



Australian Government

Australian Accounting Standards Board

ED 338 Discussion: Application of AASB 18 *Presentation and Disclosure in Financial Statements* by universities

27 February 2026





Polling question 1

Please indicate the type of organisation you represent.

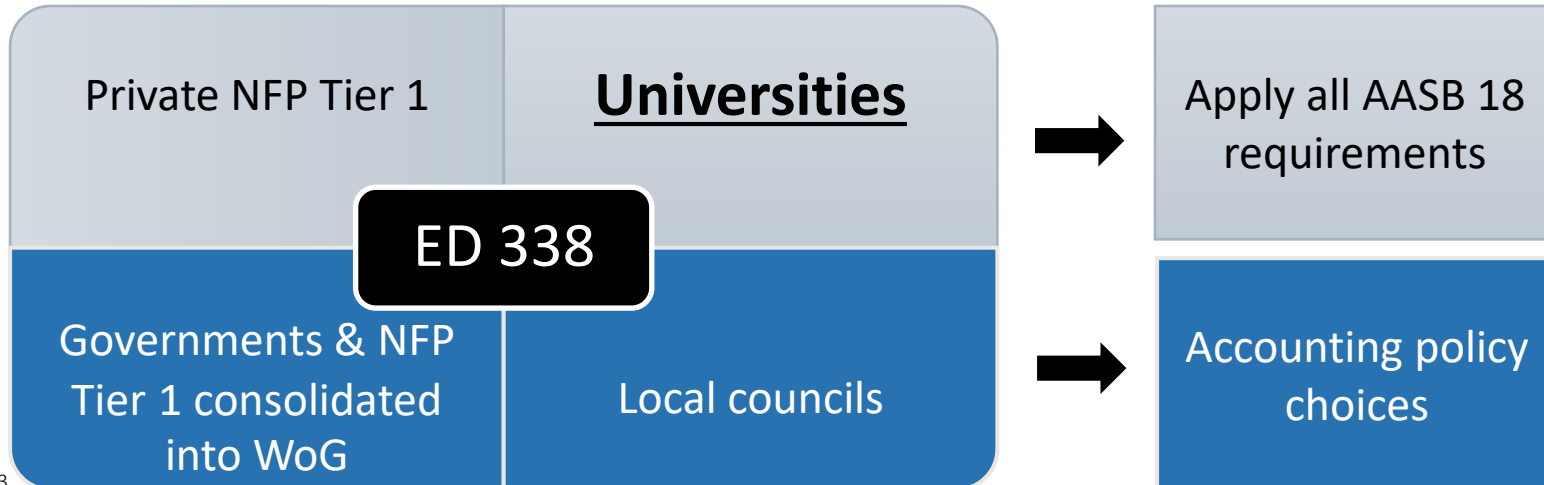




Introduction

AASB 18 → will replace AASB 101

- Applies to **NFP entities** for periods beginning on or after **1 January 2028**
- Introduces changes to presentation and disclosure requirements



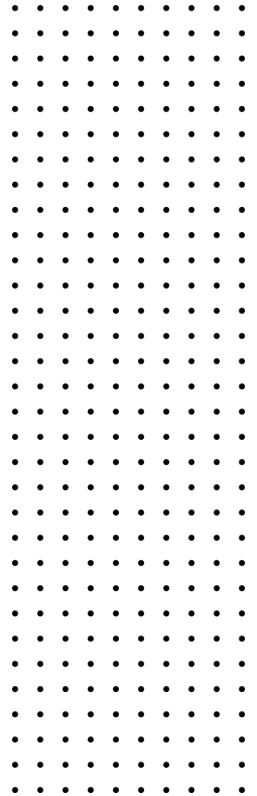


What have we heard so far?

