



<b>Project:</b>	<b>Post-Implementation Reviews</b>	<b>Meeting:</b>	AASB September 2024 (M208)
<b>Topic:</b>	<b>PIR of AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i> and AASB 2020-2 <i>Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i></b>	<b>Agenda Item:</b>	6.1
		<b>Date of Agenda Paper</b>	23 August 2024
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		<b>Decision-Making:</b>	Medium
		<b>Project Status:</b>	Consider the next steps of PIR of AASB 1060

## Objective

1. The objective of this paper is to decide the next steps of 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*.

## Executive Summary

2. The IASB has adjusted the timeline of the IFRS for SMEs project, which is now expected to be completed in H1 2025 instead of Q4 2024. This paper seeks the Board’s decision on:
  - a. whether the agreed timeline for the PIR of AASB 1060 and the outreach activities related to AASB 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability* on Tier 2 entities, as discussed in the November 2023 meeting, should be revised; and
  - b. if so, what the revised timeline should be.
3. After evaluating the balance and the overall interactions between the Standards, staff **recommend** conducting the PIR of AASB 1060, along with outreach on AASB 18, IFRS 19, and IFRS for SMEs, in Q3 2025 (i.e. Option 1).

## Structure of This Paper

4. This Staff Paper is set out as follows:
  - (a) Background (paragraphs 5 to 15)
  - (b) Interactions of the Standards (paragraphs 16 to 22)

- (c) Progress Update (paragraphs 23 to 29)
- (d) Proposed Options (paragraphs 30 to 33)
- (e) Staff Recommendation (paragraph 34)
- (f) Appendix A: Interactions with other projects
- (g) Appendix B: Summary of feedback from the PIR of AASB 1060 and AASB 2020-2 roundtables
- (h) Appendix C: Type of consultative documents and what is a PIR

## Background

5. Paragraphs BC34—BC50 of AASB 1060 outline the approach taken in developing the disclosure requirements under AASB 1060 for Tier 2 entities. Tier 2 entities follow the recognition and measurement (R&M) requirements of Tier 1 but with significantly reduced disclosure requirements, i.e. ‘Simplified Disclosures’. The Board chose a bottom-up approach, starting with the *IFRS for SMEs Accounting Standard* disclosure requirements, rather than directly modifying full Australian Accounting Standards disclosure requirements.
6. The Simplified Disclosures retain *IFRS for SMEs Accounting Standard* disclosure requirements where R&M requirements align with full IFRS Accounting Standards but remove disclosure requirements related to options or treatments not available in full IFRS Accounting Standards. Additional disclosure requirements were only added when R&M principles differed significantly or when specific topics were not addressed in the *IFRS for SMEs Accounting Standard*.
7. The Board also considered user needs and cost-benefit analyses, ensuring that essential disclosures for for-profit entities without public accountability, such as those related to short-term cash flows, liquidity, and measurement uncertainties, were retained.
8. The Board noted that the Simplified Disclosures framework should minimise deviations from the *IFRS for SMEs Accounting Standard* while ensuring alignment with full Australian Accounting Standards where necessary.
9. In addition to the disclosure requirements, AASB 1060 also include *presentation* requirements for Tier 2 entities. Although this Standard includes specific presentation requirements, they do not lead to presentations or classifications that differ from those required for Tier 1 entities. The only exception is the option to omit a separate statement of changes in equity in certain circumstances, as outlined in paragraph 26 of the Standard.
10. It is important to note that, as discussed in paragraph 96 of AASB 1060, the Board decided that a review of AASB 1060 would be necessary whenever:
  - a. the *IFRS for SMEs Accounting Standard* is updated,
  - b. a new Australian Accounting Standard or Interpretation is issued, or
  - c. amendments are made to existing Australian Accounting Standards or Interpretations.
11. In the November 2023 meeting, the Board acknowledged that the upcoming release of IFRS 18 *Presentation and Disclosure in Financial Statements*, IFRS 19 and changes to the *IFRS SMEs Accounting Standard* would impact AASB 1060. The Board decided to consider the implications of these new standards as part of a review of AASB 1060.<sup>1</sup>
12. In accordance with paragraph 7.15.1 of the [AASB Due Process Framework for Setting Standards](#) (due process framework), the Board would undertake a PIR of a new domestic Standard when the new requirements have been applied for two years. However, as noted in the September 2021 meeting, for most regulatory PIRs, the Office of Impact Analysis (OIA) required the PIR to be completed within five years after the implementation.

