

OFFICIAL



13 March 2026

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

Dear Dr Kendall

RE: AASB Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*

On behalf of the Australasian Council of Auditors-General (ACAG), thank you for the opportunity to comment on AASB Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*. The views expressed in this submission represent those of all Australian members of ACAG, unless otherwise specified.

As outlined in our response to 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*, 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](#). As part of this project, the AASB should look to further understand whether users of public sector financial statements view comparability across entities as essential in the primary statements, and to what extent that comparability drives their understanding and decision-making.

The majority of ACAG members generally support the proposals outlined in the Exposure Draft and have not identified any significant concerns.

Two jurisdictions have alternate views in respect of some of the proposals:

- one jurisdiction holds the view that a consistent approach should be applied for all entities regardless of industry or sector in relation to certain key requirements of AASB 18 and the revised AASB 107
- one jurisdiction recommends that the AASB undertake further consultation with preparers and users in the for-profit sector before mandating requirements on the basis that some for-profit public sector entities operate in environments that are more comparable to not-for-profit public sector entities than to for-profit private sector entities.

The alternate views are outlined in the responses to the relevant questions in the Attachment.

Areas requiring further clarification, and potential risks relating to the proposals are also provided in the Attachment to this letter.

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

Should you need further information or examples, ACAG members are happy to provide these on request where possible.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Vagg', written in a cursive style.

Rachel Vagg
Chair
ACAG Financial Reporting and Accounting Committee

QUESTIONS FOR RESPONDENTS**AASB specific matters for comment****Topic 1 Operating cash flow reconciliation**

Question 1. In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)?

Please explain your reasons.

ACAG agrees with the proposed amendments to require a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal if the entity presents that subtotal in accordance with AASB 18.

This ensures continued consistency with the requirements where the indirect method is used under the revised AASB 107 and is consistent with existing requirements to identify the non-cash elements of operating activities when determining net cash flow from operating activities.

Question 2. Do you agree with the proposed amendments to AASB 1039.21?

Please explain your reasons.

While the proposals seem reasonable, public-sector entities do not prepare concise financial reports under AASB 1039.

Topic 2 Superannuation entities**Line items to be presented in primary financial statements**

Question 3. Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11?

Please explain your reasons.

ACAG agrees with the proposed Aus paragraphs for the reasons outlined in paragraph BC18 of the ED.

This amendment ensures that the requirements in AASB 1056 continue to apply as intended—specifically, the requirement to present certain line items without leaving this to entity judgement. This supports consistency across superannuation entities, ensures the prescribed line items are presented, and enhances comparability of superannuation fund financial statements.

Statement of profit or loss presentation

Question 4. Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined in BC21-BC22 of the ED.

One jurisdiction does not support the proposals on the basis that the presentation for the four main primary statements should be consistent for all reporting entities. It is acknowledged that expenses in the other categories would be minimal, but they may occur, and as such should be reported on the same basis as other entities applying AASB 18.

Presentation of expenses

Question 5. Do you agree with the proposed paragraph Aus78.1(a) in AASB 18?

Please explain your reasons.

ACAG agrees with the proposed Aus paragraphs for the reasons outlined in BC25 and BC27 of the ED.

Superannuation entities should continue to present as required by AASB 1056 to ensure consistency across these types of entities.

Cash flow classification – dividends received and interest paid and received

Question 6. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined by the AASB.

These cashflows are operating in nature for superannuation entities and therefore it is appropriate for them to have an option to classify them in the operating category.

One jurisdiction does not support the proposals on the basis that disclosure of these items should be consistent across all entities and between the income statement presentation and the statement of cash flows.

Operating cash flow reconciliation

Question 7. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

If there is no 'operating profit or loss' sub-total (as defined by AASB 18), then it is appropriate to use the 'profit or loss' total.

As noted above, one jurisdiction does not support the proposed exemptions for Superannuation entities in relation to classification of items and presentation of totals in the statement of profit or loss, which would result in this proposal being irrelevant.

