Australian Government
Australian Accounting Standards Board

AASB Action Alert

From the Australian Accounting Standards Board

Issue No. 249
28 August 2026

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 27 August 2026. At the meeting, the Board made key decisions in relation to:

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

Not-for-Profit Entities – Income and Expense Categorisation

Concessionary Leases Recognised by Not-for-Profit Public Sector Lessees

The Board also discussed the following topic:

Disclosure of Sustainability-related Assurance Fees

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

The Board voted to make Australian Accounting Standard AASB 2026-4 *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* and approved the accompanying Explanatory Statement.

The principal amendments in AASB 2026-4 specify:

(a) various relief measures regarding how AASB 18 *Presentation and Disclosure in Financial Statements* and the related amendments to AASB 107 *Statement of Cash Flows* are to be applied by superannuation entities and not-for-profit (NFP) entities preparing Tier 1 general purpose financial statements – most of the NFP amendments apply to NFP public sector entities that are

Contact us: Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007
Phone (03) 9617 7600 **Email** standard@aasb.gov.au **Website** www.aasb.gov.au

not 'higher education providers', which is defined by reference to the *Higher Education Support Act 2003*; and

(b) the cash flow statement reconciliation of net cash flows from operating activities using the indirect method is required to reconcile to the operating profit or loss subtotal (as defined in AASB 18) or – if the entity is a superannuation entity or an NFP public sector entity (that is not a higher education provider) that does not present an operating profit or loss subtotal – the profit or loss total presented in the statement of profit or loss. These requirements are made through amendments to AASB 107, AASB 1039 *Concise Financial Reports* and AASB 1054 *Australian Additional Disclosures*.

Related and editorial amendments are also made to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

AASB 2026-4 applies to annual periods beginning on or after 1 January 2028, except that the amendments to AASB 1039 and AASB 1054 also apply to for-profit entities, other than superannuation entities, for annual periods beginning on or after 1 January 2027. Earlier application is permitted.

The Standard will be published shortly on the AASB's Digital Standards Portal.

Not-for-Profit Entities – Income and Expense Categorisation

The Board discussed potential application guidance to be proposed in an Exposure Draft to assist Tier 1 and Tier 2 NFP entities in applying the requirements in AASB 18 *Presentation and Disclosure in Financial Statements* to categorise income and expenses in the statement of profit or loss.

The Board decided that the Exposure Draft would propose mandatory application guidance for inclusion in an Australian Appendix to be added to AASB 18 that would:

(a) specify that the preparation of separate budgets, forecasts, performance reports or other disaggregated information relating to investing or financing activities may provide evidence that those activities are monitored by management in assessing the entity's operating performance and may therefore indicate that investing in particular types of assets or providing financing to customers is a main business activity;

(b) include examples of cases in which an NFP entity may have a specified main business activity, depending on the facts and circumstances;

(c) clarify that income recognised on the initial recognition of donated assets and from the unwinding of liabilities relating to capital grants recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities* is classified in the operating category;

(d) confirm that investment income earned on donated financial assets remains subject to the classification requirements in AASB 18 and is classified in the investing category unless investing in assets is a main business activity, and highlight that additional disclosures may assist financial statement users in understanding restrictions attached to donations; and

(e) clarify that the notions of operating, investing and financing activities in AASB 18 are not intended to be equivalent to those used in AASB 107 *Statement of Cash Flows*.

The Board will consider a draft Exposure Draft at its October 2026 meeting.

Concessionary Leases Recognised by Not-for-Profit Public Sector Lessees

The Board decided to retain the current accounting policy choice in AASB 16 *Leases* (paragraphs Aus25.1–Aus25.2) regarding the initial measurement of right-of-use (ROU) assets arising under concessionary leases at either cost or fair value as on ongoing policy choice for NFP public sector lessees. (This is already an ongoing choice for NFP private sector lessees.)

To reflect this decision, a footnote will be added to the Basis for Conclusions on AASB 2022-3, which accompanies AASB 16. That Basis for Conclusions states that the Board had deferred the decision about the accounting policy choice in relation to NFP public sector lessees.

In making the retention decision, the Board noted that IPSASB requirements regarding the initial measurement of concessionary ROU assets support the use of fair value but permit measurement at cost where market-based information is not readily available. The Board also considered stakeholder feedback received through ITC 55 *Post-implementation Review of AASB 16* Leases, which supported the retention of the accounting policy choice due to concerns about the cost and practical challenges associated with fair value measurement.

The Board also decided to retain the disclosure requirements in paragraphs Aus59.1–Aus59.2 of AASB 16 to provide users of financial statements with additional information about concessionary leases when ROU assets are measured initially at cost. No amendments to AASB 16 are required.

Disclosure of Sustainability-related Assurance Fees

The Board considered whether standard-setting action is needed to address differences in how assurance fees related to sustainability disclosures required by AASB S2 *Climate-related Disclosures* are disclosed in practice. The Board decided to adopt a monitoring approach at this time, to allow further evidence to be gathered on user needs, market practice and relevant regulatory developments before reconsidering the matter.

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Recently Approved Documents

Since last reported (Action Alert, 23 June 2026), the Board has approved the following Standards, Exposure Drafts or other proposal documents.

Date Approved	Document	Effective Date (Standards/Int'ns or Due Date for Submissions (EDs))
25 June 2026	ED 341 *Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18*	24 August 2026
10 August 2026	AASB 2026-3 *Amendments to Australian Accounting Standards – Fair Value Option for Investments in Associates and Joint Ventures*	1 January 2027, but 1 January 2028 for not-for-profit entities and superannuation entities

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
IASB	ED *Consolidation Exception* (IFRS for SMEs *Accounting Standard*)	–	–	9 September 2026
IFRS IC	Tentative Agenda Decision *Management-defined Performance Measures – Hypothetical Income and Expenses*	–	–	9 September 2026
IPSASB	Consultation Paper *Presentation of Financial Statements*	–	–	14 September 2026
IFRS Foundation	ED *Proposed Targeted Amendments to the* IFRS Foundation Constitution	–	–	16 November 2026
AASB	ED 339 *Risk Mitigation Accounting*	ED 339	18 September 2026	30 November 2026

AASB Board Future Meeting Dates
29–30 October 2026

Next AASB Board Meeting The Board is expected to address the following agenda items:
Not-for-Profit Entities – Income and Expense Categorisation
Review of AASB 1060 – Alignment with the Classification and Presentation Requirements in AASB 18
Risk Mitigation Accounting