



<b>Project:</b>	Application of AASB 18 <i>Presentation and Disclosure in Financial Statements</i>	<b>Meeting:</b>	AASB 1 May 2025 (M212)
<b>Topic:</b>	Superannuation entities	<b>Agenda Item:</b>	5.3
		<b>Date:</b>	15 April 2025
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Decide on the standard-setting response

## Objective of this paper

- 1 This paper is designed to be read after reading the 'process undertaken in stakeholder consultations' section of the Cover Memo (Agenda Paper 5.0).
- 2 The objective of this paper is for the Board to consider stakeholder feedback received from targeted consultations and **decide** how AASB 18 *Presentation and Disclosure in Financial Statements* should be applied by superannuation entities. Specifically, to **decide**:
  - (a) which of the existing specific presentation requirements in AASB 1056 *Superannuation Entities* should continue to take precedence over the general presentation requirements in Accounting Standards (currently in AASB 101 *Presentation of Financial Statements*) in view of the introduction of AASB 18 when preparing superannuation entities' financial statements; and
  - (b) whether any AASB 18 requirements (that are not specifically overridden by AASB 1056 requirements) require modification for application by superannuation entities.

## Introduction – Superannuation entity considerations

- 3 AASB 1056 is a domestic Standard developed by the Board specifically for Australian superannuation entities. It is not fully aligned with IFRS Accounting Standards and includes some specific presentation requirements designed to cater for particular features of superannuation entities.<sup>1</sup>

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<sup>1</sup> As noted in the Basis for Conclusions to AASB 1056 (paragraphs BC7 to BC11), the AASB concluded that IAS 26 *Accounting and Reporting by Retirement Benefit* (first issued in 1987) is not suitable for adoption in Australia. Staff note that AASB 1056 is regarded as being more closely aligned to IFRS Accounting Standards (other than IAS 26) than it is to IAS 26, which has only been updated for minor editorial changes and not kept up to date with current thinking.

- 4 When developing AASB 1056, the Board concluded that there is a need to require superannuation entities to depart from Australian Accounting Standards on some topics. That Board view is noted in paragraph BC17 [emphasis added].
- BC17 The AASB concluded that, for some items, the reporting requirements that would otherwise apply under Australian Accounting Standards would not necessarily give rise to relevant financial information for users of superannuation entity financial statements. This is particularly the case in relation to measuring assets, recognising member liabilities, measuring defined benefit member liabilities and disclosing information about the amount of, and the entity's capacity to meet, member liabilities. As a consequence, the AASB concluded there is a need to:
- (a) require superannuation entities **to depart from Australian Accounting Standards on some topics**;
  - (b) limit the accounting treatments available to superannuation entities in other Australian Accounting Standards; and
  - (c) **require superannuation entities to provide information about items and events specific to them.**
- 5 Accordingly, AASB 1056 prescribes specific presentation and disclosure (and measurement) requirements of a superannuation entity GPFS. This includes a requirement to present a statement of changes in member benefits.
- 6 AASB 1056.6 states that “**Unless otherwise specified in this Standard**, the financial statements of a superannuation entity shall be prepared in accordance with other applicable Australian Accounting Standards” [emphasis added]. Additionally, from the time AASB 18 applies, AASB 101 references in AASB 1056 will be replaced by AASB 18 references (in accordance with Appendix D of AASB 18). That is, the specific presentation requirements in AASB 1056 are expected to take precedence over some of the presentation requirements of AASB 18, in the same way as they currently take precedence over some of the presentation requirements of AASB 101 *Presentation of Financial Statements*.
- 7 The Board completed a post-implementation review (PIR) of AASB 1056 in 2024, which included issuing ITC 54<sup>2</sup> for comment. The feedback received indicated:
- (a) widespread support for the existing requirements; and
  - (b) a number of issues that could be clarified, none of which are regarded as sufficiently significant to warrant a due process at this stage.
- 8 The Board decided not to propose any changes to AASB 1056 at this stage, but to continue to monitor the application of AASB 1056 and other Accounting pronouncements applicable to the superannuation industry as circumstances change.<sup>3</sup> However, at the time, AASB 18 had not been issued and the Board did not consider how the AASB 18 requirements interact with AASB 1056.
- 9 Therefore, at this meeting, the Board is asked to consider stakeholder feedback received from targeted outreach and decide on the matters described in paragraph 2.