<sup>1</sup> [https://aasb.gov.au/media/ftynisor/approvedaasbminutesm200\\_29-30nov2023.pdf](https://aasb.gov.au/media/ftynisor/approvedaasbminutesm200_29-30nov2023.pdf)

13. AASB 1060 and AASB 2020-2 apply to annual reporting periods beginning on or after 1 July 2021. This means the AASB should commence its PIR for the Standard after July 2023 and be completed before June 2026.
14. At the November 2023 meeting, the Board decided to conduct targeted outreach during Q1-Q3 2024 for the planning phase of the PIR of the Standards, with the aim of issuing an Invitation to Comment for gathering feedback in Q4 2024.<sup>2</sup>
15. In addition, as part of the process of reviewing AASB 1060, the Board at the November 2023 meeting decided to:
  - a. align the outreach activities of IFRS 19 and the impact of changes from the Second Comprehensive review of *IFRS for SMEs Accounting Standard* (IFRS for SMEs project) on AASB 1060 with the PIR of AASB 1060 as the outreach targets similar groups of stakeholders; and
  - b. include issues related to the changes to the presentation of financial statements and disclosures introduced by IFRS 18 to gather stakeholder feedback on whether any modification related to IFRS 18 requirements or guidance would be needed for entities preparing Tier 2 General Purpose Financial Statements (GPFS).<sup>3</sup>

### Interactions of the Standards

16. [Appendix A](#) provides a summary of the interactions between the standards and their updates.
17. When the Board made the decision in November 2023, the IASB was in the process of redeliberating proposals on the second comprehensive review of the *IFRS for SMEs Accounting Standard*, and it was expected to be issued in H2 2024.
18. Accordingly, the Board decided to issue an Invitation to Comment (ITC), a type of AASB consultative document, in Q4 2024, which will cover the following topics:
  - a. The PIR of AASB 1060, and
  - b. The review of AASB 1060, including considerations of:
    - i. IFRS 18 for Tier 2 entities;
    - ii. IFRS 19; and
    - iii. changes made in the *IFRS for SMEs Accounting Standard*.
19. In May 2024 the IASB issued IFRS 19. In July 2024 the IASB issued the ED Amendments to IFRS 19 that proposes to amend the accounting standard for presentation changes. In June 2024, the AASB also released AASB 18.<sup>4</sup>
20. However, since then, the IASB has changed the timeline of the IFRS for SMEs project, which is now expected to be completed in H1 2025 instead of Q4 2024.
21. The IASB has also tentatively decided that IFRS 19 will include most of IFRS 18 disclosure requirements. As IFRS 19 contains the disclosure requirements only, entities applying IFRS 19 are required to apply presentation requirements of full IFRS Accounting Standards (ie. IFRS 18

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2 See footnote 1.

3 In November 2023, IFRS 18 was not yet issued as AASB 18.

4 The Standard applies to annual reporting periods beginning on or after 1 January 2027. However, the Standard applies to the following entities for annual reporting periods beginning on or after 1 January 2028:

- (a) not-for-profit private sector entities;
- (b) not-for-profit public sector entities; and
- (c) superannuation entities applying AASB 1056 *Superannuation Entities*.

presentation requirements). However, the IASB decided not to amend IFRS for SMEs for any new IFRS 18 requirements and address the potential need for amendments in the next review.<sup>5</sup>

22. As such, this paper aims to provide the potential timelines of the projects (i.e. PIR of AASB 1060, the consideration of AASB 18 for Tier 2 entities, implications of the IFRS for SMEs and IFRS 19) for the Board to determine the next steps.

