



21 January 2026

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West Victoria 8007
AUSTRALIA

Dear Dr Kendall

RE: AASB Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*

On behalf of the Australasian Council of Auditors-General (ACAG), thank you for the opportunity to comment on AASB Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*. The views expressed in this submission represent those of all Australian members of ACAG, unless otherwise specified.

The public sector is characterised by unique user needs, a diverse range of organisational structures, and a distinct operating environment in which stewardship and accountability are fundamental. In this context, changes to public sector financial reporting requirements must be carefully assessed to ensure they respond to those needs and do not impose additional requirements where the benefits for public sector users are unclear. Amendments developed primarily for 'for-profit entities' or driven by international developments rather than demonstrable changes in public sector user needs, risk diminishing the effectiveness of Tier 2 reporting and undermining its simplifying intent.

With this context in mind, our response is presented in two sections: an overarching recommendation, followed by specific comments should the AASB proceed with amending AASB 1060 for public sector entities.

Section 1: Overarching recommendation:

To achieve a well-grounded and sustainable approach to public sector financial reporting, ACAG recommends that the AASB prioritise progression of the broader [public sector financial reporting framework project](#)¹, rather than pursuing incremental amendments to AASB 1060 in isolation, particularly in the absence of clear evidence that public sector user needs have changed.

This is particularly relevant given that AASB 1060 was introduced as an interim measure² for NFP public sector entities, with the understanding that more targeted reforms to the public sector financial reporting framework were intended to follow. While the Standard addressed the practical issue of avoiding parallel Tier 2 frameworks (Reduced Disclosure Requirements and Simplified disclosures)³, it was not designed to represent a final or comprehensive solution for public sector financial reporting. In this context, ACAG cautions against incremental amendments to AASB 1060 in advance of broader reforms. ACAG notes that a number of the proposed additional disclosures were reduced in the change from RDR to SDR and we are not aware of, nor does the ITC provide any suggestion or evidence that these need to be reinstated to meet user needs.

¹ In line with our letter to the AASB in February 2024 on the 'Timing of the AASB's Projects Relevant to the Public Sector'

² As mentioned in BC9 of AASB 1060 and BC 51 of AASB 1060

³ Agenda paper 3.5 AASB March Board meeting 2019 M 174 Board Meeting



The application of AASB 1060 varies across jurisdictions. Some have mandated additional disclosures over and above AASB 1060, some have limited the application of AASB 1060 to a very small number of entities, while others have adopted Tier 2 without any modification and/or to a larger range of entities which vary in size and complexity. Each jurisdiction's approach reflects its own priorities and circumstances, highlighting the need for a coordinated, AASB-led public sector financial reporting framework project. Such a central project would provide a consistent basis for considering user needs, assessing the effectiveness of Tier 2 reporting, and informing any potential amendments to AASB 1060 taking also into consideration any decisions made regarding additional tiers of reporting as are currently being finalised for the private sector.

ACAG emphasises that it is not opposed to improving the Standard where new requirements or research support additional disclosures. Given that the public sector financial reporting framework project may take some time, (ACAG notes), AASB 1060 could continue to serve as an interim measure; however, it does not fully reflect public sector user needs. In this context, ACAG considers that any interim amendments should be made only where there is a clear and demonstrable benefit to users. ACAG suggests that the AASB provide a clear timeframe for progressing the broader framework, noting that AASB 1060 has been effective since 1 July 2021. Interim standards are intended to be short-term solutions, and using them for an extended period may reduce their effectiveness.

