Australian Government
Australian Accounting Standards Board

Meeting Notes

Event:	Virtual roundtable discussion on ED 338 regarding the application of AASB 18 for private and public sector not-for-profit entities
Time:	18 February 2026 from 10.30 a.m. to 12.30 p.m. AEDT

Disclaimer: This document reflects AASB staff views and interpretations of the discussions held at the roundtable and is provided for the AASB's information only. It is intended to summarise the discussion and does not constitute a complete record. The views expressed are those of the participants in their personal or professional capacities and do not necessarily represent the official positions of their organisations. This document does not constitute advice. The AASB expressly disclaims all liability for any loss or damage arising from reliance on any information contained in this document. This document is not to be referred to in a public document without the express prior approval of AASB staff.

Attendance

- For most of the roundtable there were approximately 140 participants.
- At all times there were at least 100 participants in the roundtable.
- Numbers peaked at around 160 participants early in the roundtable.
- Not all attendees participated in answering polling questions.

NFP representatives at the roundtable

Polling question 1: Please indicate the type of organisation you represent.

Organisations represented:	
Financial statement preparer	39
Auditor	18
Users of financial statements	6
Professional services firm	6
Regulator/policymakers	14
Academic	3
Other	9
Total	**95**

Objectives of financial statements

Polling question 2: Do you agree with adding paragraph Aus9.1?

	NFP private		NFP public	
	Tier 1	Tier 2	Tier 1	Tier 2
Agree	44	37	60	37
Disagree	3	3	4	3
No comment	39	43	27	41
Total number of responses	**86**	**83**	**91**	**81**

Summary of discussion

- A university financial statements preparer commented that cash flow information is critical to universities and should align with for-profit requirements; paragraph Aus9.1 over-prioritises objectives over cash flows. They commented that the decrease in international students and changes in government policies has increased the need to maintain sufficient cash flows, and that the Board of Directors looks at cash flow projections, generation of cash flow, long and short term investments, philanthropy, etc.).

- In responding to the comment noted above, a public sector auditor suggested replacing "rather" with "additionally" in the second sentence of Aus9.1 to remove the implied hierarchy while keeping the principle. 'Rather' makes it appear that the entity's objectives are more important than financial returns. Despite their recommendation, they considered the principle in the draft paragraph Aus9.1 is sound.

Users of financial statements

Polling question 3: Do you agree with adding paragraph AusB5.1?

	NFP private		NFP public	
	Tier 1	Tier 2	Tier 1	Tier 2
Agree	38	34	63	37
Disagree	2	3	1	3
No comment	41	40	25	39
Total number of responses	**81**	**77**	**89**	**79**

Summary of discussion

- A stakeholder from a professional services firm commented that paragraph AusB5.1 seems to imply that the level of disclosures should be increased because of the need to consider the wider range of users referred to in the paragraph. They also questioned that if users of financial information include all people performing oversight functions or providing/using services – would Tier 2 reporting be appropriate?
- A university financial statements preparer agreed with the previous comment and would prefer not to list the specific users noted in paragraph AusB5.1. They think that the IASB list of users is reasonable, noting most universities have borrowings and attract the attention of rating agencies.

- A stakeholder from a professional services firm commented that they have no concerns with adding the proposed paragraph AusB5.1 because the text in brackets is simply providing examples of the particular subgroups of users. However, they suggest changing 'investors' to 'members' because typically an NFP entity (including companies limited by guarantee and universities) would not have investors.

Specified main business activities

Polling question 4: Do you consider there might be issues in determining whether they invest in assets or provide finance to customers as a main business activity?

	NFP private		NFP public	
	Tier 1	Tier 2	Tier 1	Tier 2
Yes for investing in assets	16	14	30	14
Yes for providing finance to customers	20	18	18	12
No for investing in assets	12	11	16	10
No for providing finance to customers	8	7	22	10
No comment	38	39	31	42

Summary of discussion

- A stakeholder from a professional services firm commented that there are charitable organisations that focus on providing finance to people in need (microfinance charities) where the objective is considered to be provision of social benefits, rather than provision of finance. They considered there may be a conflict between those microfinance charities and those that operate as a provider of finance generally. They considered that some guidance would be beneficial in the context of 'what is the primary benefit?'.

- Similarly to the previous stakeholder, another stakeholder from a professional services firm commented that there are entities whose only assets are cash and investments that they use to generate income to donate to others. They raised concerns about mismatched operating vs investing results if the income generated by such investments is categorised differently from how those funds are expensed to provide benefits to others. From a preparer point of view, it would be good to try and 'match' the line items and show the net outcome. For users, it would be potentially confusing to see the large loss in the operating category and large gain in the investing category.

- A university financial statement preparer suggested that definitions or materiality level guidance could be helpful because "main business activity" might have a different meaning in management reports used internally by an entity from the meaning in AASB 18. While universities define their main activities as teaching or research, they also have significant pools of investments and foundations (for example, to support scholarships). Pools of investments and related expenses are internally reported as financing activities. With foundations, they do not pay dividends but would make donations to universities.

