



22 January 2026

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
VICTORIA 8007

Submitted via email: standard@asb.gov.au

Dear Dr Kendall

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 Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on ITC 56.

General Comment

Overall, IPA's views are:

For: Section 1 Post-Implementation Review of AASB 1060 and AASB 2020-2

- **AASB 2020-2 and the removal of SPFS** for certain for-profit private sectors have achieved the overall objectives of improving the consistency, comparability, transparency and enforceability of the financial statements of the relevant entities. **AASB 1060** has also achieved its overall objectives of an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS. This is despite the significant costs to the entity for preparing the simplified GPFS for the first time.
- The **optional transitional relief** was useful for an entity that applied **AASB 1060** early. However, our members in the SME sector did not early adopt AASB 1060 and avail themselves of the transitional relief. This is due to our SME members having limited resources to consider the myriad of Accounting Standards in conjunction with AASB 1060 to assess if they meet the criteria for preparing simplified GPFS under AASB 1060 before the Standard's application date.
- The **AASB education materials** were somewhat useful, particularly the webinars, as they provided examples and important areas for consideration when implementing the requirements. However, the educational publications were not sufficiently comprehensive nor particularly useful in assisting an entity in determining which reporting framework an entity must report under, ie Tier 1 or Tier 2 reporting. To assist our members, IPA produced our own documents, which included numerous decision trees to simplify the burden of the task and ensure correct and consistent application of the Standards. Other accounting bodies and accounting firms also produced similar variations of the document with differing degrees of detail and usefulness.

- If AASB 1060 expects the **disclosure of individually material items of income and expense**, then an explicit requirement to that effect needs to be included in the Standard. We think, where possible, disclosure requirements should not have ambiguity. This is especially given the aim of AASB 1060 is to be a simplified, standalone accounting standard designed specifically for the GPFS of Tier 2 entities that do not have public accountability.
- The **disclosure requirements of AASB 1060** are adequate and practicable in their application.
- **AASB 1060 should be updated for changes as they arise**, ie whenever a new Standard/Interpretation or amendments are made to existing Standards/Interpretations or when *IFRS for SMEs* Accounting Standard is updated.

For: Section 2 AASB 1060 Update

- The AASB's proposed **approach for assessing whether to amend AASB1060** for the IASB amendments to the *IFRS for SMEs* Accounting Standard is appropriate. We also agree with the **amendments in Tables 2.1.1. and 2.1.2.** Given the extensive amendments proposed, we recommend the AASB develop educational materials to assist users of the updated AASB 1060 in understanding and applying the changes.
- Assessing 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 is a better approach. This would be consistent with the principles for establishing the initial AASB 1060 and determining when to amend the Standard. It also ensures consistency between the presentation of the primary financial statements of Tier 1 and Tier 2 entities when AASB 18 is operative.
- **AASB 1060 should replace the AASB 101** requirements.
- **Option A of including** all the relevant classification and presentation requirements that are in the main body of **AASB 18 into AASB 1060** is our preferred approach, as it is consistent with the objective of AASB 1060 being a standalone Standard designed specifically Tier 2 GPFS.
- Where a Tier 2 entity elects to use **management-defined performance measures (MPMs)** (as defined in AASB 18), the same requirements for a Tier 1 entity should also apply.
- We prefer the pragmatic approach of **adopting IFRS 19 as an alternative framework** for subsidiaries without public accountability so that an entity can have the option to prepare GPFS under either AASB 1060 or a standard incorporating IFRS 19.

Further details of our comments on the above are contained in the related questions in Attachment 1.

SPECIFIC COMMENT

Our responses to the specific questions in the ITC are in Attachment 1.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at vicki.stylianou@publicaccountants.org.au.

Yours sincerely

Vicki Stylianou
Group Executive, Advocacy & Professional Standards
Institute of Public Accountants

Attachment 1 – IPA’s responses to ITC 56 specific questions

SECTION 1: POST-IMPLEMENTATION REVIEW OF AASB 1060 AND AASB 2020-2

Topic 1 Overall objective and assessment of AASB 2020-2

Questions for respondents

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.