Section 2: Specific comments should the AASB proceed with amending AASB 1060 for public sector entities

a. Adopting amendments arising from IFRS for SMEs (third edition)

While ACAG has reviewed the amendments at a high level and provided comments in the Attachment, these observations are informed by jurisdictional context. For example, disclosures that may be appropriate for larger Tier 2 entities with complex financial statements could impose a disproportionate burden on smaller entities, (unless the disclosures are material for such small entities). Given the varied jurisdictional contexts in the public sector, ACAG considers that any incremental changes to AASB 1060 should be clearly grounded in identified user needs, rather than driven solely by alignment considerations.

b. Amendments arising from AASB 18

Most jurisdictions support timely consideration of AASB 18 to maintain consistency between Tier 1 and Tier 2. ACAG will address AASB 18 matters separately in its submission on ED 338. However, any requirements arising from ED 338 should be assessed for Tier 2 entities in light of user needs and supporting research.

c. Amendments arising from IFRS 19

ACAG does not consider maintaining IFRS compliance to be a significant concern for public sector Tier 2 entities. Therefore, ACAG does not support the automatic adoption of IFRS 19 for public sector entities, nor does it favour expanding AASB 1060 solely to achieve alignment with IFRS 19.

ACAG appreciates the opportunity to comment and trusts you find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Vagg', is written over a light blue horizontal line.

Rachel Vagg
Chair
ACAG Financial Reporting and Accounting Committee

QUESTIONS FOR RESPONDENTS

Section 1

Topic 1 Overall objective and assessment of AASB 2020-2

Question 1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:

(a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?

(b) Were the costs of preparing GPFS for the first time broadly in line with expectations?

(c) Are the ongoing costs of preparing GPFS broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

AASB 2020-2 was applicable to for-profit private sector entities that previously prepared special purpose financial statements. Given this question is not relevant to public sector entities, ACAG has not responded to this question.

Topic 2 Overall objective and assessment of AASB 1060

Question 2. Regarding AASB 1060, please provide your views on the following matters:

(a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?

(b) Were the costs of applying the Standard for the first time broadly in line with expectations?

(c) Are the ongoing costs of applying the Standard broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

(a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?

Whilst most jurisdictions consider that AASB 1060 has been generally effective and broadly meets its objective, the response to this question should be read in conjunction with the jurisdictional context below:

- a. In particular, jurisdictions have implemented AASB 1060 in varied ways and therefore, it is important to recognise that different adoption models and reporting frameworks exist. In this regard,
 - some jurisdictions have adopted a “Tier 2 plus” model, where additional mandated disclosures apply over and above AASB 1060, reflecting jurisdiction specific requirements and expectations



- Some jurisdictions advised that Tier 2 is used only minimally (for example, two jurisdictions only apply Tier 2 to a very small number of entities).
 - One jurisdiction has adopted AASB 1060 for a broader range of entities of varying size and complexity without any modifications.
 - Jurisdictions that previously applied Reduced Disclosure Requirements (RDR), are of the view, the transition resulted in very little change in practice, as disclosures under AASB 1060 were largely consistent with RDR requirements. Materiality had been applied to a reasonable extent in determining what disclosures were necessary previously and given there are broad overarching requirements in the standard. Having said that, the main issues they encounter relate to application of sections of the standard equivalent to AASB 101 around fair presentation, disclosure of accounting policy information, judgements and key sources of estimation uncertainty.
- b. For jurisdictions that transitioned from special purpose reporting:
- some are of the view that AASB 1060 provided a clearer and more consistent basis for compiling disclosures as for them recognition and measurement requirements remained largely unchanged
 - others noted that for Tier 2 entities, the greatest implementation effort related to adopting full recognition and measurement requirements rather than presentation. They also observed that many Tier 1 disclosures removed under AASB 1060 would not have been required in practice because they were not material to users. However, despite the introduction of Tier 2, given some of these jurisdictions apply Tier 2 plus framework or work is nevertheless required to prepare consolidation-related information for Whole-of-Government reporting purposes, the practical simplification achieved is limited.

The jurisdictional context outlined above highlights the diversity in the models adopted by each jurisdiction to determine which entities are required to apply Tier 2, as determined by each jurisdiction's Treasury.