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2 Invitation to Comment ITC 54 *Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge*.

3 The Feedback Statement for the PIR of AASB 1056 can be accessed [here](#).

## Targeted consultations

- 10 The questionnaire used for consultation with superannuation entity stakeholders and the written responses received are presented as Agenda Paper 5.6 in the supplementary folder for the Board's reference.
- 11 Staff received responses to the questionnaire from the following nine stakeholders:
  - (a) written responses from BDO, Deloitte, Mercer and Commonwealth Superannuation Corporation;
  - (b) interview with PwC; and
  - (c) interview with stakeholders who provided views of UniSuper, AustralianSuper, Aware Super and Australian Retirement Trust.
- 12 Some of the feedback received from the targeted outreach is beyond the scope of the AASB 18-related work and will be assessed for consideration by the Board at a later date.

## Applying the Standard-Setting Framework

- 13 The staff analysis and staff recommendations in this paper are based on the [AASB For-Profit Entity Standard-Setting Framework](#) (the Standard-Setting Framework). Specifically, in accordance with paragraphs 29(d) and 38 of the Standard-Setting Framework, staff consider whether modifications to AASB 18 or AASB 1056 are necessary relating to:
  - (a) terminology differences, current practice issues, and variations in the accountability or regulatory framework, as well as differences in governance or financial management associated with superannuation entities; and
  - (b) whether the costs of preparing and disclosing information required under AASB 18 would outweigh the benefits to users of superannuation entity GPFS.

## Structure of this paper and summary of staff recommendations

- 14 This paper includes six sections. Where relevant, each section begins with background information in boxed text, which includes a high-level overview of the requirements in AASB 18 and AASB 1056.
- 15 Staff recommend proceeding to develop an Exposure Draft to clarify how AASB 18 and AASB 1056 requirements interact. The following table summarises the staff recommendations in each section.

Section	Staff recommendations on matters to propose in an ED
<a href="#">Section 1</a> : Line items to be presented in the income statement and statement of changes in member benefits	<p>Staff recommend proposing to keep the status quo to require a superannuation entity to present its income statement and statement of changes in member benefits in accordance with the line items specified in AASB 1056.9 and 11, when applicable.</p> <p>Superannuation entities already exclude specified line items when they are not applicable. This seems to have a similar effect to applying the 'relief' in AASB 18.23 (to allow an entity</p>

Section	Staff recommendations on matters to propose in an ED
	to not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary). Therefore, applying AASB 18.23 does not provide any further relief to the requirement stated in AASB 1056.9 and 11 to present specific line items 'when applicable'.
<a href="#">Section 2</a> : Assessment of main business activities, classification of income and expenses, and presenting additional subtotals in the income statement	<p>Staff recommend proposing to keep the status quo to require a superannuation entity to retain its current income statement presentation formats in accordance with AASB 1056.9.</p> <p>That is, clarify that a superannuation entity need not apply the AASB 18 requirements regarding categorising all income and expenses into specific categories and presenting additional subtotals.</p>
<a href="#">Section 3</a> : Aggregation and disaggregation	Staff recommend proposing there be no superannuation-specific guidance, noting that the specific disaggregation requirement in AASB 1056.32 is not inconsistent with the requirements in AASB 18.41. Therefore, both AASB 1056.32 and AASB 18.41 can apply to superannuation entities and the specificity of AASB 1056.32 remains helpful.
<a href="#">Section 4</a> : Presenting operating expenses	<p>Staff recommend proposing to keep the status quo to require a superannuation entity to present expenses by their nature.</p> <p>AASB 1056.22 and AG3 are clear that a superannuation entity need not apply AASB 18.78–83 and B80.</p>
<a href="#">Section 5</a> : Management-defined performance measures	<p>Staff recommend proposing there be no superannuation-specific guidance.</p> <p>Superannuation entities are not expected to have management-defined performance measures; however, if they do, the AASB 18 requirements are not overridden by AASB 1056.</p>
<a href="#">Section 6</a> : Specifying the statement of changes in member benefits is a primary financial statement	Staff recommend proposing to modify AASB 1056 to clarify that the statement of changes in member benefits is a 'primary financial statement' for the purposes of a superannuation entity's GPFS.