IPA thinks AASB 2020-2 and the removal of SPFS for certain FP private sectors have achieved the overall objectives of improving the consistency, comparability, transparency and enforceability of the financial statements of affected entities. This is despite the significant costs of preparing the GPFS for the first time for our members.

IPA members largely operate in the small-to-medium enterprise (SME) sector and generally have limited resources to invest in understanding, interpreting and applying the new reporting requirements. For our members to assess whether to prepare GPFS as a Tier 1 or Tier 2 entity and not a SPFS, they need to consider 2020-2 in conjunction with the following related standards:

- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- AASB 1 *First-time Adoption of Australian Accounting Standards*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*.

This is a considerable number of Standards for an SME that previously prepared SPFS to assess and apply. This is in addition to the transition costs to those outlined in ITC 56 of:

- increased in disclosures for most entities transitioning from SPFS
- additional costs to comply with the recognition and measurement requirements of Australian Accounting Standards for the first time
- changes to the entity’s internal systems and processes to capture the required information and
- prepare consolidated financial statements and/or equity account interests in associates and joint ventures for the first time.

We concur with the AASB’s observation that the ongoing costs of preparing GPFS are broadly in line with expectations.

Topic 2 Overall objective and assessment of AASB 1060

Questions for respondents

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.

IPA thinks AASB 1060 has achieved the overall objectives of an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS. This is despite the significant costs of preparing the simplified GPFS for the first time for our members. The costs are similar to those detailed in our comments for Q1.

We also think the ongoing costs of preparing simplified GPFS are broadly in line with expectations.

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

Questions for respondents

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.

The optional transitional relief was useful for an SPFS entity that applied AASB 1060 before the application date commencing 1 July 2021. IPA members largely operate in the SME sector and generally have limited resources to consider the myriad of Accounting Standards needed to assess if they meet the criteria for preparing simplified GPFS under AASB 1060 before the Standard's operative date. Consequently, many of our members did not early adopt AASB 1060 and avail themselves of the optional transitional relief.

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

Questions for respondents

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.

Consistent with our comments in Q3 above, the transition relief for entities transitioning from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060 was useful for entities that early adopt AASB 1060. However, many of IPA members did not apply AASB 1060 before the Standard's operative date.

Topic 5 Educational materials

Questions for respondents

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?

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

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.

IPA found some of the AASB education materials useful, particularly the webinars, as they provided examples and important areas for consideration when implementing the requirements. However, we found that the AASB educational publications were written as documents that address only the relevant standard, ie a set of documents comprising of key facts, summaries and Frequently Asked Questions specifically for AASB 1060 and another set specifically for the removal of SPFS. However, determining which reporting framework an entity must report under, ie Tier 1 or Tier 2 reporting, requires an entity to assess a suite of related standards as listed in Q1 above¹. As such, for the educational material to be truly useful, a document that incorporates the reporting consideration of all the applicable standards, including the key implementation issues and decisions to consider. In the absence of such a document by the AASB, each entity needed to develop its own document and decision trees to determine the applicable reporting framework. To assist our members, IPA produced our own documents, which included numerous decision trees to simplify the burden of the task and ensure correct and consistent application of the Standards. IPA also noted that each of the other accounting bodies and accounting firms produced similar variations of these documents with differing degrees of detail and usefulness.

¹ The applicable standards for consideration are AASB 1053, AASB 1060, AASB 1, AASB 108 and AASB 2021-1.

IPA is of the view, the success of a Standard depends on the successful implementation of the requirements, especially if it's a new reporting framework. To achieve this, it is important that the AASB issues educational materials that are truly useful. That is the educational materials must be comprehensive, consider the inter-related Standards and implementation issues and presented in a manner that reduces the burden of understanding the content, ie inclusion of flow charts and decision trees. This is especially important, given the Standard applies to the SME sector, which generally with limited resources. Such AASB educational materials would assist in interpreting and applying the reporting requirements in an accurate and consistent manner and reduce the duplication by each reporting entity and/or other entities in the accounting profession.