When developing ED 338 → **no sufficient justification** to depart from AASB 18 and revised AASB 107 (other than the proposed NFP-specific guidance)

Financial Statement Guidelines for Australian Higher Education Providers

- **include** certain presentation and cash flow statement classification requirements
- **one stakeholder** suggested benefits in continuing current classifications → similar to local councils





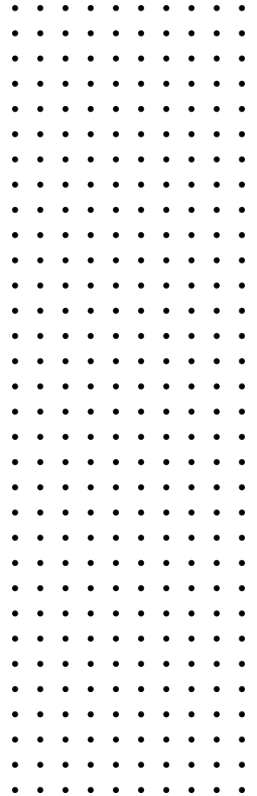
NFP Tier 2 entities and polling questions

- AASB 18 application to Tier 2 entities has **not yet been considered** → Exposure Draft anticipated in Q2 2026
- Although ED 338 is aimed only at Tier 1 entities → also seeking feedback on the applicability of AASB 18 to **universities applying AASB 1060**
- Other than questions on **disclosures of MPMs** and the **effective date** of AASB 18 → all other polling questions are not seeking separate responses for Tier 1 and Tier 2 GPFS



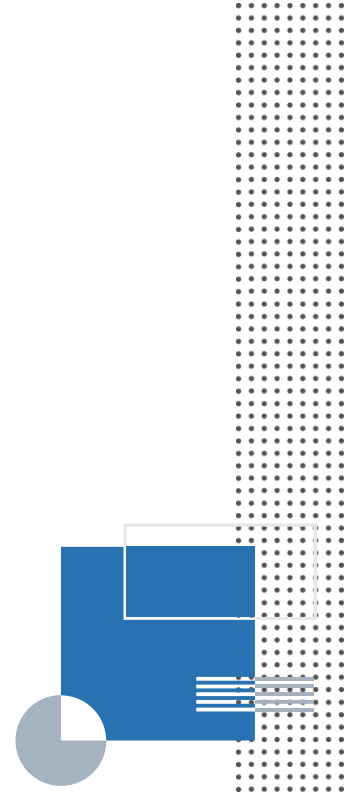
Topics for discussion

1. Objective of financial statements
2. Statement of profit or loss presentation
3. Presentation of operating expenses
4. Management-defined performance measures (MPMs)
5. Dividends and interest cash flow classification





Objective of financial statements





Objective of financial statements

- 9 The objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the **prospects for future net cash inflows** to the entity and in assessing management's stewardship of the entity's economic resources.

Aus9.1

In respect of not-for-profit private sector and public sector entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with **the ability of the entity to achieve its objectives** (whether financial or non-financial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows and management's stewardship of the entity's economic resources. Accordingly, where pertinent, references in this Standard to 'assessing prospects for future net cash inflows to the entity' and 'assessing management's stewardship of the entity's economic resources' (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in the *Conceptual Framework for Financial Reporting* as identified in AASB 1048 *Interpretation of Standards*.



Users of financial statements

B5 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

AusB5.1 Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). In relation to not-for-profit private sector and public sector entities, where pertinent, all references in this Standard to ‘existing and potential investors, lenders and other creditors’ (and related terms) should be read as a reference to this broader range of users.



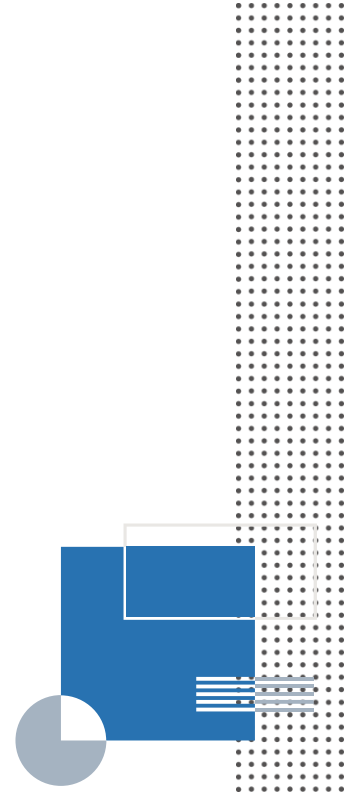
Polling question 2

Do you agree with adding paragraphs Aus9.1 and AusB5.1?





Statement of profit or loss presentation





Income and expenses categories

47 An entity shall classify income and expenses included in the statement of profit or loss in one of five categories (see paragraph B29):

- (a)** the operating category (see paragraph 52);
- (b)** the investing category (see paragraphs 53–58);
- (c)** the financing category (see paragraphs 59–66);
- (d)** the income taxes category (see paragraph 67); and
- (e)** the discontinued operations category (see paragraph 68).