## Executive summary

- 16 To assist Board members review this paper, staff have prepared an executive summary in tabular format below.

<b>AASB 101 requirements</b>	<b>Current practice</b>	<b>Stakeholder comment:</b> AASB 1056 presentation format provides more relevant information to users than AASB 18 format	<b>Staff recommendation:</b> Publish an Exposure Draft to propose keeping the status quo for superannuation entities to continue applying AASB 1056. This includes modifying AASB 1056 to clarify how AASB 18 and AASB 1056 interacts, as outline in the below table
<b>Presentation of income statement</b>	AASB 1056 overrides AASB 101		
<b>Presenting expenses</b>	AASB 1056 overrides AASB 101		
<b>Aggregation and disaggregation</b>	AASB 101 applies except for specified disaggregation requirements in AASB 1056		
<b>AASB 18 requirements</b>		<b>Proposals to include in the Exposure Draft</b>	
<b>Presentation of income statement</b> – to categorise income and expense into operating, investing and financing categories and present two new subtotals		AASB 1056 overrides AASB 18	
<b>Presenting operating expenses</b> – permits mixed presentation of expenses by nature and by function		AASB 1056 overrides AASB 18	
<b>Aggregation and disaggregation</b> – aggregate and disaggregate items based on characteristics and to consider the roles of the primary financial statements and the notes		AASB 18 would apply except for specified disaggregation requirements in AASB 1056	
<b>Management-defined performance measures (MPMs)</b> – disclose in a single note information about subtotals of income and expenses that the entity uses in public communications outside financial statements about management’s view of an aspect of the entity’s financial performance		AASB 18 applies because the MPM requirements do not contradict AASB 1056	
<b>Labelling requirements applicable to primary financial statements</b>		Specify the statement of changes in member benefits is a primary financial statement for the purposes of AASB 18	

### Questions for Board members

- Q1: Do Board members agree with the staff recommendations in the table described in paragraph 15, as summarised in the Executive Summary? If not, what alternative approaches do Board members recommend?
- Q2: Do Board members agree with proceeding to develop an Exposure Draft to propose modifying AASB 1056 to clarify how some of the AASB 18 and AASB 1056 requirements interact? If not, what alternative steps do Board members recommend?

## Section 1 : Line items to be presented in the income statement and statement of changes in member benefits

AASB 1056
<p>AASB 1056.9 requires the income statement of a superannuation entity financial statements to include line items that present, when applicable, the following amounts for the period:</p> <ul style="list-style-type: none"> <li>(a) income, in aggregate or subclassified;</li> <li>(b) expenses, in aggregate or subclassified;</li> <li>(c) net benefits allocated to defined contribution member accounts;</li> <li>(d) the net change in defined benefit member liabilities;</li> <li>(e) net result; and</li> <li>(f) income tax expense or benefit attributable to net result.</li> </ul> <p>AASB 1056 requires a superannuation entity to present a statement of changes in member benefits, which is not a requirement in AASB 18 or AASB 101. AASB 1056.11 states that a statement of changes in member benefits “shall present opening and closing balances for member liabilities and, when applicable, include the following line items for the period:</p> <ul style="list-style-type: none"> <li>(a) employer contributions;</li> <li>(b) member contributions;</li> <li>(c) taxes on contributions;</li> <li>(d) benefits transferred into the entity from other superannuation entities;</li> <li>(e) benefits to members or their beneficiaries;</li> <li>(f) insurance premiums charged to defined contribution member accounts;</li> <li>(g) net benefits allocated to defined contribution member accounts;</li> <li>(h) net changes to defined benefit member accrued benefits; and</li> <li>(i) amounts allocated to members from reserves.”</li> </ul>
AASB 18
<p>“Some Australian Accounting Standards require specific line items to be presented separately in the primary financial statements (for example paragraphs 75 and 103 of this Standard). <b>An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements ...</b>” [AASB 18.23]</p> <p>AASB 18.20 states: “An entity shall consider whether to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity’s financial position and financial performance.”</p>