## Progress Update

### *Targeted outreach*

23. In the November 2023 meeting, the Board decided to conduct targeted outreach in Q2 2024 to gather preliminary feedback on AASB 1060, which will inform the development of an ITC for its PIR. Consequently, in June 2024, two virtual roundtables were held to gather preliminary feedback on whether:
- a. there are any significant problems or concerns with implementing and applying AASB 1060 and AASB 2020-2; and
  - b. AASB 1060 should be replaced or amended as a result of IFRS 18 and IFRS 19.
24. [Appendix B](#) provides a summary of feedback received from the roundtable.
25. In general, there are no significant concerns with AASB 1060 and AASB 2020-2:
- a. stakeholders generally found the transitional reliefs helpful;
  - b. some stakeholders find the application of AASB 1 and the consolidation of financial statements to be challenging; and
  - c. a few stakeholders who are auditors commented the AASB 1060 should include more disclosure requirements.
26. In terms of the considerations of IFRS 19, feedback received indicated that:
- a. most stakeholders expressed a preference for retaining AASB 1060;
  - b. some concerns were raised about whether the AASB has the capacity to maintain AASB 1060 and IFRS 19 if adopted;
  - c. there are mixed views on adding IFRS 19 disclosure requirements into AASB 1060. Some participants suggested either full adoption or rejection of IFRS for Tier 2 entities. Others proposed retaining AASB 1060 while referencing IFRS 19 as a voluntary standard; and
  - d. some stakeholders noted the potential future impact of the Tier 3 NFP Reporting Framework Project on the decision to adopt IFRS 19.
27. Feedback received regarding AASB/IFRS 18 for the Tier 2 entities indicated that:
- a. most stakeholders prefer maintaining alignment between Tier 1 and Tier 2 GPFS presentation formats to avoid confusion among preparers and auditors. A suggestion was made to keep AASB 1060 but align the presentation requirements with AASB/IFRS 18;
  - b. some stakeholders suggested allowing the additional subtotals required under AASB/IFRS 18 as options rather than mandatory requirements; and
  - c. some stakeholders noted that IFRS 18 is complex and it would require the AASB's significant effort to align AASB 1060 and IFRS 18 requirements.
28. Overall, no significant concern was raised about AASB 1060 and AASB 2020-2. However, there are mixed views on how IFRS 18 and IFRS 19 should be considered for Tier 2 entities. It is important to note that at the time the roundtables were conducted, stakeholders had a limited understanding of

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5 <https://www.ifrs.org/projects/work-plan/2019-comprehensive-review-of-the-ifrs-for-smes-standard/>

the IFRS 18 and IFRS 19 requirements. Therefore, the feedback should not be interpreted as conclusive and further outreach is warranted.

29. It is important to note that 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. The impacts of AASB 18, IFRS 19 and IFRS for SMEs are not within the scope of the PIR. The joint outreach effort was conducted because the standards pertain to the same group of stakeholders, specifically Tier 2 entities.

### **Proposed Options**

30. As noted in paragraph 20 above, the IASB has postponed the expected completion of the IFRS for SMEs project to H1 2025. As such, staff are of the view that revising the agreed timeline for the PIR of AASB 1060 and gathering feedback on the impact of AASB 18 and IFRS 19 from stakeholders of Tier 2 entities, as discussed in the November 2023 meeting, may be warranted.
31. It is important to note that this paper focuses only on the project timelines. In future meetings, the Board will decide on the types of consultative documents for gathering feedback, such as an ITC with separate sections or separate discussion papers.<sup>6</sup>
32. Table 1 below provides some key considerations of the different options considered by staff:

