



Thursday, 22 January 2026

Keith Kendall
Chair, Australian Accounting Standards Board
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Via website: standard@aasb.gov.au

Dear Keith

Invitation to Comment 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 (ITC 56)

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the AASB on the post-implementation review of the AASB's special purpose reporting reforms for certain for-profit entities in ITC 56. We make this submission on behalf of our members and in the public interest.

Given the significance of these reforms on the for-profit private sector and their impact on our members, we appreciate the opportunity to engage regularly with the AASB throughout the development phase of these proposals and during their subsequent implementation. To support the current "implementation phase" engagement, we have continued to consult widely with our members and other stakeholders. These interactions included direct member feedback, involvement with the AASB at roundtables both before and after the issue of ITC 56 and several member surveys and they have informed the views expressed in this submission. Notwithstanding, the AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) includes the not-for-profit (NFP) sector, our views on the post-implementation review of tier 2 focus on the for-profit impact as this sector is where the most significant change has taken place.

Section 1 – Post-implementation review of AASB 1060 and AASB 2020-2

Overall, our feedback is that the reforms to special purpose reporting introduced by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (AASB 2020-2) were targeted sufficiently well to result in a significant overall improvement in the consistency and comparability of financial reporting in the for-profit sector that outweighed the costs of this additional reporting burden. Supported by both a significant uplift in the reporting thresholds for large proprietary companies and a tailored simplified disclosure standard, AASB 1060,

our feedback is that the reforms have been broadly successful in achieving their primary objective for many of the impacted entities, including large proprietary companies.

We also commend the AASB on the quality and quantity of educational materials it produced to support the reforms and the transition provisions. Overall, our members found the educational materials useful in supporting and producing the broadly positive outcome which can now be reported.

Appendix A, Section 1 provides our detailed responses to the questions raised in ITC 56 on various aspects of the implementations of these reforms. While these responses are generally positive, it is important to note that there remains some of our members who believe that the reforms have not appropriately balanced costs and benefits for *some* entities that are within the scope of AASB 2020-2 and AASB 1060.

In their view, the fragmented and complex nature of Australia's financial reporting framework means the scope captured a range of entities where thresholds have not been recently updated, or the reporting requirements reviewed in light of these reforms. As a result, the reforms now require the production of financial statements that must comply with the full IFRS recognition and measurement requirements that are more onerous and inappropriate for the size of these entities, especially in the areas of leases, revenue, impairment and financial instruments (see page 16 of our [2022 IFRS Survey](#) and page 13 of our [2025 IFRS Survey](#)). They also include unnecessary disclosures, notwithstanding the fact that the disclosures in AASB 1060 represented a significant reduction from those imposed under the predecessor Reduced Disclosure Regime (RDR) (implemented through AASB 1053 *Application of Tiers of Australian Accounting Standards*).

Therefore, we reiterate the comment we made in our [submission](#) to the AASB's discussion paper on the proposed Tier 3 NFP standard that we believe there remains a place for a Tier 3 standard for similar sized entities in the for-profit sector. Such a standard would provide proportionate relief from the full recognition and measurement requirements of IFRS Accounting Standards on a cost-benefit basis in this sector. We therefore continue to recommend that the AASB considers commencing a project following the publication of the Tier 3 standard for the NFP sector, to explore how it could be repurposed to apply to similar sized entities in the for-profit sector for which it may be more appropriate while legislative requirements remain unchanged.

Section 2 – AASB 1060 update

Given the significance of a simplified disclosure regime to the reporting cost-benefit equation for Tier 2 entities, we welcome the opportunity to comment on the future maintenance of AASB 1060.

Alignment with IFRS 18

We support a tailored implementation of AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18) to ensure that the costs of these reforms do not outweigh the benefits. Our members value consistency in the requirements and guidance for the presentation of information between Tier 1 and Tier 2 entities, therefore we encourage the AASB to issue an Exposure Draft aligning the presentation requirements of AASB 18 and AASB 1060 as soon as possible.

However, AASB 18 contains a range of additional disclosures and complexities which, while suitable for a Tier 1 entity with public accountability, have much less value to preparers and users of a Tier 2 entity financial statements, therefore these requirements should be made more proportionate. In particular, the management-defined performance measures (MPM) requirements should not be included and the additional disclosures associated with a functional presentation should be streamlined.