Most jurisdictions consider that, within their respective jurisdictional contexts, AASB 1060 is meeting its objectives and should continue in operation.

(b) Were the costs of applying the Standard for the first time broadly in line with expectations?

All jurisdictions, agreed that the first-time application costs were broadly in line with expectations and observed no significant change in audit costs following the adoption of Tier 2.

For jurisdictions transitioning from RDR, the impact was modest, as disclosure requirements remained generally similar to prior practice.

In some cases, first-year costs increased slightly due to the additional time required for auditors and preparers to work through transitional and other changes, particularly where entities were adopting Tier 2 for the first time. However, jurisdictions consistently noted that these impacts were anticipated and generally aligned with expectations.

(c) Are the ongoing costs of applying the Standard broadly in line with expectations?

All jurisdictions agreed that ongoing costs are broadly in line with expectations. No significant issues have been raised regarding the ongoing effort required to apply the Standard.

However, some jurisdictions noted that ongoing costs may increase if certain disclosure requirements from the 2025 IFRS for SMEs are adopted into AASB 1060—for example, the potential introduction of additional disclosures for revenue, fair value and financial instruments.



Topic 3 Transition relief for FP private sector entities transitioning from SPFS to AASB 1060

Question 3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:

(a) Was any of the optional transition relief used?

(b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

Topic 4 Transition relief for entities transitioning from GPFS to AASB 1060

Question 4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:

(a) Was the optional transition relief used?

(b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

(a) Was the optional transition relief used?

Across jurisdictions, use of the optional transition relief was limited. In one jurisdiction, NFP public sector entities applied the transitional relief related to providing comparative information in a small number of cases where additional disclosures were required when transitioning from RDR to SDR or from SPFS to SDR. Other forms of transition relief were not relevant to the public-sector context.

One jurisdiction introduced an additional overlay for the first year of adoption by requiring entities to adjust the relevant comparative period disclosures, where necessary, to ensure consistency between the current and comparative periods, unless such adjustment was impracticable. In these cases, entities were required to seek written approval from the regulator if they decided not to adjust the comparative disclosures.

(b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

Some jurisdictions indicated that, where applicable, the transition relief did help reduce transition effort; however, this applied only to a small number of entities.



Topic 5 Educational material

Question 5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

Question 6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

All jurisdictions agreed that the educational initiatives provided by the AASB were helpful and valuable in supporting the implementation of AASB 1060.

Question 7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

Jurisdictions that moved from RDR to AASB 1060 consider a full reconciliation between RDR and AASB 1060 would have been particularly helpful. While an outline was included in the exposure draft, it was not updated for the final version of the Standard. A more complete and finalised reconciliation may have assisted preparers in more efficiently identifying disclosure differences when transitioning from RDR to simplified disclosures.

Topic 6 Disclosure of individually material items

Question 8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?

ACAG jurisdictions did not identify any current issues arising from the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060. Jurisdictions generally considered the existing disclosure framework including materiality considerations sufficient for Tier 2 purposes.

However, some jurisdictions noted a potential future risk when preparers refer directly to the Standard without a strong understanding of its intent. For example, there may be differing interpretations of paragraph 91(c) of AASB 1060, which requires an entity to *“provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.”*

Question 9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

ACAG jurisdictions were broadly of the view that introducing such a requirement could help improve consistency across Tier 2 entities and provide clearer expectations for preparers. However, they also considered other perspectives like:

- a. the disclosure of material items is already addressed through existing materiality principles.
- b. the additional benefit of an explicit requirement may be limited, as preparers typically exercise judgement in deciding whether items should be presented separately or aggregated
- c. if the requirements of AASB 18 are incorporated into AASB 1060 then this specific disclosure would be covered by the requirements on the role of the primary financial statements to provide a useful structured summary.

Topic 7 Adequacy of disclosure requirements

Question 10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?

Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:

- **Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060**
- **Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060**
- **Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.**

Some jurisdictions have shared areas they recommend strengthening subject to our overarching comments in the cover letter and question 2 on user needs.

- a. **KMP compensation disclosures:** Only one jurisdiction observed that key management personnel compensation disclosures attract significant interest from users of public sector entities' financial statements, and therefore, consideration may be given to providing some additional detail by person, rather than aggregated amounts. However, most ACAG jurisdictions do not support such expansion in disclosures beyond what is required for Tier 1 entities.
- b. **Inconsistencies in the requirements of the AASB 1060 with other standards**

- a. **AASB 101 disclosure of contract assets and contract liabilities:** It has been observed that paragraph 44 of AASB 1060 may inadvertently suggest that contract assets and contract liabilities should be grouped with financial instruments on the face of the financial statements. This is as AASB 1060.44(b) states: “trade and other receivables **showing separately** amounts due from related parties, amounts due from other parties and contract assets from contracts with customers” [emphasis added]. This wording could be interpreted as indicating that contract assets are a subset of trade and other receivables, albeit required to be disclosed separately. This differs from the approach in AASB 101 and can create challenges due to the differing nature and disclosure requirements of these balances. It is suggested that this presentation guidance should be revisited for clarity and consistency.
- b. **AASB 16 Lessee disclosures and internal inconsistencies:** It is unclear whether the requirement in AASB 1060.144(b) to disclose total future lease payments relates only to amounts recognised as lease liabilities (per AASB 16.58/AASB 7.39), as opposed to lease payments that will be expensed given there is no reference to this relating to lease liabilities only similar to the requirements in para 119A of IFRS 19. It is also unclear whether payments for leases not yet commenced are intended to be captured. Greater clarification would help ensure consistent application across entities.
- c. **AASB 16 Terminology differences:** It is noted that the term “business unit” in paragraph 74 of AASB 1060 is rarely used elsewhere in Australian Accounting Standards and appears only in AASB 16 guidance. Amending or aligning this terminology with existing standard-set terminology would improve clarity.
- d. **Structure of the AASB 1060:** It is noted that, although the Standard is organised by topic, usability would improve if all disclosure requirements for each topic are contained within the relevant section rather than cross-referencing to other paragraphs. Current cross-references (for example, paragraph 130 of AASB 1060 referring to paragraph 127 of AASB 1060, and paragraph 145 of AASB 1060 referring to paragraphs 134 and 136 of AASB 1060) can make navigation less efficient.

Topic 8 Maintaining AASB 1060

Question 11. Do you have any comments about the AASB’s current approach to maintaining AASB 1060, including the frequency and timing of updates?

Please explain the reasons for your view.

We agree with the current approach for updating AASB 1060 (including the frequency and timing of updates) and that AASB 1060 should be updated when a new Australian Accounting Standard or Interpretation is issued or amended rather than waiting until the IFRS for SMEs standard is updated.

Having said that, similar to our overarching comments in the cover letter, from a public sector perspective, ACAG notes, given that AASB 1060 is an interim standard and the broader public sector reporting framework project needs to be revisited, frequent or ad hoc updates could increase complexity, cost and workload without improving usefulness. For example, we note that the current proposals would result in two updates (the transition from RDR to SDS and now updating for the revised IFRS for SMEs) within a short period of time which has resulted in the removal and then subsequent proposed addition of some disclosures required under RDR despite extensive consultation being undertaken when AASB 1060 was issued.



Topic 9 Other matters

Question 12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?

ACAG did not identify any regulatory issues or other issues in the Australian environment that adversely affect the application of AASB 1060.

Question 13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?

Most jurisdictions reported that the application of AASB 1060 has not resulted in major auditing or assurance challenges with auditors generally able to apply the requirements without undue difficulty.

Question 14. Are the requirements in the best interests of the Australian economy?

ACAG does not have any specific comments.

Question 15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Please refer to our response to Question 2 and our overarching comments in the cover letter.