Topic 6 Disclosure of individually material items

Questions for respondents

- 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?**
- 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.

The absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has not led to significant problems in either preparing or using Tier 2 financial statements. This is consistent with the AASB's review of sample financial statements that showed:

“... financial statements prepared by large proprietary companies in compliance with AASB 1060, covering the financial years 2021/22 and 2022/23, noted that the disclosure of expenses generally demonstrated a consistent and adequate level of disaggregation, comparable to that in Tier 1 financial statements of listed and other entities. While a small number of mostly non-operating entities – around 2% of the sample – showed limited disaggregation, the overall findings of the review suggest that Tier 2 entities are providing sufficient disclosure of individually material items of expenses in their financial statements.” (ITC 56, page 22).

However, we do not agree with the AASB's conclusion that the overall findings of the review means the AASB need not take any further action. Instead, we think that if AASB 1060 expects the disclosure of individually material items of income and expense, then an explicit requirement to that effect needs to be included in the Standard. We think, where possible, there should not be ambiguity in the disclosure requirements. This is especially given the aim of AASB 1060 is to be a simplified, standalone accounting standard designed specifically for Tier 2 GPFS.

Topic 7 Adequacy of disclosure requirements

Question for respondents

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.**

Overall, IPA thinks the disclosure requirements of AASB 1060 are adequate and practicable in their application. This is due to the approach of developing the standard through a bottom-up approach of using the *IFRS for SMEs* Accounting Standard as a base and retaining the recognition and measurement requirements of those of Tier 1 GPFS with simplified disclosures.

Our comments for the potential amendments to AASB 1060 are contained in the relevant areas in Section 2 below.

Topic 8 Maintaining AASB 1060

Question for respondents

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.

IPA thinks AASB 1060 should be updated for changes as they arise, ie whenever:

- (a) a new Australian Accounting Standard or Interpretation is issued
- (b) amendments are made to existing Australian Accounting Standards or Interpretations or
- (c) the *IFRS for SMEs* Accounting Standard is updated by the IASB.

We note this would mean more frequent amendments to AASB 1060. However, we think this approach would ensure that the Tier 2 recognition and measurements, and where appropriate, the disclosures align with those of Tier 1 requirements. It is also consistent with the existing approach in updating AASB 1060.

Topic 9 Other matters

Questions for respondents

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?

IPA is not aware of any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2.

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

IPA is not aware of applying the requirements in AASB 1060 and AASB 2020-2 resulting in major auditing or assurance challenges.

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

IPA is of the view that the requirements of AASB 1060 and AASB 2020-2 are in the best interests of the Australian economy, as both standards achieve their overall objectives of improving the consistency, comparability, transparency and enforceability of the financial statements of the affected entities.

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.

IPA has no further comment that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2.

SECTION 2: AASB 1060 UPDATE

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

Question for respondents

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?

IPA agrees with the AASB's proposed approach for assessing whether to amend AASB 1060 for the IASB amendments to the *IFRS for SMEs Accounting Standard* of:

- No action to amend AASB 1060 if the IASB amendments:
 - relate to R&M requirements that do not affect disclosures or
 - introduce or modify disclosure requirements relating to R&M options or treatments in the *IFRS for SMEs Accounting Standard* that are not available or are significantly different from the full IFRS Accounting Standards (and therefore AAS).
- Amending AASB 1060 to align with *IFRS for SMEs Accounting Standard* where the amendments relate to guidance that explains the application of presentation or disclosure requirements for topics from Standards that have been replaced by AASB 1060, such as AASB 7, AASB 12, AASB 101, AASB 107 and AASB 124.
- Assessing, on a case-by-case basis, amendments concerning guidance from Standards that have not been replaced by AASB 1060 in their entirety.
- Amending AASB 1060 to align with the *IFRS for SMEs Accounting Standard*, unless equivalent amendments have already been made based on previous amendments to the full IFRS Accounting Standards and AAS.
- Assessing whether to add disclosures to address matters of public policy or to reflect Australian-specific issues.

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?