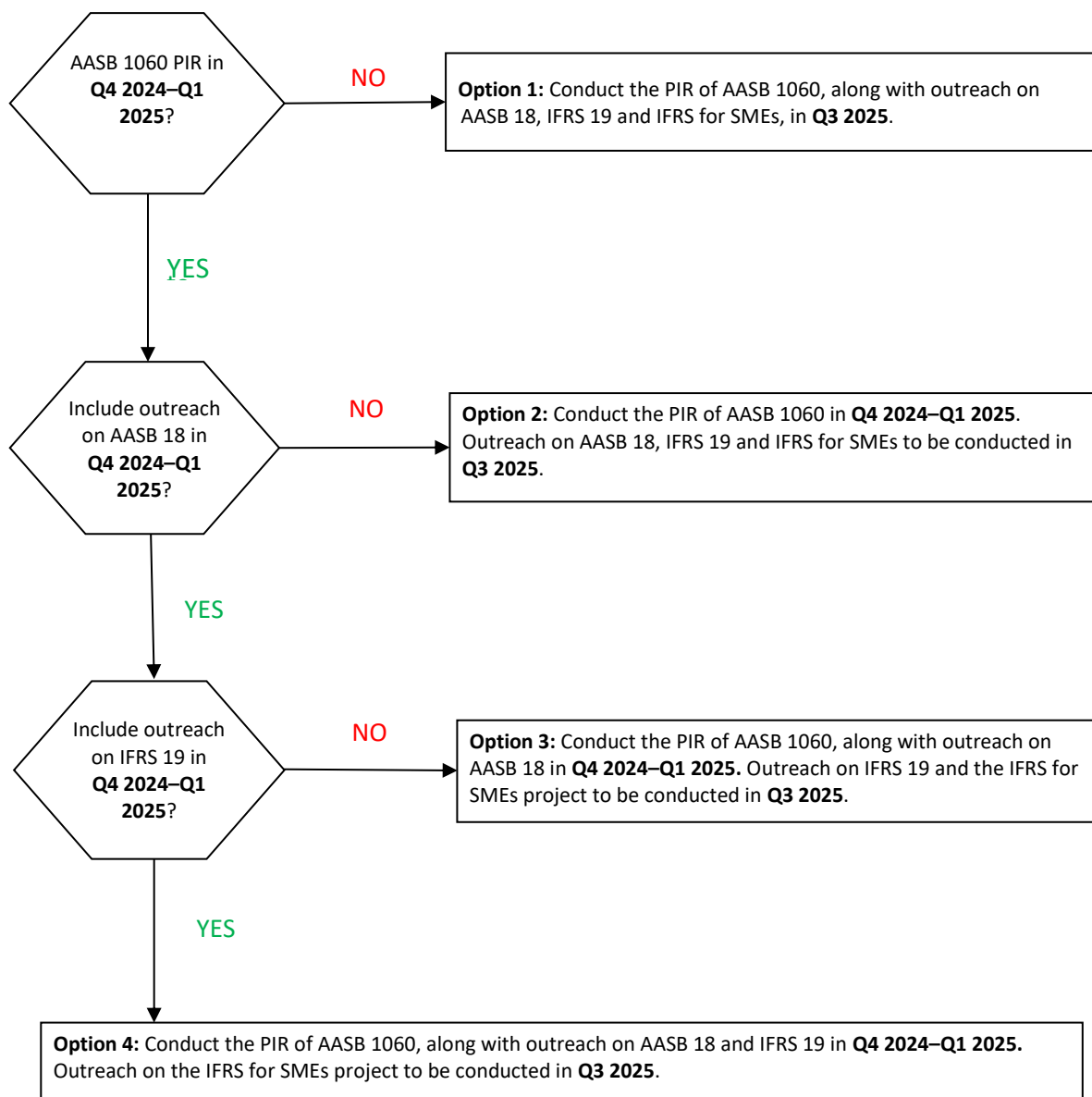
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6 [Appendix C](#) provides a summary of the types of consultative documents that AASB may issue.