Income designated for capital purposes

Polling question 5: do you consider there might be issues in determining how income designated as being for capital purposes is classified under AASB 18?

	NFP private		NFP public	
	Tier 1	Tier 2	Tier 1	Tier 2
Agree	13	12	25	15
Disagree	10	9	21	10
No comment	42	42	25	38
Total number of responses	**65**	**63**	**71**	**63**

Summary of discussion

- An auditor considered that capital grants is similar to bequeathed property, plant and equipment (PPE) and should be categorised as operating, and not investing, to be consistent with AASB 18 categorisation for PPE.

- Another auditor who has grant-funded organisation clients said that, from a funding body point of view, it is difficult to explain to funders and members at AGMs about the income recognition requirements in AASB 15 and AASB 1058, and the categorisation requirements in AASB 18 add another layer to the complexity of these discussions. Members and funders are likely to want to know how expenses are reconciled back to grant acquittals.

- A stakeholder from a professional services firm suggested that the income recognised applying AASB 1058 for bequeathed assets, land, buildings, etc. that are PPE would be presented in the operating category because the income arises from the initial measurement of the asset (AASB 18.B48 & B49). However, if cash was received it would be recognised in the investing category (AASB 18.53(b) and 54(b)). Additionally, they commented that NFP entities would prefer income from the unwinding of capital grants be presented in the investing category.

- A public sector auditor commented that presenting income from capital grants within the operating category may mislead users—particularly when it results in an NFP entity reporting a positive operating result that would otherwise be a deficit. They suggested that capital grants would be more appropriately presented in the investing category, as this would provide users with a clearer understanding of the entity's underlying operating performance.

- A local government financial controller commented that to support non-technical financial statement users, there needs to be a clear dissection between operating and capital items – particularly in relation to budgets. They considered that income from capital grants should be separately disclosed from operating income. This distinction is especially important for councils facing financial sustainability challenges.

- An auditor commented that local governments present capital grants in a separate sub-total section to distinguish ongoing operations from capital grants. They commented that AASB 18 is unclear how income from bequeathed assets should be categorised.

- Another stakeholder from local government also considered it important to make reporting clear for elected members and the community. They noted that including capital grants within operating income can inflate the operating results and potentially mislead users about the

council's financial performance. They expressed concern that differing investing classifications between the income statement and the cash flow statement would create confusion.

- A stakeholder from state government that is responsible for councils in Queensland agreed with the previous points made and highlighted the importance of counsellors being able to understand financial statements to make informed decisions for the community's best interest. How income is presented in the income statement directly influence decision-making about rate-setting, and that it is critical for councillors to clearly understand the financial implications.

Statement of profit or loss presentation

Polling question 6A: Do you agree that **NFP private sector entities** should be required to categorise income and expenses into the AASB 18 categories and present related subtotals?

	NFP private	
	Tier 1	**Tier 2**
Agree	19	16
Disagree	20	17
No comment	35	36
Total number of responses	**74**	**69**

Polling question 6B: Do you agree that **NFP public sector entities** should be given an accounting policy choice to elect whether to categorise income and expenses into the AASB 18 categories and present related subtotals?

	NFP public	
	Tier 1	**Tier 2**
Agree	47	33
Disagree – they should be required to apply the AASB 18 requirements	10	8
No comment	14	25
Total number of responses	**71**	**66**

Summary of discussion

- A local government financial controller raised concerns about relaxing the requirements for NFP entities and the potential effect on comparability with the for-profit sector, which is also subject to regulation. They considered that this may reduce the overall quality of reporting and questioned whether regulators would view such divergence unfavourably. They also highlighted that, within local government, inappropriate outcomes could arise if suitably qualified personnel are not making informed decisions on cost categorisation and presentation formats. They emphasised the need to carefully consider how much flexibility should be permitted.

- A local government stakeholder commented about specialised software providers commonly supply model sets of financial statements that align with the approved formats from the Office of Local Government. They considered that permitting accounting policy choices on how to present the profit or loss statement could be difficult to implement in practice.

- A stakeholder from a professional body commented that they had received similar split feedback from NFP private sector entities. Some members, both preparers and auditors, consider the

AASB 18 categories, particularly operating and investing categories, to provide useful information. In contrast, other members consider that the costs outweigh the benefits and question whether the user-needs would be met, particularly in relation to Tier 2 entities with limited resourced.

- A local government stakeholder wanted to highlight that discussions often focus on comparability between local government entities; however, some councils also operate commercial enterprises, and these circumstances should also be considered when evaluating presentation and categorisation approaches.

- An auditor from a mid-tier firm highlighted that in sectors such as aged care and disability services, both NFP and for-profit entities operate side-by-side. They emphasised that any deviation from AASB 18 requirements for NFP entities would require a strong justification, as reduced comparability could create challenges for government policy makers—for example, when assessing the sustainability of NDIS funding.

- A stakeholder from a professional services firm commented that similar considerations should apply to private sector universities.

Structured summary of expenses

Polling question 7: Do you agree with adding paragraph AusB80.1?