Income and expenses categories

Operating =
All income
and
expenses
not
classified in
other
categories

Investing

Income and expenses from

- investments in associates and JV
- cash and cash equivalents
- other assets if they generate a return individually and largely independently of the entity's other resources (e.g. investment property, debt/equity investments)

Different categorisation if investing in specified assets or providing financing to customers is a “main business activity”

Financing

Income and expenses from

- liabilities that arise from transactions that involve only the raising of finance
- **changes in interest rates** from liabilities that arise from transactions that do not involve only the raising of finance



Entities with specified main business activities

- 49 To classify income and expenses in the operating, investing and financing categories, an entity shall assess whether it has a specified main business activity – that is a main business activity of (see paragraphs B30–B41):
- (a) investing in particular types of assets, referred to hereafter as investing in assets (see paragraph 53);
or
 - (b) providing financing to customers.
- 50 Applying paragraphs 55–58 and 65–66, an entity with a specified main business activity classifies in the **operating category** some income and expenses that would have been classified in the investing or financing category if the activity were not a main business activity.

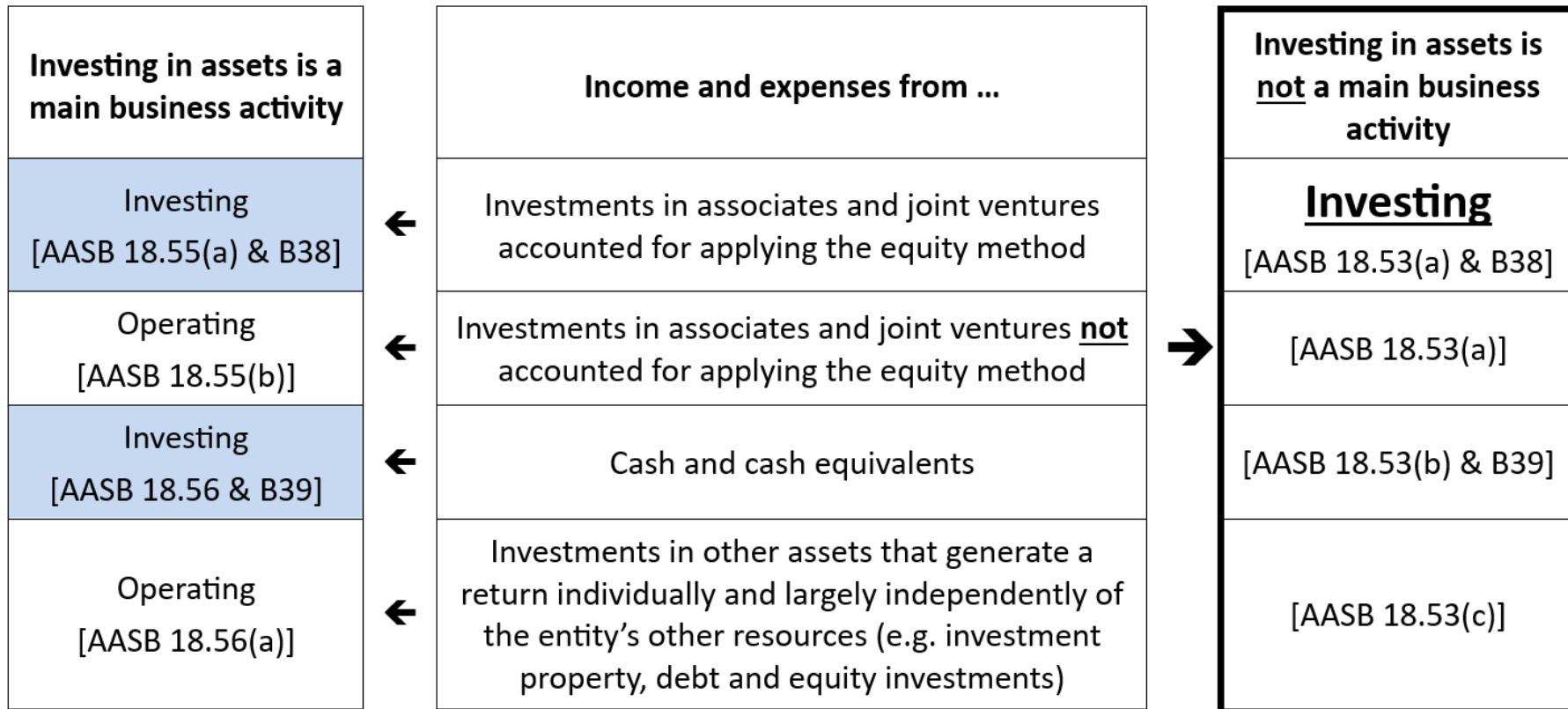


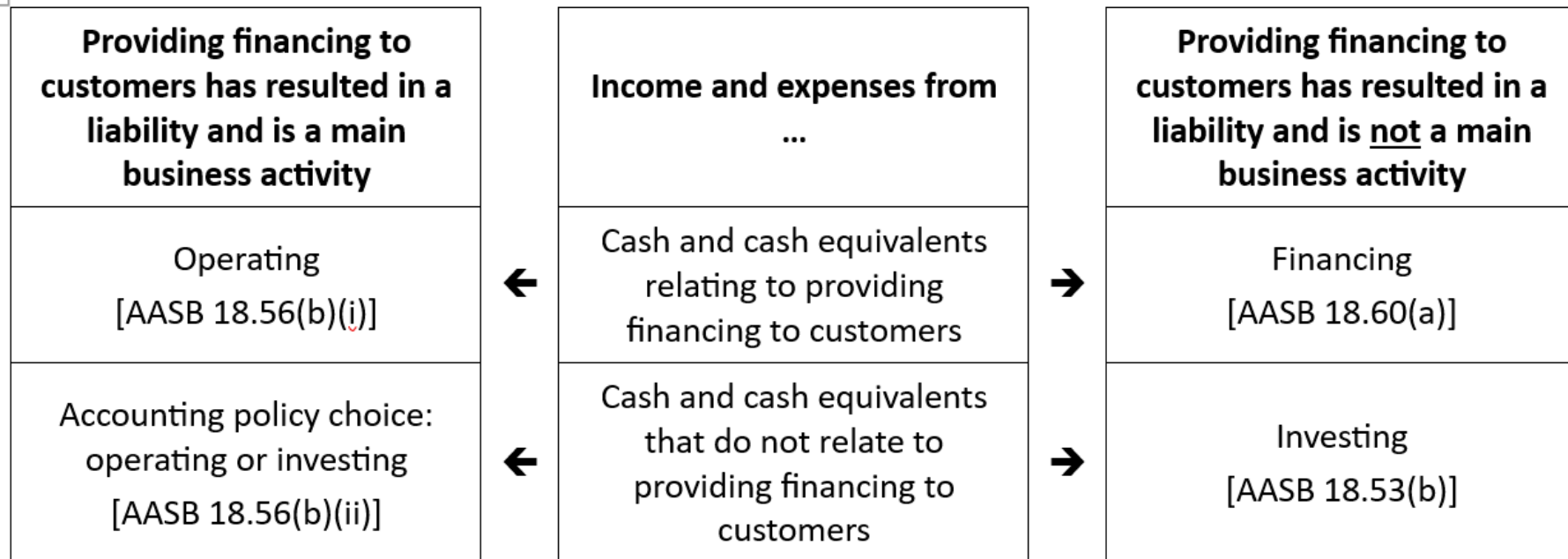
Determining whether an entity has a specified main business activity

In general, investing in assets or providing financing to customers is **likely to be** a main business activity of an entity → if it uses a particular type of **subtotal** relating to investing or financing as an **important indicator of operating performance**.

Important indicators of operating performance might be subtotals that:

- Help explain operating performance externally; or
- Assess or monitor operating performance internally.







Polling question 3

1. Do you consider that universities might have issues in determining whether they have a main business activity of:
 - Investing in associates, joint ventures and unconsolidated subsidiaries **not** accounted for applying the equity method;
 - Investing in assets that generate a return individually and largely independently of the entity's other resources (e.g. investment property, debt and equity investments); or
 - Providing financing to customers?
2. Do you agree that universities should be **required** to assess whether they invest in assets or provide finance to customers as a main business activity for the purposes of categorising income and expenses?