IPA agrees with amending AASB 1060 to incorporate the substantive changes made by the IASB to the *IFRS for SMEs Accounting Standard* listed in Table 2.1.1. Our support for the amendments is consistent with the reasons provided in Table 2.1.1. Given the extensive amendments proposed for AASB 1060, we recommend the AASB develop educational materials to assist the users of the updated AASB 1060 in understanding and applying the changes. The educational materials could be key facts documents that summarise the key changes and comparison tables along with webinars.

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?

IPA agrees with the proposals to not amend AASB 1060 for changes presented in Table 2.1.2 for similar reasons as those provided in the table. We note that Table 2.1.2 contains substantive changes made by the IASB to the *IFRS for SMEs Accounting Standard* that the AASB proposals not to incorporate into AASB 1060. However, the table also includes the proposals to add paragraphs to AASB 1060 relating to related party disclosures and specialised activities to align with the 2025 *IFRS for SMEs Accounting Standard*.

Topic 2 Potential effects of AASB 18 on AASB 1060
--

Question for respondents

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.

The principles for establishing the initial AASB 1060 is to apply a bottom-up approach to simplifying disclosures by starting with the *IFRS for SMEs Accounting Standard* disclosure requirements and tailoring them to fit the Australian context while ensuring consistency with Tier 1 recognition and measurement requirements. AASB 1060 sets out all the disclosure requirements applicable for Tier 2 entities, which are not required to comply with the disclosure requirements in other AAS.

Additionally, the principles for determining when to amend AASB 1060 state that a review of AASB 1060 should occur when *IFRS SMEs Accounting Standard* is updated by the IASB, a new Standard or Interpretation, or amendments to an existing AAS or Interpretation is issued.

IPA is of the view that ideally, the impact of AASB 18 on AASB 1060 should occur after the IASB has considered the suitability of the IFRS 18 requirements on *IFRS SMEs Accounting Standard*. However, the IASB is not expected to review the next edition of *IFRS SMEs Accounting Standard* for at least five years. In the interim, AASB 18 is set to replace AASB 101 and introduces new classification and presentation and new disclosure requirements. AASB 18 is effective:

- generally for Tier 1 for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*) from 1 January 2027 and
- for not-for-profit entities (in the private and public sector) and superannuation entities from 1 January 2028.

The implication when AASB 18 is operative is that, the presentation of the primary financial statements of Tier 1 and Tier 2 entities will be inconsistent for a number of years until the IASB's next review of the *IFRS SMEs Accounting Standard*.

Therefore, IPA thinks that a better approach would be to 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*. This approach would be consistent with the principles for establishing the initial AASB 1060 and for when to amend AASB 1060. This would also ensure

consistency between the presentation of the primary financial statements of Tier 1 and Tier 2 entities.

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?

IPA agrees 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.

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.

IPA prefers the approach in Option A, as this ensures that all the applicable AASB 18 requirements are incorporated into AASB 1060. This would reduce the potential arbitrary decisions on which guidance should be included in AASB 1060 and which could be omitted in Option B. Option A is also consistent with AASB 1060 being a standalone accounting standard designed specifically for GPFS for SMEs that do not have public accountability, ie Tier 2 entities will not need to refer to AASB 18 (except for guidance included in Appendix B of AASB 18). This is despite, under Option A, AASB 1060 will be more voluminous.

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

- **specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and**
- **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.

IPA is of the view that when operating expenses are presented by function in the statement of profit or loss, AASB 1060 should include a requirement to disclose:

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

This is to ensure the consistent presentation of the primary financial statements between Tier 1 and Tier 2 entities.

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

- 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);**
- the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);**
- 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**
- 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.

IPA is of the view that, for simplicity, there should be no disclosure requirements for MPMs for Tier 2 entities. However, entities (in Tier 1 and Tier 2) are likely to use public communications outside the financial statements to express management's view on the financial performance of the entity. Given the likelihood of entities disclosing MPMs, we think it is important that there are consistent disclosure requirements between Tier 1 and Tier 2 entities. The AASB 18 MPMs disclosure requirements aim to ensure that entities that elect to use MPMs must label and describe each of the MPMs clearly and understandably so that they do not mislead the users of financial statements. It is for these reasons that we think, where a Tier 2 entity elects to use MPMs (as defined in AASB 18), the same requirements for a Tier 1 entity should also apply. Consequently, the full text of paragraphs 117-125 of AASB 18 should be included in AASB 1060.