**Table 1: Options for conducting PIR of AASB 1060 and AASB 2020-2**

Options	Advantages	Disadvantages
<p><b>Option 1 (Staff recommendation):</b> Conduct the PIR of AASB 1060, along with outreach on AASB 18, IFRS 19 and IFRS for SMEs, in <b>Q3 2025</b>.</p>	<ul style="list-style-type: none"> <li>• One outreach effort.</li> <li>• Stakeholders can assess the potential changes to AASB 1060 due to AASB 18, IFRS 19 and IFRS for SMEs while providing feedback on the PIR.</li> <li>• This Tier 2 requirements will be reviewed as a unified package.</li> </ul>	<ul style="list-style-type: none"> <li>• Delay the PIR AASB 1060 to the second half of 2025 despite the considerations of IFRS 18, IFRS 19 and IFRS for SMEs are outside of the scope of a PIR.</li> <li>• Less time to complete the PIR process as it is expected to be completed before 30 June 2026.</li> </ul>
<p><b>Option 2:</b> Conduct the PIR of AASB 1060 in <b>Q4 2024–Q1 2025</b>. Outreach on AASB 18, IFRS 19 and IFRS for SMEs to be conducted in <b>Q3 2025</b>.</p>	<ul style="list-style-type: none"> <li>• Preliminary views gathered from the PIR of AASB 1060 can contribute to the development of consultative document of gathering feedback on AASB 18, IFRS 19 and IFRS for SMEs.</li> <li>• The PIR can be completed promptly.</li> <li>• Feedback from the AASB 1060 PIR will remain focused and not influenced by considerations of AASB 18, IFRS 19, or IFRS for SMEs for Tier 2 entities.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential stakeholder fatigue due to back-to-back outreach activities targeting similar groups (i.e. stakeholders of Tier 2 entities).</li> <li>• Difficulty justifying further changes to AASB 1060 if the PIR identifies no major issues.</li> <li>• Stakeholders may question the need for additional outreach for AASB 18, IFRS 19 and IFRS for SMEs after the completion of the PIR of AASB 1060.</li> <li>• Stakeholder responses to the PIR may be skewed, as they may not consider potential future changes from other standards.</li> </ul>
<p><b>Option 3:</b> Conduct the PIR of AASB 1060, along with outreach on AASB 18 in <b>Q4 2024–Q1 2025</b>. Outreach on IFRS 19 and the IFRS for SMEs project to be conducted in <b>Q3 2025</b>.</p>	<ul style="list-style-type: none"> <li>• Preliminary views gathered from the PIR of AASB 1060 can contribute to the development of consultative document of gathering feedback on IFRS 19 and IFRS for SMEs.</li> <li>• The PIR can be completed promptly.</li> <li>• Feedback from the AASB 1060 PIR will remain focused and not influenced by considerations of IFRS 19, or IFRS for SMEs for Tier 2 entities.</li> <li>• Earlier consideration of AASB 18's impact on AASB 1060.</li> </ul>	<ul style="list-style-type: none"> <li>• Same disadvantages as option 2, except: <ul style="list-style-type: none"> <li>○ Stakeholders may question the need for additional outreach for IFRS 19 and IFRS for SMEs after the completion of the PIR of AASB 1060.</li> </ul> </li> </ul>
<p><b>Option 4:</b> Conduct the PIR of AASB 1060, along with outreach on AASB 18 and IFRS 19 in <b>Q4 2024–Q1 2025</b>. Outreach on the IFRS for SMEs project to be conducted in <b>Q3 2025</b>.</p>	<ul style="list-style-type: none"> <li>• Preliminary views gathered from the PIR of AASB 1060 can contribute to the development of consultative document of gathering feedback on IFRS for SMEs.</li> <li>• The PIR can be completed promptly.</li> <li>• Earlier consideration of AASB 18's impact on AASB 1060.</li> <li>• Earlier consideration of IFRS 19's impact on AASB 1060.</li> </ul>	<ul style="list-style-type: none"> <li>• Same disadvantages as Options 3, except: <ul style="list-style-type: none"> <li>○ Stakeholders may question the need for the outreach for IFRS for SMEs after the completion of the PIR of AASB 1060.</li> </ul> </li> <li>• Stakeholders may compare IFRS 19 to the current AASB 1060 requirements without considering potential future changes due to IFRS for SMEs, potentially affecting their preferences. That is, IFRS 19 is not considered in the context of IFRS for SMEs.</li> </ul>

33. To further assist the Board in its decision-making, the following decision tree summarises the various options:



**Staff Recommendation**

34. After weighing the advantages and disadvantages of each proposed option and the overall interactions between the Standards, staff **recommend** proceeding with Option 1.

**Question for Board members**

Do Board members agree with the staff recommendation in paragraph 34? If not, which option do Board members prefer?