Ongoing update of AASB 1060

We also support the current maintenance approach of AASB 1060, which is mostly driven by changes to Tier 1 disclosures, as being the most effective means of ensuring that consistency between Tier 1 and Tier 2 is maintained. We also support the AASB's planned approach and outcomes outlined in ITC 56, to align AASB 1060 with the third edition of the *IFRS for SMEs*[®] Accounting Standard which will address important improvements not included when AASB 1060 was developed. However, we have also heard some concerns that the IFRS for SMEs does not necessarily provide a useful benchmark for the public sector entities applying AASB 1060. We, therefore, recommend further outreach to better understand the public sector perspectives on this topic.

Role of IFRS 19

Feedback has indicated generally that AASB 1060 adequately services the simplified disclosure needs of most Tier 2 entities, who have no need to claim IFRS compliance for their financial statements. Therefore, there is limited stakeholder interest for the implementation of IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (IFRS 19), the IASB's voluntary reduced disclosure standard into the Australian accounting standards framework (Option (c) in ITC 56). Formally including IFRS 19 into the AASB would involve the AASB in maintaining yet another standard that may only be applied by a small number of entities, diverting scarce standard setter resources away from ensuring the existing Tier 2 disclosure regime continues to serve user needs. However, we do appreciate that there is a broader strategic imperative to adopt international standards that needs to be considered.

Appendix A, Section 2 provides more detail on our responses to the specific questions in the ITC on the above maintenance issues associated with AASB 1060.

Appendices

Appendix A provides our detailed responses to the specific questions raised in ITC 56. Appendix B contains more information about CA ANZ. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Amir Ghandar, Reporting and Assurance Leader by email; amir.ghandar@charteredaccountantsanz.com.

Yours sincerely

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Appendix A

Responses to specific questions in ITC 56

Section 1: Post-implementation review of AASB 1060 and AASB 2020-2

Introduction

The Australian Accounting Standards Board (AASB) is undertaking a post-implementation review (PIR) of the following standards:

1. AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
2. AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

Topic 1: Overall objective and assessment of AASB 2020-2

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.

- (a) Overall, the feedback from our members is that the implementation of AASB 2020-2, necessitating the transition from SPFS to GPFS for many entities has been beneficial. While implementing the reforms did take some time, and was not without some significant challenges, our feedback is that users of financial statements appreciate the consistency and comparability of the reports they now receive, while preparers are generally finding the requirements workable.

These views are consistent with the results of our [2022 IFRS Survey](#), taken when the reforms were in the early stages of implementation. It records that a majority of respondents (57%) agreed that the application of AASB 2020-2 led to incremental improvements in the consistency, comparability, transparency and enforceability of financial statements. More recently, anecdotal evidence from outreach activities suggests that more stakeholders are satisfied with the application of AASB 2020-2.

- (b) For most affected entities, the costs of preparing GPFS initially were the most substantial and will remain higher than the costs of preparing SPFS on an ongoing basis. The results of our [2022 IFRS Survey](#), taken as initial implementation of these reforms concluded, revealed that the increased costs were generally in line with expectations. It also revealed that both preparers and advisors had the internal capability and resources to implement the reforms or required only minimal external support (page 18). Identifying the necessary recognition, measurement, or accounting policy changes was the most complex aspect of the transition process from preparing SPFS to GPFS, which again was a situation that was not unexpected (page 17). While, as noted in our response to (a) above, many stakeholders do believe that the benefits are outweighing the costs but there is still a group of our members that are concerned that the right balance is yet to be achieved. When asked about this issue in our [2022 IFRS Survey](#), only 45% agreed that the balance between the costs and benefits of the reporting reform were achieved (page 14). 72% believed that the AASB needs to revisit the types of entities that were scoped into these changes (page 19).

This assessment reflects the fact that the reform was applied to a variety of entities, beyond large proprietary companies who were able to benefit from a realignment of their reporting thresholds before the reforms came into force. A number of these other smaller entities continue to find that the cost of the requirements to prepare a Tier 2 GPFS, with its complex recognition and measurement requirements are in excess of their users' needs. In some instances, regulators, such as the Queensland Building and Construction Commission (QBCC), delayed implementation and amended requirements in response to advocacy from the Joint Accounting Bodies in order to resolve issues, but other regulators have made no changes.