Statement of changes in member benefits

**Question 8. Do you agree with the proposed paragraph 12A in AASB 1056?
Please explain your reasons.**

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

Given this is a key statement for users of superannuation entities' financial statements it is appropriate that it is treated as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation.

Aggregation and disaggregation

Question 9. Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18?

Please explain your reasons.

If you consider modifications are needed, please describe the changes and explain why they are necessary.

ACAG agrees that no modifications are needed for superannuation entities with respect to aggregation and disaggregation for the reasons outlined by the AASB.

Management-defined performance measures

Question 10. Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements?

Please explain your reasons.

If you consider modifications are needed, please describe the changes and explain why they are necessary.

ACAG agrees that no modifications are needed for superannuation entities with respect to MPM disclosure requirements for the reasons outlined by the AASB.

ACAG is not aware of any public sector superannuation funds that disclose MPMs.

However, if superannuation funds do disclose MPMs it is important for transparency that the Fund makes the disclosures required by AASB 18.

Effective date

Question 11. Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18?

Please explain your reasons.

ACAG does not have any concerns with the proposed effective date - additional time should not be required given the exemptions proposed.

Topic 3 NFP private sector entities and universities

The responses to this section are focussed only on public sector universities. We make no comments in relation to NFP private sector entities.

NFP-specific guidance

Question 12. In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

It is important to align the purpose of the financial statements with the information needs of users as set out in the Conceptual Framework. The phrase 'assessing the prospects for future net cash inflows to the entity' (in paragraph 9 of AASB 18) is not always key in the NFP sector context. Rather financial statements inform users' decision-making and resource allocation decisions in order to achieve their objectives.

Having regard to the common information needs of users will improve how financial statements convey information.

Question 13. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

Generally, NFP entities focus on their operations or main activities such as service delivery rather than their profitability.

With respect to universities, despite their unique nature which includes a level of commerciality, they are still ultimately government funded NFP entities.

Question 14. Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS.

Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities?

If you consider further modifications are needed, please explain your reasons.

ACAG supports minimising departures from the AASB 18 requirements as they apply to universities and agree that the MPM requirements should be retained for the university sector.

While some of the same issues apply to universities as for other NFP public sector entities (capital grant accounting, restricted grants), they occur to a lesser extent as they are not consolidated into the whole of government, and they undertake certain activities that involve more than just service delivery e.g. commercial research.

As stated in para BC45, universities prepare financial statements using the financial statement guidelines published by the Commonwealth Department of Education. These guidelines apply across public sector NFP universities, private sector NFP universities, and for-profit universities. As a result, maintaining comparability across all universities is important.

For comparability purposes ACAG thinks it is more likely university financial statements would be compared against other private sector universities and educational institutions rather than other NFP public sector entities. We also note there is more international interest in universities compared to other NFP public sector entities. We recommend the AASB undertake outreach directly with the university sector in determining whether the best approach for universities is to align with IFRS, or with other NFP public sector entities.

Standard needs to clearly define who is captured by the NFP public sector entity exemptions

The ED implies that there are no modifications to AASB 18 and the revised AASB 107 for universities other than those outlined in Q12-13.

However, the proposed amendments to AASB 18 included in Aus46.1(b) and Aus117.1 as well as those to AASB 107 included in Aus34D.1, as currently drafted, would apply to universities, as they are generally NFP public sector entities. This will need to be addressed in the final standard to ensure it is clear who is captured by any NFP public sector entity relief/exemptions.

Management Performance Measures

A number of public sector universities report performance measures in their annual reports, noting that while some would meet the exclusion criteria in AASB 18.118, many would meet the definition of MPM. Most entities that presented an MPM in their annual reports already reconcile this back to the financial statements net result, so the cost of meeting this additional disclosure requirement would be negligible. Also, many of the adjustments relate to investing and financing items (as defined in AASB 18), indicating that an 'operating profit' sub-total for universities would be useful, and that the cost of presenting such a sub-total would not be significant.

Effective date

Question 15. Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18?

Please explain your reasons.

ACAG supports the proposed effective date.

While there are no additional requirements for these entities to comply with, it would not be appropriate to require these entities to apply the requirements any earlier than 1 January 2028 given the indication provided in AASB 18 which advised them of the extended application date.