- 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.**

IPA is of the view that AASB 1060 should require disclosure of further information as outlined in Q2.6 above, as the labels and/or descriptions used in financial statements are not always complete. The inclusion of the AASB 18 guidance and disclosure requirements in AASB 1060 would enhance the users' understanding of the financial statements.

Questions regarding NFP private sector entities preparing Tier 2 GPFS

- 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.**

IPA is of the view that AASB 18 should also be applied to NFP private sector entities. This would be consistent with the application of AASB 1060 to both the FP and NFP Tier 2 private sector entities. This is despite AASB 1060 being based on *IFRS SMEs* Accounting Standard, which was developed by the IASB to apply to FP private sector entities. We concur with the AASB's view that:

“Although the *IFRS for SMEs* Standard has been developed by the IASB to apply to for-profit private sector entities, broadly the AASB considers that it is reasonable to rely on the judgements made in developing the *IFRS for SMEs* Standard in respect of both for-profit and NFP (including public sector) entities in Australia, given that IFRS Standards are generally applied to all types of Australian entities. The AASB considers that the IASB's principles also reflect matters of particular interest to users of the financial statements of NFP entities.” (ITC 56, page 59)

Accordingly, we support the inclusion of the classification and disclosure requirements in Q2.7(a) to (c) above.

- 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.**

IPA supports the inclusion of the requirements for NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows (consistent with the revised AASB 107) for the areas outlined in Q2.8(a) and (b) above. Our support is for similar reasons as those outlined in Q2.7 above.

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.

IPA is of the view that, where possible, an accounting standard should be transaction-neutral. That is, “like transactions and events are accounted for in a like manner by all types of entities, reflecting their economic substance, unless there is a justifiable reason not to do so. This Framework sets out circumstances where it may be appropriate to use a different approach for NFP entities versus for-profit entities” (*AASB Not-for-Profit Entity Standard-Setting Framework*, paragraph 23). Accordingly, modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS should only be made where there are compelling reasons to do so and in accordance with the *AASB Not-for-Profit Entity Standard-Setting Framework*.

Topic 3 Disclosure requirements in IFRS 19

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

IPA is of the view that, ideally, Tier 2 entities should be able to claim compliance with IFRS 19. This would make it easier for the parent entity of the subsidiary that applied IFRS 19 to prepare consolidated financial statements to also make a similar claim of their compliance with IFRS Accounting Standards. However, we do not think the ability to claim compliance with IFRS 19 should be the determining factor for the approach to deal with IFRS 19 and AASB 1060 – refer to our comments in Q3.2 below for more detail.

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.

IPA would prefer option (d) of adopting 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.

We acknowledge that the optimal and comprehensive approach would be to have AASB 1060 as a one-stop-shop Standard containing simplified disclosures of Tier 2 entities that includes the requirements of IFRS 19, as well as enabling a Tier 2 entity to claim compliance with IFRS 19 and IFRS Accounting Standards in general.

However, this comprehensive approach is likely to take time for the AASB to examine whether all or what components of the IFRS 19 requirements should be incorporated into or replace AASB 1060. This could potentially make the resulting AASB 1060 equivalent Standard considerably voluminous and more complex to apply, especially for those entities where IFRS 19 is not relevant. This is in addition to the substantive proposed changes to AASB 1060 arising from amendments from the third edition of *IFRS SMEs* Accounting Standard, AASB 18 and AASB 107 requirements. To incorporate IFRS 19 into AASB 1060 may undermine the objective of AASB 1060 of reducing the burden of reporting by providing a reporting framework that simplifies the GPFS for Tier 2 entities. Accordingly, we think, the pragmatic approach is to keep IFRS 19 as an alternative framework for subsidiaries without public accountability.

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.

IPA has not considered this question, as our preference is for option (d) in Q3.2.