- (c) These reforms, when placed on top of the fragmented nature of reporting legislation, with its complex wording and out of date thresholds will continue to pose challenges for a variety of smaller for-profit entities. Our recently published [2025 IFRS survey](#) results point to these concerns, highlighting the complexity of applying IFRS Accounting Standards (page 13), the challenges applying the leasing requirements in the SME sector (page 18) and ongoing support for the IASB's IFRS for SMEs Accounting Standard across all sector and stakeholder groups (pages 7 and 38). These views reiterate the messages from our [2022 IFRS Survey](#) discussed above.

We are continuing to advocate with government for regulatory reform but reiterate the comment we made in our [submission](#) to the AASB's discussion paper on the proposed Tier 3 NFP standard that we believe there remains a place for a Tier 3 general purpose financial reporting standard for similar-sized entities in the for-profit sector. Such a standard would provide proportionate relief from the full recognition and measurement requirements of IFRS Accounting Standards on a cost-benefit basis in this sector and so better balance the benefits of the special purpose reforms with their cost, while legislative reform continues. Once the Tier 3 NFP project is complete we encourage the AASB to

explore how it could be repurposed to apply to similar sized entities in the for-profit sector for whom it could be appropriate.

Topic 2: Overall objective and assessment of AASB 1060

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, the feedback from our members is that the implementation of AASB 1060 has been beneficial. 60% of the respondents to our [2022 IFRS Survey](#) agreed that AASB 1060 has reduced the reporting burden. A similar percentage agree that it has improved the consistency and comparability of financial statements overall.
- (b) In responding to this survey, 46% of respondents said that needing to identify the disclosure changes was a significant problem area during transition and only half of these entities found the transition process complex. Similarly, 41% responded that restructuring the financial statements and revising disclosures was a significant problem area during transition and approximately half of these entities found that collecting required data was challenging. Consistent with our response to Question 1(b) both preparers and advisors had the internal capability and resources to implement the changes or required only minimal external support.
- (c) However, consistent with our response to Question 1(c), stakeholder feedback shows that concern still remains about the cost-benefit of these reforms for some entity types. 75% of respondents to our [2022 IFRS Survey](#) (page 19), the majority of which were corporate entities and practitioners (page 21), agreed that further simplifications of the Tier 2 model is required, a situation that could be addressed via a Tier 3 general purpose financial reporting standard for the for-profit sector (see our response to Question 1).

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

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.

Based on the feedback we have received, the optional transition relief was well received and applied by some entities during transition. However, we have also heard that most entities transitioning from SPFS were not in a position to early adopt the reforms therefore the incentive to early adopt was of limited value, as the early adoption relief sunset by the operative date.

Auditors also expressed concern during implementation that some relief which allowed the conflation of errors and changes of accounting policies on transition contributed to the presentation of financial information that was not fairly stated. Therefore, we heard that some auditors encouraged preparers to account for these errors retrospectively, rather than treat them as transitional balances.

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

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.

Feedback from our members indicated that the optional transition relief around comparatives was welcomed but that many entities were not in a position to early adopt the reforms. Therefore, the sunset provision which was intended to incentivise early adoption was of limited value.

We recommend that, in future, such relief should be available whenever an entity chooses to implement or adopt the relevant standards as it does provide much needed assistance and consistency for the transition process.

Topic 5: Educational materials

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?

The AASB educational materials were generally well received and provided important sources of reference for these reforms, which were complex to understand and apply. Webinars were useful, as were the fact sheets and the drafting guidance for constituting documents, all of which addressed specific challenges associated with these reforms.

Despite CA ANZ assisting with the dissemination of these resources, feedback indicated that some stakeholders remained unaware of the additional resources that were available to assist.

Our outreach experience also identified gaps in these implementation resources, especially as our members began dealing with the variety of entity types and specific regulators that were impacted. As a result, CA ANZ was involved in the publication and distribution of support resources, including [entity specific fact sheets](#) and the well-received guide; [Can I still prepare special purpose financial statements?](#)

We therefore recommend that, when considering future reforms of this nature (including the Tier 3 NFP reforms), the AASB actively engages with the regulators impacted by its reforms to identify and resolve regulatory issues around the wording or use of the term “accounting standards”. It is important that regulators clearly understand the impact of the changes and have the resources available to adequately educate their respective regulated populations on the impact of the AASB decisions before mandatory implementation begins.

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

Please see our response to Question 5.

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.