Topic 4 NFP public sector entities, including governments

Statement of profit or loss presentation

Question 16. Do you agree with the proposed paragraph Aus46.1(b) in AASB 18?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined by the AASB.

There is no evidence to suggest that classification into operating, financing and investing categories is useful to users of public sector financial reports and in our view is more likely to confuse users.

While ACAG agrees with NFP public sector entities not having to classify income and expenses into operating, investing and financing categories, and not disclosing an operating profit sub-total, there are some practical issues and anomalies that need to be addressed:

- Whether NFP public sector entities can still refer to an operating profit / operating result (which may reflect total profit or loss or reflect a self-defined sub-total), when the operating category is not disclosed given:
 - operating profit is defined in AASB 18 as “the total of all income and expenses classified in the operating category”, and
 - AASB 107 paragraph Aus20.2 and AASB 1054 paragraph 16(b) refer to reconciling to either operating profit or loss (as a sub-total) or to the profit or loss total.
- How paragraph AASB18.75(a)(ii) operates (in relation to operating expenses) when there is no operating category applied.
- In the rare circumstances of a NFP public sector entity disclosing expenses by function, how the requirements of paragraph 83 operate when there is no operating category applied.

One jurisdiction does not support the proposals on the basis that classification and presentation within the statement of profit and loss (and other primary financial statements) should be consistent across all entities. The proposal would result in further diversity of public sector reporting between for-profit and NFP public sector entities. This results in further adjustments being required for whole of government reporting between the two sectors.

ACAG highlights that a possible unintended consequence of allowing an accounting policy choice is reduced comparability across public sector financial statements. While it is likely that the relevant jurisdictional regulators will limit this choice, there may be different mandates across jurisdictions.

However, it is important to consider this from a public sector user-needs perspective. As part of the public sector financial reporting framework project, the AASB should look to further understand whether users of public sector financial statements view comparability across entities as essential in the primary statements, and to what extent that comparability drives their understanding and decision-making.

Presentation of expenses

Question 17. Do you agree with the proposed paragraph Aus78.1(b) in AASB 18?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

The current approach is working well, and in many jurisdictions the regulator mandates one option (generally expenses by nature).

ACAG notes that the current drafting of the proposed relief applies to NFP public sector entities (which is undefined and arguably includes public sector universities).

NFP-specific guidance

Question 18. In respect to NFP public sector entities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB, and the reasons provided in response to Question 12 above.

Question 19. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB, and the reasons provided in response to Question 13 above.

Relief from disclosing information about management-defined performance measures (MPMs)

Question 20. Do you agree with the proposed paragraph Aus117.1 in AASB 18?

Please explain your reasons.

ACAG agrees with the proposed additional paragraph for the reasons outlined by the AASB.

Requiring MPM disclosures for NFP public sector entities as currently defined would pose challenges and increase costs for auditors in identifying potential MPMs and ensuring completeness. The sector does not generally report intentional MPMs.

For this reason, the costs of such disclosures would outweigh the benefits involved.

One jurisdiction:

- recommends that the AASB clarify whether measures required by law would fall within the definition, noting that such measures could be interpreted as not being 'management-defined'
- notes that public sector reports include a wide range of financial and non-financial measures that are commonly used to communicate government performance and financial sustainability. In this context, this jurisdiction observes that there may be an opportunity to enhance transparency and comparability between statutory results and publicly reported performance narratives. While agreeing with the ACAG view and supporting the short-term inclusion of paragraph Aus 117.1, the jurisdiction recommends that the AASB examine this matter further in the longer term, as part of the broader public sector financial reporting framework project
- highlights that some of the issues outlined in BC60-BC62 may be equally applicable to for-profit public sector entities. As such it recommends that AASB consider undertaking research or outreach with for-profit public sector entities before mandating MPM related requirements to this sector.

Cash flow classification – dividends received and interest paid and received

Question 21. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities?

Please explain your reasons.

The majority of ACAG members support the proposals for the reasons outlined by the AASB.