Statement of profit or loss presentation

Extracted from the IASB's educational materials

Operating	Revenue
	Cost of sales
	Gross profit
	Other operating income
	Selling expense
	Research and development expenses
	General and administrative expenses
	Goodwill impairment loss
	Other operating expenses
Operating profit	
Investing	Share of profit or loss of associates and joint ventures
	Other investment income
Profit before financing and income tax	
Financing	Interest expense on borrowings and lease liabilities
	Interest expense on pension liabilities and provisions
	Profit before tax
	Income tax expense
Profit	

Revenue and income from continuing operations

Australian Government financial assistance
Australian Government grants
HELP – Australian Government payments
State and local government financial assistance
HECS-HELP – Student payments
Fees and charges
Royalties, trademarks and licences
Consultancy and contract fees
Other revenue
Other income

Investment income (net gains/losses)

Gains on disposal of assets¹

Share of profit or (loss) on investments accounted for using the equity method

Total revenue and income from continuing operations

Expenses from continuing operations

Employee related expenses
Depreciation and amortisation
Repairs and maintenance

Borrowing costs

Impairment of assets

Losses on disposal of assets¹

Deferred superannuation expense
Other expenses

Total expenses from continuing operations

Net result before income tax from continuing operations

New subtotal: Operating net result

Investment income (net gains/losses)

Share of profit or (loss) on investments accounted for using the equity method

*Gains or (losses) on disposal, or impairment losses, of assets that generate a return individually and largely independently of the entity's other resources (e.g. investment property, debt/equity investments)

Investing

Interest income from the entity's cash and cash equivalents

New subtotal: Net result before financing and income tax

Borrowing costs

**changes in interest rates on lease liabilities

Financing

Net result before income tax from continue operations



Staff-generated university example for illustrative purposes only

AASB 18 permits different labelling of subtotals

	<i>Revenue and income from continue operations</i>
Operating	Australian Government financial assistance: Australian government grants and HELP – Australian government payments
	State and local government financial assistance
	HECS-HELP – Student payments
	Fees, charges, royalties, trademarks and licences
	Consultancy and contract fees
	* Gain (loss) on disposal of property, plant and equipment
	Expenses from continue operations
	Employee related expenses
	Depreciation and amortisation
	Repairs and maintenance
	* Impairment of property, plant and equipment
	** Lease expense (excluding interest)



Income related to donated assets and capital grants

- Some stakeholders commented AASB 18 is unclear how income related to donated assets and capital grants is categorised
 - Special roundtable discussion on **Thursday 16 April 1–3pm AEST**
 - Details available in **mid-March 2026**
- Subscribe to **Reporting Roundup**
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Statement of profit or loss – proposed relief for other NFP public Tier 1

Statement of profit or loss

46 An entity shall include all items of income and expense in a reporting period in the statement of profit or loss unless an Australian Accounting Standard requires or permits otherwise (see paragraphs 88–95 and B86).

Aus46.1 For the purposes of paragraph 46 and notwithstanding paragraph 47:

- (a) ...; and
- (b) a not-for-profit public sector entity is not required to classify income and expenses into the operating, investing and financing categories in the statement of profit or loss. A not-for-profit public sector entity that elects to apply this relief shall not apply paragraphs 47–66, 69(a), 69(b), 70–74 and B30–B77. Such an entity shall treat references in this Standard to ‘operating expenses’ as expenses presented in the statement of profit or loss, including when applying paragraphs 75(a)(ii), 79–82 and 85.



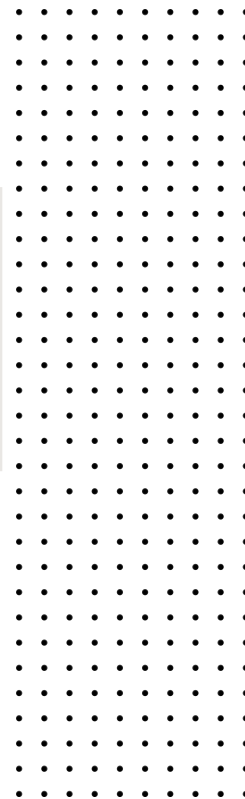
Reasons for proposing reliefs for **other NFP** **public sector Tier 1 entities**

Users focus on service delivery over profitability, recurring vs non-recurring income and expenses

AASB 18 categories don't reflect how public sector operates → existing formats (e.g. net cost of services) meet user needs

Alignment with GFS is preferred for WoG consolidation and for comparability with budget papers

No issues with comparability within a jurisdiction → costs would outweigh benefits





