IASB’s Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*, which had not been fully addressed at the time. After reviewing the feedback, the Board decided not to take action at this stage, but to continue monitoring how the definition of public accountability is applied in Australia.

Additionally, the Board decided to initiate a project commencing in 2026 to reconsider the appropriateness of the list in Appendix B of AASB 1053 of types of entities that are deemed to have public accountability. This project will involve gathering information about the types of entities currently on the list, including whether they remain commonly used, and identifying other types of entities that might warrant inclusion if the list is retained.

### Conceptual Framework References

In 2019, the AASB issued AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* to implement the *Conceptual Framework for Financial Reporting* (the revised Conceptual Framework) for publicly accountable for-profit private sector entities, allowing them to maintain compliance with IFRS Accounting Standards through compliance with Australian Accounting Standards.

AASB 2019-1 also introduced AusCF paragraphs into the Standards and other pronouncements to retain most of the references to the *Framework for the Preparation and Presentation of Financial Statements* (the old Conceptual Framework). However, some references to the old Conceptual Framework were not updated at that time.

At this meeting, the Board reconsidered the remaining references to the old Conceptual Framework and decided:



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- (a) no amendments are required to the references in AASB 1048 *Interpretation of Standards*;
- (b) to wait for the completion of relevant current IASB and AASB projects before considering how to address the references in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, AASB 138 *Intangible Assets*, AASB 1059 *Service Concession Arrangements: Grantors* and Interpretation 1019 *The Superannuation Contributions Surcharge*; and
- (c) to propose amendments to the references in Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*, Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and Interpretation 1052 *Tax Consolidation Accounting*, subject to undertaking targeted outreach to identify any possible unintended consequences of updating the pronouncements.

The Board also directed staff to review all domestic pronouncements for phrases from the old Conceptual Framework to determine whether any additional amendments may be required. This is a low-priority project that will be addressed subject to other priorities.

### AASB Agenda Consultation

The Board decided to undertake its agenda consultation process for the period 2027–2031, through a two-phase approach. Phase 1 will gather high-level preliminary input on reporting challenges and emerging areas relevant to the Board's remit via survey and targeted outreach activities. The survey will be open for comment for approximately 60 days. Feedback from this phase will inform the development of a formal Invitation to Comment in Phase 2.

The Invitation to Comment will seek more detailed feedback on the topics identified in Phase 1, as well as input on current AASB projects. Stakeholders will also be able to raise additional issues they consider the Board should address.

### Recently Approved Documents

Since last reported (Action Alert, 7 July 2025), the Board has approved the following Standards, Exposure Drafts or other proposal documents:

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Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
19 August 2025	AASB 2025-3 <i>Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures</i>	1 January 2026

## Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ITC 55 <a href="#">Post-implementation Review of AASB 16 Leases</a>	<a href="#">ITC 55</a>	5 September 2025	15 October 2025

### AASB Board Future Meeting Dates

7 October 2025

20–21 November 2025

### Next AASB Meeting

The Board is expected to address the following agenda items:

AASB Agenda Consultation

Climate-related Financial Disclosure

Conceptual Framework – Not-for-Profit Amendments

Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

Post-implementation Review of AASB 16 *Leases*

Presentation and Disclosure in Financial Statements by Not-for-Profit and Superannuation Entities

Sustainability Reporting