AASB specific matters for comment

Section 2

Topic 1 Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard

Question 1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)?

If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?

Similar to our responses to Question 11 and the cover letter, while ACAG agrees in principle with the AASB's proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard, ACAG recommends the AASB prioritise the public sector financial reporting framework project. This will help to ensure the applicability of AASB 1060 to public sector entities remain relevant and informed by the public sector user needs and cost-benefit considerations.

Consistent with this and recognising the varied jurisdictional contexts in the public sector, ACAG considers that any incremental changes to AASB 1060 should be clearly grounded in identified user needs, rather than driven solely by alignment considerations.

Question 1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

ACAG has considered the amendments at a high level and provided comments below, subject to our recommendations in the cover letter that the AASB undertake research on the appropriateness of these amendments for public sector entities.

ACAG acknowledges, while some disclosures may be appropriate for larger Tier 2 entities with more complex financial statements, they may impose a disproportionate burden on smaller public sector entities. The associated costs may outweigh the benefits unless such disclosures are material for such small entities as well. Given public sector reports only currently have two tiers available this will continue to be the case in the future.

Financial Statement Presentation

ACAG generally agrees with adding the overarching presentation principles, noting that these do not introduce additional substantive requirements.

Statement of Changes in Equity and Statement of Income and Retained Earnings

ACAG considers that the proposed amendment is unlikely to have a significant impact on Tier 2 public sector entities. As such, ACAG neither specifically agrees nor disagrees with this proposal.

Statement of Cash Flows

In ACAG's view the additional disclosures (Changes in liabilities arising from financing activities) are unlikely to provide useful information to users of Tier 2 financial statements and were not required under the former RDR framework. ACAG is not aware of any evidence indicating that this represents an information gap for users, and therefore does not see a strong basis for introducing this requirement for Tier 2 entities.



Consolidated and Separate Financial Statements

ACAG considers that this proposed amendment is unlikely to materially affect Tier 2 public sector entities and therefore does not take a position for or against the change.

Financial Instruments

Consistent with its overarching comments, ACAG notes that the appropriateness of the proposed disclosures depends on the jurisdictional context, including the nature and size of entities to which Tier 2 is applied in each jurisdiction.

ACAG acknowledges that liquidity information is important and has previously recommended in the response to ED 295, to include a maturity analysis requirement in Tier 2 to enhance users' understanding of short-term cash flows and obligations. ACAG therefore supports the inclusion of a maturity analysis for financial liabilities, noting this should not impose significant burden on entities with only short-term obligations. However, ACAG considers that examples and detailed time bands are possibly unnecessary and that overly prescriptive guidance should be avoided.

ACAG also notes for entities with significant financial asset balances where recoverability may be a challenge, disclosure on ageing analysis and related disclosures on impairment and collectability may be relevant. However, one jurisdiction notes the entities approved for Tier 2 in their jurisdiction would not have significant financial asset balances where recoverability is an issue, and as such they would not support this being included in AASB 1060. They also question whether an entity should be Tier 2 if it has balances of this nature and risk.

Fair Value Measurement

Similar to our comments above, ACAG notes that the appropriateness of the proposed fair value measurement disclosures depends on the jurisdictional context. While these disclosures may be appropriate for larger Tier 2 entities with significant or complex asset bases and more complex valuation techniques (as these disclosures can provide useful insight into the level of judgement applied and the degree of estimation uncertainty), they may impose an unnecessary burden on smaller public sector entities with assets subject to less complex valuations. Furthermore, without assessing whether users have additional information needs regarding these disclosures, it is difficult to provide a definitive view—particularly given that these requirements were not included in RDR.

ACAG supports ensuring that relevant existing disclosures—such as identifying whether valuations are performed by an independent valuer for investment property and PPE—are retained. If additional fair value hierarchy disclosures are adopted, ACAG recommends ensuring consistency with the Australian-specific requirements in AASB 13.