One jurisdiction notes, that the disclosure approach should be guided by the nature of the entity's activities, rather than its for-profit status or NFP status.

One jurisdiction does not support the proposals on the basis that disclosure of these items should be consistent across all entities per comments made on superannuation entities.

Operating cash flow reconciliation

Question 22. Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to NFP public sector entities?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

If there is no 'operating profit or loss' sub-total, then it is appropriate to use the 'profit or loss' total.

As noted above, one jurisdiction does not support the proposals regarding the statement of profit or loss presentation which would result in this proposal being irrelevant.

Refer to our response to question 16 above, asking for clarity on how these provisions work when an operating profit and the operating category as defined by AASB 18 is not used, and whether a self-defined operating profit/result can be disclosed.

Aggregation and disaggregation

Question 23. Do you agree that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18?

Please explain your reasons.

If you consider modifications are needed, please describe the changes and explain why they are necessary.

ACAG agrees that no modifications are needed for NFP public sector entities with respect to aggregation and disaggregation requirements for the reasons outlined by the AASB.

The requirements can provide additional transparency for users on the amounts disclosed in the financial statements.

Effective date

Question 24. Do you agree that NFP public sector entities, including governments, should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028?

If not, which date do you consider these entities should be required to apply AASB 18?

ACAG supports the proposed effective date.

While there are no additional requirements for these entities to comply with, it would not be appropriate to require these entities to apply the requirements any earlier than 1 January 2028 given the indication provided in AASB 18 which advised them of the extended application date.

Statement of changes in equity

Question 25. Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS?

If so, please explain.

ACAG is not aware of any reason that would warrant an NFP public sector entity or a government to depart from the requirement to present a statement of changes in equity in Tier 1 GPFS.

Many public sector entities have asset revaluation movements, and adjustments through equity (including Machinery-of-Government changes) that are usefully presented in the statement of changes in equity.

Topic 4 Whole of government and GGS financial statements

Line items to be presented in primary financial statements

Question 26. Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary – and therefore would be required to present all applicable line items and subtotals in accordance with AASB 1049?

Please explain your reasons.

ACAG agrees with the proposed additional paragraphs for the reasons outlined by the AASB.

Amendments to AASB 1049 arising from the FRC's PIR of AASB 1049

Question 27. Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received?

Please explain your reasons.

ACAG agrees with the proposed amendments to paragraph 14(f) for the reasons outlined by the AASB.

Question 28. Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)?

Please explain your reasons.

ACAG agrees with the proposed updating of references and terminology for the reasons outlined by the AASB. These are consistent with current accounting standards.

Topic 5 For-profit public sector entities

Question 29. Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities?

Please explain why.

Governments use various methods and apply requirements to improve parity and competitive neutrality between government for-profit entities and private sector counterparts and expect these entities to operate as efficiently as any comparable business, maximising the State's investment.

Accordingly, the majority of ACAG members believe it would be more important for for-profit public sector entities to be comparable with for-profit private sector entities and that any issues specific to the public sector for-profit entities are not considered to be of such prevalence and magnitude that the objectives and qualitative characteristics of financial reporting as set out in the Conceptual Framework would not be met.

One jurisdiction:

- considers that classification in the cash flow statement should be determined by the nature of the entity's activities rather than its classification as a for-profit or not-for-profit entity. Presenting information in this way also enables users to better understand the overall financial reporting story.
- recommends that the AASB undertake further consultation with preparers and users in the for-profit public sector as in their view:
 - some for-profit public sector entities operate in environments that are more comparable to not-for-profit public sector entities than to for-profit private sector entities (generally public non-financial corporations)
 - the nature of for-profit public sector entities differs from for-profit private sector entities as the for-profit public sector entities are regulated, do not primarily exist to attract capital and are often measured through the policy lens
 - the AASB has allowed options for not-for-profit public sector entities because they report under AASB 1049 and supported this approach in the PIR. It is unclear why the same approach has not been proposed for some for-profit public sector entities that also report under AASB 1049
 - it is unclear whether the costs of applying the requirements are justified by the benefits
 - the proposals may also increase costs by widening reporting differences between various types of public sector entities. While the AASB's approach may be suitable for some entities, it risks increasing divergence across the public sector—particularly among entities controlled by the State.