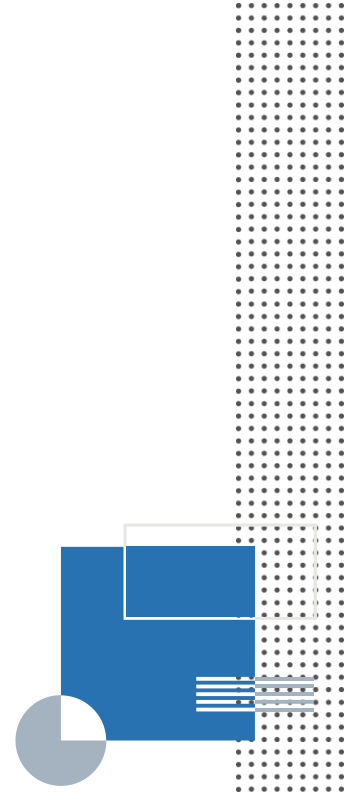
Polling question 4

Notwithstanding you might have questions about how income related to donated assets and capital grants are classified → Do you agree universities should be **required** to categorise income and expenses into the AASB 18 categories and present related subtotals?





Presentation of operating expenses





Presentation of operating expenses

The Guidelines currently requires presentation by nature

AASB 101

- 99 An entity shall present an analysis of expenses recognised in profit or loss using a classification based on **either their nature or their function** within the entity, whichever provides information that is **reliable and more relevant**.

AASB 18

- 78 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 **most useful structured summary** of its expenses, using **one or both of these** characteristics (see paragraphs B80–B85):
- (a) the nature of expenses; or
 - (b) the function of the expenses within the entity.



Structured summary of expenses

AASB18.B80 requires an entity to consider:

- a) what line items provide the most useful information about the main components or drivers of the **entity's profitability**
- b) what line items most closely represent the **way the business is managed** and how management reports internally
- c) what standard **industry practice** entails
- d) whether the allocation of particular expenses to functions would be arbitrary to the extent that the line items presented would not provide a **faithful representation** of the functions



Proposed NFP guidance

AusB80.1

For the purposes of paragraph B80(a), consistent with paragraph Aus9.1, a not-for-profit private sector entity and a not-for-profit public sector entity electing to apply paragraph 78 shall consider what line items provide the most useful information to users of financial statements about the entity's operations or main activities.

Polling question 5: Do you agree with adding paragraph AusB80.1?



Proposed relief for other NFP public sector Tier 1 entities

Aus78.1

Notwithstanding paragraph 78:

(a) ...; and

(b) a not-for-profit public sector entity is permitted to classify and present expenses in line items in the statement of profit or loss based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. A not-for-profit public sector entity that elects to apply this paragraph shall not apply paragraphs 78 or B80–B82.

Consistent expense presentation formats mandated by Treasuries

Expense by nature aligns with GFS → supports WoG reporting

Propose accounting policy choice to permit Treasuries to continue mandating a consistent basis



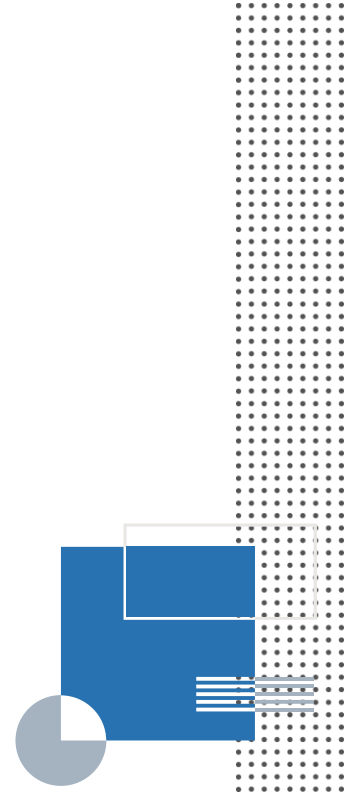
Polling question 6

Do you agree universities should be **required** to apply the requirements to present expenses using nature and/or function to provide a structured summary?