- 17 AASB 1056.9 and AASB 1056.11 require a superannuation entity to present specific line items in the income statement and in the statement of changes in member benefits. However, under the general principle in AASB 18.23, a superannuation entity need not present separately a line item in those statements if the entity determines that doing so is not necessary for the statement to provide a useful structured summary.<sup>4</sup>
- 18 Staff requested input from questionnaire respondents on whether having such flexibility (described in AASB 18.23) for a superannuation entity to apply judgement in determining which

<sup>4</sup> AASB 18.23 is different from AASB 101.31. AASB 101.31 states that “... An entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is **not material**. This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements ...” [emphasis added]

items to present in the income statement and in the statement of changes in member benefits would be beneficial or adversely affect the information provided to financial statement users.

- 19 Seven respondents disagreed with providing the flexibility in AASB 18.23 to permit an entity to not present the prescribed line items set out in AASB 1056.9 and AASB 1056.11.
- 20 Consistent with the PIR feedback, those respondents commented that presenting the specific line items listed in AASB 1056.9 and 11 would provide necessary information for users of superannuation entity GPFS. Therefore, if a superannuation entity is required to apply AASB 18.23 – and is required to apply judgement in determining which line items would provide a structured summary of a superannuation entity’s assets, liabilities, income and expenses – it is likely that the entity would continue to present the current line items in accordance with AASB 1056.9 and 11. However, they are concerned that requiring a superannuation entity to apply judgement would:
  - (a) potentially lead to inconsistencies in superannuation entity GPFS and adversely affect comparability. Stakeholders commented that comparability of financial statements among super funds is important for users;
  - (b) incur costs that would outweigh the benefits of applying AASB 18.23 because applying the principles in AASB 18 is likely to lead to a superannuation entity concluding that the specific line items prescribed in AASB 1056.9 and AASB 1056.11 are information necessary for its uses to make decisions; and
  - (c) any changes to line items being presented in the face of primary financial statements would likely require system changes and changes will need to be explained to super fund members. The cost involved is not justified since the current presentation provides sufficient information to users.
- 21 Two respondents commented that superannuation entities should be required to apply judgement in determining what **additional** material information or line items to those prescribed in AASB 1056.9 are necessary to provide a useful structured summary in primary financial statements. Therefore, there might be benefits to specify in the Standards that the line items prescribed in AASB 1056.9 are the minimum disclosures to provide useful information for users and are not overridden by AASB 18.23.

#### ***Staff recommendation***

- 22 Staff consider that the comments from the two respondents described in paragraph 21 is consistent with current practice – the prescribed line items listed in AASB 1056.9 and 11 are the minimum disclosures that a superannuation entity must present if they are applicable and material to the entity. Additionally, under AASB 101.31, a superannuation entity is required to consider whether to provide additional disclosures when compliance with AASB 1056 is insufficient to enable users of GPFS to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance. AASB 18.20 retains the requirement set out in AASB 101.31.
- 23 Staff also consider that superannuation entities exclude specified line items listed in AASB 1056.9 and 11 when they are not applicable. This seems to have a similar effect to applying the ‘relief’ in AASB 18.23 (to allow an entity to not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary). Therefore, AASB 18.23 is redundant for superannuation entities.

24 Staff recommend:

- (a) proposing to keep the status quo to require a superannuation entity to present its income statement and statement of changes in member benefits in accordance with AASB 1056.9 and 11; and
- (b) modifying AASB 1056 to clarify that applying AASB 18.23 does not provide any further relief to the requirement stated in AASB 1056.9 and 11 to present specific line items 'when applicable'.