Question 30. Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

ACAG thinks it is important for there to be a consistent classification of dividend and interest transactions between the income statement and the cash flow statement where possible.

Question 31. Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107?

The costs of the adjustments on consolidation are best answered by preparers. However, the number of for-profit entities consolidated into the whole-of-government financial statements is limited in most jurisdictions and many of the transactions would be eliminated at the consolidation level.

ACAG does not expect there would be a significant amount of effort involved to prepare or audit any consolidation adjustments required.

Regardless of the classification of dividends received and interest received and paid in the cash flow statement; ACAG notes that intra-group adjustments will still be required for the purpose of whole-of-government reporting in the Statement of Profit or Loss for dividends and interest received.

AASB general matters for comment

Question 32. Have the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard Setting Framework been applied appropriately in developing the proposals in this Exposure Draft?

Yes. While ACAG does not have any specific concerns regarding the proposals, it is noted that the AASB has not previously treated public sector universities differently from other NFP public sector entities as appears to be the case in this ED, for example disclosure of MPMs.

As noted above in our responses in Topic 3, the majority of ACAG jurisdictions agree with the proposed differences.

Note, one jurisdiction is of the view that certain elements should be consistent for all entities regardless of industry or sector, as outlined in the responses above.

Question 33. Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

ACAG is not aware of any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

However, ACAG requests clarification on whether the relief applies to only the not-for-profit entities referred to in paragraph BC49 of the ED.

While the amendments refer to 'not-for-profit public sector entities' with no definition provided, paragraph BC49 specifies that the relief for the presentation of the statement of profit and loss, the statement of cashflows and MPMs applies to:

- governments as defined in AASB 1049 and NFP public sector entities controlled by these governments; and
- local government entities.

While other standards do refer to public sector, there is no definition of 'public sector' in the accounting standards or conceptual framework. There are a number of entities that may be considered public sector that are not consolidated in the whole of government financial reports of States. Clarification may be needed to clearly articulate whether the amendments will be available to those entities.

For example, there are some NFP entities associated with government (i.e the government can appoint a certain number of directors or may have interests in the residual assets of the entities) that are considered to be public sector entities and are audited by the Auditor-General in a jurisdiction, yet they are not within the scope of NFP public sector entities included in paragraph BC49. It is not clear whether these types of entities will be able to apply the relief.

Question 34. Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

Most of the proposals are not likely to create significant auditing or assurance challenges.

However, refer to our response to Q16 on the application of operating profit to entities that do not elect to apply the AASB 18 operating category definition.

ACAG also notes that having different requirements for different sectors and particular industry financial statements creates a challenge in terms of both preparers and auditors having a good understanding of the requirements which are applicable and could create issues with transferability of skills.

Question 35. Overall, would the proposals result in financial statements that would be useful to users?

The majority of ACAG members believe the proposals result in financial statements that will be useful to the respective users, subject to the resolution of the issues identified in our response to Question 16.

One jurisdiction is concerned that the different structures in the profit and loss statement by different entities may confuse users and considers that the primary statements in general purpose financial reporting should be prepared on a similar basis.

Question 36. Are the proposals in the best interests of the Australian economy?

ACAG does not have any specific comments.

Question 37. Unless already provided in response to the specific matters for comment 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.

Given the relief provided there is likely to be only a negligible change in costs compared to the existing requirements for superannuation entities and NFP public sector entities.

Universities will incur some additional costs in applying AASB 18 for first time, however ACAG are unable to quantify these.

The proposed relief given to NFP public sector entities is welcome as the current presentation formats are well understood by users; and there is no evidence to suggest the requirements in AASB 18 and the revised AASB 107 unamended will provide additional benefits for users of public sector financial reports.

Note however there are risks that divergence in requirements has the potential to create issues with transferability of skills for both preparers and auditors as noted in our response to Question 34 above.

Other comments

To assist application of AASB 18, there should be cross-references in paragraph 69 and B30-B77 for the exemptions given in paragraph Aus46.1.