Business Combinations and Goodwill

ACAG notes that not many public sector entities are required to apply AASB 3 as they are largely covered under AASB 1004. However, there may be some public sector entities that occasionally apply AASB 3. ACAG holds mixed views on the proposed disclosures. While some jurisdictions support the proposed disclosures, others do not have a definitive view. ACAG therefore considers that any decision to include these disclosures should be informed by an assessment of user needs and the relevance of these requirements to public sector Tier 2 entities.

Revenue

ACAG holds mixed views on the proposed revenue disclosures. Some consider that most of the requirements are already covered by the overarching disclosure principles in AASB 1060, with the only substantive addition being paragraph 23.84(b) (revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period). These disclosures were not required under RDR, and there is no clear evidence of a user information gap that would justify expanding Tier 2 requirements.

Others note that the proposals largely represent refinements to what is already expected under the overarching disclosure requirement in AASB 1060. For some Tier 2 public sector entities, revenue and income are significant to their operations, and providing clearer or more structured disclosures may



assist users. On this basis, some support including the proposals to illustrate how the overarching requirement may be applied in practice.

Employee Benefits

ACAG holds mixed views on the proposed disclosures. While some jurisdictions support additional disclosures, others do not support as they are not aware of any specific user needs for additional disclosures proposed for public sector entities. ACAG therefore considers that any decision to include these disclosures should be informed by an assessment of user needs and the relevance of these requirements to public sector Tier 2 entities

Foreign Currency Translation

ACAG generally agrees with the proposed disclosures, which appear to provide useful information for users. However, these requirements are expected to have minimal impact on most public sector Tier 2 entities, given the limited relevance of foreign currency activities in this context.

Related Party Disclosures

ACAG jurisdictions shared mixed views regarding the proposed related party disclosure amendments. Some consider that the additional disclosures would add little value for public sector Tier 2 entities, as the transactions of greatest interest in the public sector are generally not those occurring between government entities. Others view enhanced related party disclosures as important for smaller entities, given the range of relationships that may exist.

ACAG also considers that any proposed changes should first be assessed against the existing public sector-specific guidance in AASB 124 to ensure that amendments to AASB 1060 are appropriately aligned and do not duplicate or conflict with current requirements.

Specialised Activities

ACAG does not express a particular view on the proposed disclosures for specialised activities, as these requirements have limited applicability to public sector Tier 2 entities.

Question 1.3 Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

ACAG agrees with the AASB's recommendations to not amend AASB 1060 as outlined in Table 2.1.2.



Topic 2 Potential effects of AASB 18 on AASB 1060

Question 2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?

If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.

If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.

Most ACAG jurisdictions consider that the AASB should assess the impact of AASB 18 on AASB 1060 now, rather than waiting for the IASB to complete its work on the next edition of the IFRS for SMEs Accounting Standard, that is expected to be many years away.

Jurisdictions noted that timely consideration would:

- support the prompt updating of AASB 1060;
- align with the AASB's existing approach, where impacts on domestic standards are assessed when new or amended IFRS Standards are issued;
- reduce the risk of AASB 1060 becoming outdated or inconsistent with the broader Australian reporting framework
- provide a consistent disclosure framework between Tier 1 and Tier 2 entities

Question 2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

If you disagree, with which aspects do you disagree and what would you suggest instead?

ACAG generally agrees with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements to promote consistency between Tier 1 and Tier 2 entities on the following basis:

- aligning Tier 1 and Tier 2 classification and presentation requirements will help ensure financial statements are presented consistently across both tiers;
- consistent primary financial statements will assist users in comparing entities and will support consolidation processes where group members prepare a mix of Tier 1 and Tier 2 reports;

Having said that, the impact of AASB 18 on the NFP public sector is not yet fully assessed and whether any areas may need any application guidance. As such, our comments are subject to the finalisation of the proposals in ED 338.