**Section 2: Assessment of main business activities, classification of income and expenses, and presenting additional subtotals in the income statement**

- 25 Stakeholders' input was sought on whether the AASB 18 requirements to assess main business activities and categorise income and expenses into the operating, investing and financing categories would provide useful information for users of superannuation entity financial statements.
- 26 All respondents commented that if the AASB 18 requirements apply to a superannuation entity, its income statement is likely to present:
- (a) all income and expenses in the operating category;
  - (b) nil or immaterial balances in the investing and financing categories; and
  - (c) the same amounts for the two new subtotals, operating profit or loss and profit or loss before financing and income taxes, required by AASB 18.70 and 71.
- 27 They are of the view that distinguishing between operating, investing and financing categories is unlikely to provide more relevant and reliable information to users. They are concerned that categorising income and expenses into the three new AASB 18 categories might result in less transparency for users because:
- (a) users might not understand the differences in the definitions of the operating, investing and financial categories applicable to the income statement and the definitions for operating, investing and financial activities applicable to the cash flow statement; and
  - (b) under AASB 1056, the income statement currently could be regarded as including 'operating and investing' activities and the statement of changes in member benefits could be regarded as including member-related 'financing activities'.
- 28 Respondents are of the view that the benefits of applying the AASB 18 requirements relating to assessing main business activities and categorising income and expenses into the three new categories would not outweigh the costs. Some respondents request that, if superannuation entities will be required to apply these AASB 18 requirements, to avoid confusion and reduce costs of implementation, the Standards should be amended to:
- (a) specify that superannuation entities are regarded as investing in assets as a main business activity for the purposes of AASB 18 (e.g. adding superannuation entities in the list of examples in AASB 18.B30);



- (b) specify that all income and expenses from investments are classified in the operating category;
- (c) specify that, notwithstanding that AASB 18.61 requires income and expenses relating to defined benefit pension liabilities to be classified in the financing category, a superannuation entity should classify those income and expenses in the operating category. This is because a superannuation entity is not the entity receiving employee services (as described in AASB 18.B53(d)); and
- (d) update the illustrative examples in AASB 1056 to reflect the AASB 18 formats.

### ***Staff recommendation***

- 29 Staff agree with the respondents' view that the benefits are unlikely to outweigh the costs in requiring a superannuation entity to apply judgement in considering the AASB 18 definitions of the financing and investing categories.
- 30 Staff recommend proposing to:
  - (a) keep the status quo to require a superannuation entity to retain its current income statement presentation formats in accordance with AASB 1056.9; and
  - (b) modify AASB 1056 to clarify that a superannuation entity need not apply the AASB 18 requirements regarding categorising all income and expenses into specific categories and presenting additional subtotals.

### ***Assessment of main business activity and interaction with cash flow statement***

- 31 All respondents are of the view that investing in assets would be regarded as a main business activity of superannuation entities for the purposes of AASB 18. Staff observe that AASB 18 added paragraph 34B to AASB 107 *Statement of Cash Flows* to require an entity that invests in assets as a main business activity "to determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how – applying AASB 18 – it classifies dividend income, interest income and interest expenses in the statement of profit or loss."
- 32 Subject to the Board's decisions relating to Section 2, staff will assess any flow-on effects on the cash flow statement of superannuation entities.

## **Section 3: Aggregation and disaggregation**

<b>AASB 18</b>
<p>AASB 18.41 states: "... <b>Unless doing so would override specific aggregation or disaggregation requirements in Australian Accounting Standards</b>, an entity shall (see paragraphs B16–B23):</p> <ul style="list-style-type: none"> <li>(a) classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on <b>shared characteristics</b>;</li> <li>(b) disaggregate items based on characteristics that are not shared;</li> <li>(c) aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries (see paragraph 16);</li> <li>(d) aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information (see paragraph 17); and</li> </ul>

(e) ensure that aggregation and disaggregation in the financial statements do not obscure material information (see paragraph B3)."

**AASB 1056**

"A superannuation entity shall disclose disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members." [AASB 1056.32]