## Appendix A: Interactions with Other Projects

### AASB/IFRS 18

1. At its June 2024 Board meeting, the Board voted to make AASB 18, which incorporates IFRS 18. AASB 18 applies to entities as follows, with earlier application permitted:
  - (a) for-profit entities, other than superannuation entities, for annual periods beginning on or after 1 January 2027; and
  - (b) not-for-profit (NFP) private sector entities, NFP public sector entities and superannuation entities for annual periods beginning on or after 1 January 2028.
2. At the June 2024 meeting, the Board decided to commence, as soon as feasible, further outreach with stakeholders on applying AASB 18 to NFP entities and superannuation entities. Depending on the outcomes of the outreach, the Board would consider making modifications to AASB 18 for application by these entities. Consequently, the Board deferred the application date of AASB 18 for these entities by one year, as indicated above. The Board also decided to expand the ITC for the PIR of AASB 1060 to also include a section about the changes to the presentation of financial statements and disclosures introduced by IFRS 18, and add questions to stakeholders about whether any modifications to IFRS 18 requirements or guidance would need to be developed for entities preparing Tier 2 GPFS.

### IFRS 19

3. In May 2024, the IASB published IFRS 19, which permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it. The new Standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.
4. At its November 2023 Board meeting. The Board discussed whether IFRS 19 should be adopted in Australia and the potential implications of adoption for the retention or amendment of AASB 1060. The Board decided that outreach regarding the issues should be conducted as part of the PIR of AASB 1060. Since amendments may be made to AASB 1060 to reflect IASB changes to its IFRS for SMEs Standard, the Board also decided to consider the outcomes of the current IASB review of that Standard before making a decision on the adoption of the Subsidiaries Standard in Australia.
5. The New Zealand XRB analysed four possible options in considering the approach to IFRS 19 in New Zealand:
  - (a) **Option 1:** Replace Tier 2 for-profit disclosure requirements (i.e. current RDR) with IFRS 19;
  - (b) **Option 2:** Permit eligible subsidiaries in New Zealand a choice between applying current RDR and IFRS 19;
  - (c) **Option 3:** Align current RDR with the disclosure requirements in IFRS 19; and
  - (d) **Option 4:** Retain current RDR.
6. As illustrated in [Agenda Paper 3.1](#) of the November AASB Board meeting, the XRB initially considered replacing NZ IFRS RDR with the requirements in IFRS 19, which would broaden the scope of the subsidiary's Standard in New Zealand. However, in July 2024, the XRB finally decided to:
  - (a) retain current RDR for Tier 2 for-profit entities;



- (b) develop a formal policy for determining RDR concessions, where consideration of IFRS 19 disclosure requirements would be one of the inputs into decisions on future RDR concessions; and
  - (c) reconsider the appropriateness of incorporating IFRS 19 into New Zealand for-profit standards if and when the IASB reconsiders the scope of IFRS 19.
7. According to the [XRB IFRS 19 Update](#), the reasons for their decision include:
- (a) IFRS 19 may only be applied by subsidiaries that meet the eligibility criteria within the Standard. The scope of IFRS 19 does not align with that of New Zealand's current RDR. Option 1 would require a modification to the scope of IFRS 19. Consequently, the ability to state compliance with IFRS Accounting Standards would be lost.
  - (b) Currently, Tier 2 for-profit entities do not state compliance with IFRS Accounting Standards. Therefore, international alignment in this regard is not as important as it is for Tier 1 for-profit entities.
  - (c) Option 2 would permit those Tier 2 entities that are also eligible subsidiaries to use IFRS 19. This option would, however, add a layer of unnecessary complexity to the Accounting Standards Framework.
  - (d) The analysis of the comparison between the current RDR and IFRS 19 highlighted that while many disclosure requirements in IFRS 19 are similar to those in the current RDR, IFRS 19 includes several additional requirements. Consequently, it is not clear that the benefits to users would justify the costs for Tier 2 entities to provide these additional disclosures.