Question 2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?

Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

Please provide the reasons for your preference.

ACAG agrees that **Option A** provides the most appropriate and practical approach for structuring the AASB 18 requirements within AASB 1060.

This approach avoids the need for users of the standards to cross-reference multiple standards and ensures that AASB 1060 operates as a standalone standard.

One jurisdiction recommends that relevant application guidance from AASB 18 be included in AASB 1060 to make it easier for users of Tier 2 to apply the requirements, including in areas such as those mentioned below. Under the AASB's proposals users of AASB 1060 would need to refer to the separate standard AASB 18 for relevant application paragraphs:

- AASB 18.B2-B5 to support existing AASB1060.22 on materiality. These paragraphs are already included in AASB 1060 (definition of material) and should not be removed (by not being carried over) as proposed on page 73 of ITC56.
- AASB 18.B111 (list of balance sheet items) to support requirements in paragraph AASB1060.44. These paragraphs are already included in AASB 1060 (paragraph 44) and should not be removed as proposed on page 73 of ITC56
- AASB 18.B112 guidance on systematic format to support proposed AASB 18 paragraph 114. These paragraphs are already included in AASB 1060 (paragraph 93) and should not be removed (by not being carried over) as proposed on page 88 of ITC56.
- AASB18.B109 to B111 of AAAB 18 to support proposed AASB 18 paragraph 105.

While others agree this would be useful, if adopting this principle, this should be extended to other standards.

Question 2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

- (a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and
- (b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

Please provide the reasons for your view

ACAG has decided to address matters relating to the application of AASB 18 separately through its submission on Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025).

ACAG recommends that any requirements the AASB may mandate for Tier 1 entities arising from ED 338 be considered in light of user needs and the accompanying research to determine their suitability for Tier 2 entities.

While most public sector entities report expenses by nature and therefore this is unlikely to be relevant, one jurisdiction disagrees with the proposal addressed in question 2.4(a). Such detailed disclosure is likely to be excessive for Tier 2 entities.

Question 2.5 For management-defined performance measures (MPMs), should AASB 1060 include:

- (a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);**
- (b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);**
- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or**
- (d) no disclosure requirements for MPMs?**

Please provide the reasons for your view.

If you support only some disclosure requirements, please identify which disclosures should be required and why.

ACAG has decided to address matters relating to the application of AASB 18 separately through its submission on Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025). That said, ACAG recommends that any requirements the AASB may mandate for Tier 1 entities arising from ED 338 be considered in light of user needs and the accompanying research to determine their suitability for Tier 2 entities.

Question 2.6 Should AASB 1060 require disclosure of further information regarding:

- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and**
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

Please provide the reasons for your view.



ACAG has decided to address matters relating to the application of AASB 18 separately through its submission on Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025). That said, ACAG recommends that any requirements the AASB may mandate for Tier 1 entities arising from ED 338 be considered in light of user needs and the accompanying research to determine their suitability for Tier 2 entities.

Questions regarding NFP private sector entities preparing Tier 2 GPFS

Question 2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:

- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- (b) disclosure requirements regarding MPMs; and
- (c) aggregation and disaggregation principles

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

Question 2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):

- (a) dividends and interest received – investing cash flows; and
- (b) dividends and interest paid – financing cash flows.

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

Question 2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

Questions regarding NFP public sector entities preparing Tier 2 GPFS

Question 2.10 A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:

- (a) for the statement of profit or loss, these entities would not be required to:
 - (i) apply paragraphs 47(a)–(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;
 - (ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or
 - (iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and

(b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.

If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?

Please provide the reasons for your view.

ACAG considers that if relief from the new AASB 18 classification and presentation requirements are granted to NFP public sector entities preparing Tier 1 financial statements, the same relief should also be provided to NFP public sector entities preparing Tier 2 financial statements.