- 33 AASB 18 introduces new principles outlining the roles of primary financial statements and notes. Based on the current structure of AASB 1056, the AASB 18.41 disaggregation requirements would be expected to apply in addition to the specific disaggregation requirement in AASB 1056.32 (to disaggregate information when it is necessary to explain the risks and benefit arrangements relating to different categories of members).
- 34 Staff asked for input from questionnaire respondents on the likely effects of applying AASB 18.41 to superannuation entities. Consistent with the view described in Section 1, all but one respondent commented that applying the AASB 18.41 is unlikely to change how items are currently aggregated and disaggregated. This is consistent with the IASB's views noted in paragraph BC75 of the Basis for Conclusions to IFRS 18 – the IASB expects that "an entity would generally conclude that line items previously determined to be a 'material class of items' would also contribute to a useful structured summary."
- 35 However, one respondent commented that, other than related to member liabilities, superannuation funds/Trustees do not manage their schemes on a disaggregated basis (i.e. investments are in a general pool and are not allocated between defined contribution schemes, defined benefit schemes and pensions). Therefore, applying the 'shared characteristics' principle (AASB 18.41(a)) is unlikely to improve consistent and comparable reporting over time and between entities.
- 36 AASB 18.B17(b) provides guidance on disaggregating items based on shared characteristics. It states that an entity shall "classify and aggregate assets, liabilities, equity, income, expenses and cash flows into items based on their characteristics (for example, **their nature, their function, their measurement basis** or another characteristic) so as to result in the presentation in the primary financial statements of line items and disclosure in the notes of items that have at least one similar characteristic" [emphasis]. Staff expect that applying AASB 18.B17(b) would have little or no impact on the way that a superannuation entity disaggregates information.
- 37 Staff did not identify any reasons to modify the aggregation and disaggregation requirements set out in AASB 18.41 or the roles of the primary financial statements and the notes outlined in AASB 18.16 and 17.
- 38 **Staff recommendation:** Staff recommend proposing no modifications to AASB 1056 such that the aggregation and disaggregation requirements outlined in AASB 18.41 apply.

#### **Section 4: Presenting operating expenses**

**AASB 1056**

"A superannuation entity shall disclose information that provides users with a basis for understanding the **nature** and amounts of income and expenses." [AASB 1056.22]

"When the recognition, measurement and disclosure principles and requirements in this Standard address the same items or events as the recognition, measurement and disclosure principles and requirements in other Australian Accounting Standards, **a superannuation entity need not apply those other Standards**. For example, a superannuation entity applying this Standard would

<p>...</p> <p>(b) disclose information about expenses in accordance with paragraphs 9 and 22 and <b>need not disclose information in accordance with paragraphs 78–83 and B80 of AASB 18 <i>Presentation and Disclosure in Financial Statements</i></b> regarding an analysis of expenses”.</p> <p>[AASB 1056.AG3, after incorporating consequential amendments in AASB 18 Appendix D]</p>
<b>AASB 18</b>
<p>“In the operating category of the statement of profit or loss, an entity shall classify and present expenses in line items in a way that provides the <b>most useful structured summary of its expenses</b>, using <b>one or both</b> of these characteristics (see paragraphs B80–B85):</p> <p>(a) the nature of expenses; or</p> <p>(b) the function of the expenses within the entity.” [AASB 18.78]</p>

- 39 AASB 101 requires an entity to present in the statement of profit or loss expenses classified based on either their nature or function. In contrast, AASB 18 permits an entity to present expense line items using a mixed basis. AASB 18 requires an entity to consider specific matters, as stated in AASB 18.B80(a)–(d), in determining how to use the characteristics of nature and function to provide the most useful structured summary.
- 40 AASB 1056.22 requires a superannuation entity to present expenses by their nature in the income statement. AASB 1056.AG3 relieves a superannuation entity from disclosing information in accordance with AASB 18.78–83 and B80 regarding an analysis of expenses by function. Therefore, unless AASB 1056 was amended, a superannuation entity will continue presenting expenses by nature.
- 41 Staff requested input from questionnaire respondents on whether the flexibility for a superannuation entity to apply judgement in determining which expense items should be presented by their nature or by their function might be beneficial or might adversely affect the information provided to users.
- 42 Seven respondents do not consider having such flexibility to be beneficial. They provided the following comments.
- (a) Presenting expenses by nature (as required by AASB 1056) seems to be the most useful presentation. Presenting income and expense by function is unlikely to provide more useful information for users.
  - (b) Paragraphs BC187–BC190 in the Basis for Conclusions to AASB 1056 note the need for superannuation fund members to be able to compare plans, particularly with respect to expenses, between superannuation entities. Therefore, requiring a consistent presentation (by nature) enables ready comparison and is regarded as the most understandable basis for superannuation entity users. Introducing optionality akin to AASB 18 would likely be unhelpful to users.
  - (c) The current operating expense disclosure requirements could be considered to meet the ‘standard industry practice’ requirement under AASB 18.B80(c). The list of expense items prescribed in AASB 1056.AG29 is a result of extensive stakeholder consultation under both ED 179 and ED 223<sup>5</sup> when developing AASB 1056. These are the expense items that are deemed to be the most relevant in assisting members and employers to make informed decision about their superannuation fund of choice and default superannuation