	NFP private		NFP public	
	Tier 1	Tier 2	Tier 1	Tier 2
Agree	13	12	22	12
Agree in principle that paragraph B80 needs NFP modification, but the wording in paragraph AusB80.1 can be improve	8	7	12	7
Disagree - they should follow paragraph B80 without modification	2	1	2	1
No comment	22	23	15	24
Total number of responses	**45**	**43**	**51**	**44**

Summary of roundtable discussion

- No discussion.

Operating expenses presentation requirements

Polling question 8A: Do you agree that **NFP private sector entities** should be required to apply the AASB 18 requirements to present expenses using nature and/or function to provide a structured summary of expenses?

	NFP private	
	Tier 1	Tier 2
Agree	22	18
Disagree	1	2
No comment	32	32
Total number of responses	**55**	**52**

Polling question 8B: Do you agree that **NFP public sector entities** should be permitted to continue presenting expenses by either nature or function to provide reliable and relevant information, consistent with current requirements?

	NFP public	
	Tier 1	Tier 2
Agree	40	22
Disagree – they should be required to apply the AASB 18 requirements	3	3
No comment	14	28
Total number of responses	**57**	**53**

Summary of discussion

- A stakeholder from a professional services firm commented that it is not clear why the proposed paragraph Aus78.1(b) is needed.

Management-defined performance measures (MPMs)

Polling question 9A: Do you agree **NFP private sector entities** should be required to disclose information about MPMs in accordance with AASB 18?

	NFP private	
	Tier 1	Tier 2
Agree	10	6
Disagree	10	12
No comment	24	24
Total number of responses	**44**	**42**

Polling question 9B: Do you agree **NFP public sector entities** should be given an accounting policy choice to elect whether to disclose MPM information?

	NFP public	
	Tier 1	Tier 2
Agree	29	17
Disagree – NFP public sector entities should be required to disclose MPM information	5	4
No comment	14	22
Total number of responses	**48**	**43**

Summary of discussion

- A local government financial controller questioned how MPMs—which are determined internally and are context-specific—would be identified in practice, whether they would be auditable, and the degree of discretion management would have in defining them. They also raised concerns about the auditability of non-standard MPMs that are not used consistently across entities, suggesting that further consideration is needed regarding how MPMs are determined and clarified in an NFP context.

- A public sector auditor noted that decisions about whether an MPM requires disclosure would typically be resolved through discussions between the auditor and the auditee based on the specific circumstances. They also observed that, given the potentially large number of MPMs public sector entities could disclose, retaining the accounting policy choice not to disclose them is appropriate.

Dividends and interest cash flows

Polling question 10A: Do you agree **NFP private sector entities** should be required to classify dividends and interest cash flows in accordance with the revised AASB 107?

	NFP private	
	Tier 1	**Tier 2**
Agree	23	21
Disagree	3	4
No comment	26	25
Total number of responses	**52**	**50**

Polling question 10B: Do you agree **NFP public sector entities** should be permitted to continue classifying dividends received and interest paid and received as operating cash flows?

	NFP public	
	Tier 1	**Tier 2**
Agree	31	20
Disagree	10	6
No comment	15	25
Total number of responses	**56**	**51**

Summary of discussion

- A stakeholder from a professional services firm raised concerns about potential inconsistencies between the presentation of line items in the income statement and the classification in the cash flow statement, noting that such mismatches (for example, income presented in the investing category while related expenses are included in operating) could confuse users. They answered "disagree" in the polling question due this concern.

- Another stakeholder mentioned there is a wide range of NFP private sector entities, and it would be difficult to mandate a single approach that suits all. AASB 18 may be suitable for some entities, but might not meet the needs of others.

- A local government financial controller raised concerns about the cost of preparation for small clubs and other small reporting entities, including potential increase in auditing costs that could be material. These additional costs may affect the sustainability of such entities and could inadvertently encourage them to seek ways to avoid complying with Accounting Standards. They therefore support providing these smaller entities with an option rather than imposing a single mandatory approach.

Effective date

Polling question 11A: Regarding **NFP Tier 1 entities**, do you agree that AASB 18 (and any modifications) should apply to periods beginning on or after 1 January 2028 (earlier application permitted)?

	Tier 1	
	NFP private	**NFP public**
Agree	14	22
Disagree – should apply from 1 January 2027 to align with for-profit entities	1	2
Disagree – should apply to periods beginning on or after 1 January 2029 with earlier application permitted	3	6
Disagree – should provide 3 or more years from the time any modifications are finalised	2	4
No comment	20	11
Total number of responses	**40**	**45**

Polling question 11B: Regarding **NFP Tier 2 entities**, if AASB 18 presentation and classification requirements (including any relevant modifications) were to apply to these entities, what would be an appropriate mandatory application date, assuming earlier adoption is permitted?

	Tier 2	
	NFP private	**NFP public**
Periods beginning on or after 1 January 2027	0	3
Periods beginning on or after 1 January 2028	10	10
Periods beginning on or after 1 January 2029	3	3
Provide 3 or more years from the time any modifications to AASB 1060 are finalised	6	6
No comment	22	19
Total number of responses	**41**	**41**

Summary of discussion

- No discussion.