The reasons for granting the relief at the Tier 1 level equally apply at the Tier 2 level. Consistent presentation and classification requirements across Tier 1 and Tier 2 support comparability for users and assist with consolidation processes when a reporting group contains a mix of Tier 1 and Tier 2 entities. In addition, ACAG sees no basis for imposing requirements on Tier 2 entities that are not required for Tier 1 entities, as this would create an unnecessary reporting burden and undermine the principle that Tier 2 should be a simplified framework.

For these reasons, ACAG supports extending the proposed reliefs to NFP public sector entities preparing Tier 2 GPFS.

Question 2.11 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?

Please provide the reasons for your view.

ACAG considers that NFP public sector entities preparing Tier 2 GPFS should receive the same relief, for the same reasons noted in our response to question 2.10 above.

Question 2.12 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?

Please provide the reasons for your view.

ACAG considers that NFP public sector entities preparing Tier 2 GPFS should receive the same relief, for the same reasons noted in our response to question 2.10 above.

Question 2.13 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB

18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:

- (a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24–B26 of AASB 18); and**
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?

Please provide the reasons for your view

ACAG considers that NFP public sector entities preparing Tier 2 GPFS should be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements. However, our response is subject to our consideration of these requirements for Tier 1 NFP public sector entities as part of our submission on ED 338.

Topic 3 Disclosure requirements in IFRS 19

Question 3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19? Please explain your view.

ACAG does not consider maintaining IFRS compliance to be a significant concern for public sector Tier 2 entities. Therefore, ACAG does not support the automatic adoption of IFRS 19 for public sector Tier 2 entities, nor does it favour expanding AASB 1060 solely to achieve alignment with IFRS 19.



Question 3.2 Which of the following options would you prefer:

- (a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;**
- (b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;**
- (c) retain AASB 1060 and do not adopt IFRS 19 at all;**
- (d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or**
- (e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.**

Please provide the reasons for your preference

ACAG does not support either of the options and recommends that the AASB consider introducing IFRS 19 as a separate standard, specifically for subsidiaries without public accountability that wish to maintain IFRS compliance. These requirements should not be referenced as an alternative Tier 2 framework or incorporated into AASB 1060 unless further research, such as that recommended above on public sector user needs, demonstrates a clear necessity.

Question 3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.

Please see our comments above



AASB general matters for comment

Question 1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

- (a) not-for-profit entities; and**
- (b) public sector entities, including GAAP/GFS implications?**

ACAG members did not identify any regulatory issues or other Australian environmental factors that would affect the implementation of the proposals. No specific concerns were raised in relation to not-for-profit entities, public sector entities or GAAP/GFS implications. Accordingly, ACAG does not have further comments on this matter.

Question 2. Would the proposals create any auditing or assurance challenges?

Most jurisdictions indicated that the proposals are not likely to create significant auditing or assurance challenges.

Question 3. Overall, would the proposals result in financial statements that would be useful to users?

Please see our response to question 2 and our overarching comments in the cover letter.

Question 4. Are the proposals in the best interests of the Australian economy?

ACAG does not have any specific comments.

Question 5. Unless already provided in response to the AASB specific matters for comment 1.1–3.3 above and/or general matters for comment 1–4 above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or nonfinancial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Please see our response to question 2 and our overarching comments in the cover letter.

One jurisdiction raised the following editorial comments on AASB 1060:

- Some of the “*IFRS for SMEs* Standard paragraph x.xx” and “Based on *IFRS for SMEs* Standard paragraph x.xx” references will need to be updated, e.g. AASB 1060 paragraph 121 that will need to be updated from *IFRS for SMEs* paragraph 12.28 to 11.74.



- While the heading “Impairment of Assets” and footnote 25 refers to AASB 102 Inventories, paragraphs 170 does not refer to inventories – seemingly because AASB 1060 paragraph 123 already has inventories impairment disclosures. It is not clear whether footnote 25 should refer to AASB 102.