Management-defined performance measures (MPMs)





Management-defined performance measures (MPMs)

117 *A management-defined performance measure is a subtotal of income and expenses that (see paragraphs B113–B122):*

- (a) **an entity uses in public communications outside financial statements;**
- (b) **an entity uses to communicate to users of financial statements management’s view of an aspect of the financial performance of the entity as a whole; and**
- (c) **is not listed in paragraph 118, or specifically required to be presented or disclosed by Australian Accounting Standards.**

MPM examples:

- net result from normal operations
- Underlying result
- Underlying net operating result
- Underlying EBITDA

Return on equity
Return on assets
Net debt
Free cash flow

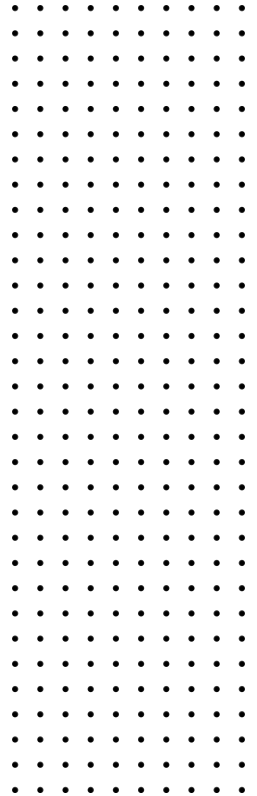
× **Not
MPMs**



Main AASB 18 MPM disclosure requirements

For each MPM, disclose:

- a description explaining how it **relates to the entity's financial performance** and **why it provides useful information**
- how it is **calculated**
- a **reconciliation** between the MPM and the most directly comparable subtotal required by Accounting Standards





MPMs – proposed relief for other NFP public Tier 1

Aus117.1

Notwithstanding paragraphs 118–125 and B113–B142, a not-for-profit public sector entity is not required to identify and disclose information about management-defined performance measures.

IASB's concerns about alternative performance measures are less relevant in the NFP public sector → subtotals are well-defined and well-understood by users

Wide-range communication channels → Identifying every MPM would be costly and operationally burdensome → risk in assuring completeness of MPMs



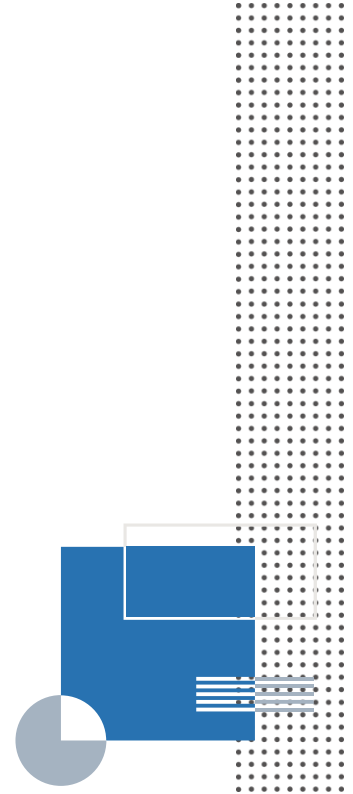
Polling question 7

- Do you agree that universities should be **required** to disclose information about MPMs?
- Separate questions for Tier 1 and Tier 2





Dividends and interest cash flow classification





Proposed requirement for
Universities

Dividend and interest cash flows

	Current classification choices in AASB 107	Current university requirements in the Guidelines	AASB 18 requirements	ED 338 proposal for other NFP public Tier 1
Dividends paid	Operating or financing	Operating	Financing [AASB 107.33A]	Financing
Dividends received	Operating or investing	Operating	Investing* [AASB 107.34A(b)]	Operating or investing
Interest paid	Operating or financing	Operating	Financing [AASB 107.34A(a)]	Operating or financing
Interest received	Operating or investing	Operating	Investing* [AASB 107.34A(b)]	Operating or investing

³⁸ *if the university's main business activities includes investing this would be classified in operating.



Reasons for proposing reliefs for **other NFP** **public sector Tier 1 entities**

Interest/dividend cash flows are
used to fund operations

GFS requires dividend
received and interest
paid and received to
be classified as
operating cash flows



Polling question 8

Do you agree that universities should be **required** to classify dividends and interest cash flows in accordance with the revised AASB 107?





Effective date

Polling question 9

- **Tier 1:** Do you agree that AASB 18 should be applied by universities for **periods beginning on or after 1 January 2028** (earlier application permitted)?
- **Tier 2:** If AASB 18 presentation and classification requirements (including any relevant modifications) were to apply, what would be an appropriate mandatory application date, assuming early adoption is permitted?



Next steps



ED 338 comments due today, late submissions by 13 March



Written comments: www.aasb.gov.au/current-projects/open-for-comment



Email to standard@asb.gov.au



Polling question → enter contact details if you would like to provide further verbal feedback on ED 338





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