#### IFRS for SMEs

8. The IASB is currently in the process of redeliberating proposals on the second comprehensive review of the IFRS for SMEs Standard. The expected date of releasing the Third edition of the IFRS for SMEs Standard has been delayed from H2 2024 to H1 2025. As the AASB 1060 used IFRS for SMEs as a base, the Board may need to consider whether changes in IFRS for SMEs disclosures should be reflected in AASB 1060 (as noted in paragraph 52(a) of AASB For-Profit Standard Setting Framework and giving regard to the acknowledgement by the Board in BC96 in AASB 1060 that a review of the disclosures will need to take place any time the IFRS for SMEs Standard is updated).
9. At its October 2023 meeting, the IASB decided not to consider aligning with IFRS 18 in the third edition of the IFRS for SMEs Standard. Therefore, it is unlikely that the IASB will issue any proposal document for aligning the IFRS for SMEs Standard with IFRS 18 in the near future.

## **Appendix B: Summary of Feedback from the PIR of AASB 1060 and AASB 2020-2 Roundtables**

1. The transition and implementation issues of AASB 1060 and AASB 2020-2 and the implications of IFRS 18 and IFRS 19 on AASB 1060 were discussed at two sector-specific virtual roundtables in June 2024. Participants had the following views:

### AASB 1060 and AASB 2020-2: Transition and Implementation

- (a) Both for-profit and NFP organisations generally found the transitional reliefs helpful. However, one participant mentioned challenges faced by their clients and staff when shifting from SPFS to GPFS reporting. In particular, reapplying AASB 1 *First-time Adoption of Australian Accounting Standards* after a long period, primarily since 2005, was time-consuming and costly, especially for those preparing consolidated financial statements for the first time. Nevertheless, educational initiatives over the past two years have addressed these issues.
- (b) Most participants did not think that there were any significant problems with applying AASB 1060:
  - (i) One participant expressed satisfaction with the application of AASB 1060 but highlighted a need for more comprehensive disclosures to meet user needs, including financial instruments and climate-related information. Another participant concurred, suggesting a clear disclosure objective within AASB 1060 to encourage additional informative disclosures. Two participants noted the lack of enforcement for AASB 1060 paragraph 9. While AASB 1060 paragraph 9 requires entities to make additional disclosures when compliance with the specific requirements in AASB 1060, its application is less strictly enforced compared to the equivalent requirement under Tier 1 standards (AASB 101 *Presentation of Financial Statements*, paragraph 31).
  - (ii) One participant commented that there were uncertainties about whether the disclosures made under AASB 1060 fully met the Standard's requirements. For example, they were not sure about the extent of key management personnel information that needed to be disclosed. Despite the significant costs incurred during the transition, the challenge was largely overcome through close collaboration with auditors.
  - (iii) Two participants raised concerns about the scope of AASB 1060, highlighting the time-consuming process of assessing agreement terms to determine the applicability of Australian Accounting Standards. They proposed limiting AASB 1060 to entities legally mandated to comply with Australian Accounting Standards and allowing other entities greater reporting flexibility. Conversely, another participant argued for a broader scope, citing the example of US GAAP. This participant emphasised the importance of conformity in financial reporting.
  - (iv) One participant mentioned that AASB 101 contained requirements for entities to reference specific judgments and estimates as mandated disclosures within other accounting standards. Auditors faced significant challenges in verifying whether entities did make such significant judgments and critical estimates. However, the participant acknowledged that this issue was not directly related to AASB 1060 and suggested addressing this issue through explanatory guidance or educational resources on effective disclosure practices.

### Moving Forward: AASB 1060, IFRS 18 and IFRS 19

- (a) There were mixed views about whether Tier 2 financial statements should align with Tier 1 presentation format:
  - (i) Most participants thought that Tier 2 financial statements should continue to be largely aligned with Tier 1 presentation format. Concerns were raised about potential

confusion for preparers and auditors if different formats were adopted. One participant suggested retaining AASB 1060 disclosures while aligning presentation requirements with IFRS 18.

- (ii) One participant noted inconsistencies in the current presentation formats between Tier 1 and Tier 2 financial statements. For example, Tier -2 entities can prepare a statement of income and retained earnings, while Tier 1 entities cannot. The participant recommended giving people options to provide additional subtotals rather than making it mandatory.
- (iii) One participant noted the complexity of IFRS 18 and its extensive application guidance. Aligning AASB 1060 with IFRS 18 would require significant effort.
- (iv) One participant commented that given the extensive issues identified with its application in the public sector, it would be difficult to comment on IFRS 18 until those issues have been resolved. Two participants agreed.