5 ED 179 *Superannuation Plans and Approved Deposit Funds* (May 2009) and ED 223 *Superannuation Entities* (December 2011).

fund respectively. Maintaining the current presentation and disclosure requirement is critical in promoting comparability and useability of the financial information presented by individual superannuation entities.

- (d) The exercise to re-examine the basis of expense classification may yield a similar result to the existing practice, making its benefits marginal compared to the potential costs and efforts involved.

- 43 In contrast, one respondent consider that superannuation entities should be required to classify their operating expenses in accordance with AASB 18 requirements. They are of the view that currently some superannuation entities present operating expenses using a mixture of nature and function-related disclosures. Superannuation funds have a limited number of categories of expenses (investment related, administration related, compliance related and governance related expenses) and expenses are a key focus of users of superannuation fund GPFS, including regulators. However, if the AASB 18 requirements apply, additional guidance should be provided to assist superannuation entities in applying the requirements in a superannuation entity context and to transition from the current 'rules-based' approach in AASB 1056.
- 44 One respondent did not provide a firm view on whether the AASB 18 requirement should be applied by superannuation entities. They commented that comparability of expenses is important to users but also noted that superannuation entities would likely conclude that their current expense line items are the most appropriate line items to present when applying the AASB 18 requirement.

#### ***Staff recommendation***

- 45 On balance, staff consider that achieving comparability of expenses between superannuation funds is important because this is a key focus area of regulators. Staff also agree with the views of the majority of respondents that the benefits are unlikely to outweigh the costs in requiring a superannuation entity to apply judgement in considering expense classifications. Presentation of expenses is not a key issue raised by stakeholders during the PIR of AASB 1056 (other than in the context of trying to minimise differences with competing regulatory expense reporting regimes required by APRA and others).
- 46 In respect to the respondent's comment described in paragraph 43, a superannuation entity is permitted to disclose additional information (albeit in the notes and not in the face of the income statement) about the function of operating expenses if it considers this would be useful information for GPFS users.
- 47 Staff recommend proposing to keep the status quo to require a superannuation entity to present expenses by their nature. Staff consider that no action is needed because AASB 1056.22 and AG3 are clear about the requirements.<sup>6</sup>

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<sup>6</sup> In relation to expense classification, the 2024 post-implementation of AASB 1056 identified as a possible future project (when resources permit) liaising with other agencies (including APRA) with the aim of rationalising the various classifications of expenses that superannuation entities are required to report. This same issue was also raised in the targeted outreach, but is not addressed in this agenda item.

## Section 5: Management-defined performance measures

- 48 AASB 18.122 requires an entity to disclose in a single note information about all measures that meet the definition of management-defined performance measures (MPMs).
- 49 All respondents commented that they have not come across any subtotals of income and expenses a superannuation entity uses in public communications that would meet the MPM definition. They also commented that the requirements in AASB 18 to disclose information about any MPMs are unlikely to be onerous.
- 50 **Staff recommendation:** Based on respondents' feedback, staff consider that the AASB 18 requirements regarding MPMs should apply to superannuation entities. Accordingly, staff recommend proposing no modifications to AASB 1056 such that the AASB 18 requirements are not overridden by AASB 1056.

## Section 6: Specifying the statement of changes in member benefits is a primary financial statement

- 51 The statement of changes in member benefits is not a 'primary financial statement' described in AASB 18. One respondent questioned whether the AASB 18 requirements/principles underpinning 'primary financial statements' (such as comparative information, labelling, and aggregation and disaggregation requirements) should be extended to the preparation of the statement of changes in member benefits.
- 52 **Staff recommendation:** Staff recommend proposing to modify AASB 1056 to clarify that the statement of changes in member benefits is a 'primary financial statement' for the purposes of a superannuation entity's financial statements.