(b) There were mixed views about how to implement IFRS 19:

- (i) Many participants thought that AASB 1060 should be retained. One participant noted that their clients may prefer to maintain AASB 1060 rather than adopting IFRS 19 due to the time required to adapt to the former. Concerns were raised about the potential burden of supporting both AASB 1060 and IFRS 19 in the Australian market. While IFRS compliance could motivate some entities to adopt IFRS 19, it was suggested that Tier 2 entities may have less interest in achieving IFRS compliance.
- (ii) One participant questioned the value of adding extensive IFRS 19 disclosures for current Tier 2 preparers. The participant thought IFRS 19 should either be adopted as an alternative, or not be adopted at all.
- (iii) One participant proposed a combined approach, retaining AASB 1060 while incorporating elements of IFRS 19, considering Australia's economic circumstances.
- (iv) One participant noted that many subsidiaries prepared GPFs for compliance purposes. The importance of understanding regulatory disclosure requirements, particularly those of the ATO, was emphasised. AASB staff acknowledged this point and committed to engaging with relevant regulators to gather their perspectives.
- (v) One participant asked if the AASB would consider amendments or relief for public sector entities as most public sector entities, for-profit or NFP, did not have much need to comply with IFRSs. AASB staff responded that currently, IFRS 19 does not apply to the public sector as it only applies to subsidiaries without public accountability. However, if the Board decided to replace AASB 1060 with IFRS 19 and expand the scope to all Tier 2 entities, it would consider whether IFRS 19 would be suitable for public sector entities. NFP and public sector-specific issues would certainly be considered when making changes to AASB 1060.
- (vi) One participant commented that a comparison with the international NFP IFR4NPO proposals would be useful for both Tier 1 and Tier 2; however, the usefulness of the comparison for Tier 1 might be limited because most NFPs were either doing Tier 2 or special purpose at the moment. AASB staff responded that the IFR4NPO proposals were largely based on IFRS for SMEs with a few NFP modifications. The IFR4NPO proposals are relevant to several AASB projects, including the Tier 3 project. The AASB committed to exploring efficient methods for providing a comparative analysis.
- (vii) One participant commented that the future development of Tier 3 standards, including their potential application to the public sector, could influence the acceptability of adopting the potentially more complex IFRS 19 compared to AASB 1060. AASB staff clarified that the current Tier 3 focus is on the private sector

and any extension to the public sector would be considered after the consideration of AASB 1060 and IFRS 19.

- (viii) One participant suggested deferring a decision until the issuance of the IFRS for SMEs amendments to gain a better understanding of how IFRS 19 will be incorporated into that Standard.
- (ix) Seven participants expressed a desire for the comparative analysis of AASB 1060 and IFRS 19. One participant commented that they had no preference yet and would wait for the comparison of AASB 1060 and AASB 19.
- (x) Three participants recommended that the AASB explore alternative approaches and did not provide specific suggestions.

## **Appendix C: Type of Consultative Documents**

1. According to the due process framework, the typical consultative documents include:
  - (a) Discussion Papers (DP) and Consultation Papers (CP) – DP and CP usually outline a wide range of possible accounting policies on a particular topic. They are typically used to refine the number of options being considered as the solution to an issue;
  - (b) Invitations to Comment (ITC) – ITC precede or accompany a DP or Exposure Draft and set out matters on which the AASB is seeking feedback;
  - (c) Exposure Drafts (ED) – an ED typically is a draft of a proposed Standard (or other pronouncement) or a draft amendment to a Standard. An ED is issued when there is a specific proposal, includes a basis for conclusions, and if relevant, alternative views. An ED is a mandatory due process step. A Fatal-Flaw Review draft is a form of ED;
  - (d) Draft Interpretations – a Draft Interpretation is a draft of a proposed Interpretation of a Standard and is the equivalent of an ED for a Standard. A Draft Interpretation is a mandatory due process step; and
  - (e) Request for information – consultation on a specific aspect of one of the AASB’s projects. It normally helps the AASB to prepare an ED or finalise a pronouncement.