As noted in our response to Question 5, the implementation of the reforms would have benefitted from better liaison with regulators to ensure they were clear on messaging and the amended requirements arising from the AASB’s decisions. We note that several regulators needed to defer implementation or provide additional transitional relief in order for their staff and their regulatory populations to manage the transition (e.g. QBCC). The professional accounting bodies also needed to step in to advocate for issues of concern

and produce tailored resources to address member queries, which resulted in the production of our guide referred to above.

Topic 6: Disclosure of individually material items

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?

Feedback from our members is that not having a specific disclosure requirement for material items of income and expense in AASB 1060 is not leading to significant problems in preparing or using Tier 2 financial statements. Materiality is applied to determine the inclusion or omission of specific disclosures based on professional judgement as an overriding principle.

However, there is some feedback that the inclusion of a list of “usually material” expenses would make it easier for auditors to resolve differences of professional judgement with audited entities.

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.

Despite some concerns (see our response to Question 8), we do not believe AASB 1060 needs a disclosure requirement to explicitly require the disclosure of individually material items. We believe professional judgement and the variety of guidance available on this topic is sufficient to guide preparers and auditors in the current circumstances.

Topic 7: Adequacy of disclosure requirements

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.**

Feedback from our stakeholders indicates that a substantial number of entities have found the disclosures introduced by AASB 1060 to be a significant improvement over the previous RDR, providing consistent and comparable disclosures that adequately meet the needs of their users.

However, as identified in our response to Question 2, a number of stakeholders still believe that the level of disclosures contained in AASB 1060 is excessive for a proportion of the entities that are currently required to comply with it. This issue will not be effectively resolved without a rethink of the scope of the special purpose reforms to more effectively cater for smaller entities that would consider themselves falling into a Tier 3 based on their user needs.

We continue to support the use of the IASB's IFRS for SMEs Accounting Standard as a basis for developing the disclosures in AASB 1060. We therefore support the AASB's proposals to amend AASB 1060 to accommodate the substantive revisions included in the third edition of the IFRS for SMEs Accounting Standard that have not already been considered when AASB 1060 was developed.

Further discussion on this topic is included in our responses to the Topic 1 questions in Section 2.

Topic 8: Maintaining AASB 1060

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.

Feedback from our stakeholders indicates that some consistency between the Tier 1 and Tier 2 disclosure requirements, particularly on emerging issues, is valuable and needs to be timely. We therefore support the AASB's current "as required by changes to Tier 1 standards" approach to amending AASB 1060 to continue to maintain this alignment.

While this approach does involve a subsequent reconsideration of disclosures when the IFRS for SMEs Accounting Standard is updated, we consider that this provides a useful opportunity to reconsider the content of AASB 1060 as a whole at that time.

Further discussion on this topic is included in our responses to the Topic 2 questions in Section 2.

Topic 9: Other matters

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?

As noted in our cover letter, and in our responses to questions 1, 2, 10 and 14, Australia's inconsistent regulatory framework and out-of-date reporting thresholds continues to pose challenges to the smaller end of the for-profit sector. We will continue to advocate with Treasury for regulatory reform, but also consider that the AASB can perform an important role by developing a Tier 3 general purpose financial reporting standard for these entities.

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

Understanding how the wording of the reforms applied to the myriad of regulatory requirements and entity types that these reforms impacted was a significant challenge for auditors, with many struggling to explain to audited entities why the changes, and the associated costs, were necessary. The AASB resources and our special purpose guide referred to in question 5 were of considerable assistance in this regard. However, while concerns still exist about the scope of the reforms and the scale of the requirements, our feedback is that application issues between auditors, audited entities and regulators have largely been resolved.

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

Based on feedback and observations, the application of the requirements in AASB 1060 and AASB 2020-2 provides an efficient financial reporting framework for Tier 2 entities, as discussed in our responses to Questions 1 and 2.

However, as discussed in these responses, without a clear national legislative consensus on what constitutes a "Tier 2 entity" the removal of special purpose financial statements has imposed on many smaller non-corporate for-profit entities the need to use the full recognition and measurement requirements of IFRS Accounting Standards in their financial statements, that our feedback suggests are still in excess of user needs. This problem was alleviated for large proprietary companies when the government doubled the thresholds ahead of these reforms. However, no similar reconsideration was given to the thresholds that apply to other impacted for-profit entities.

Therefore, our members consider that there remains a case for the creation of a Tier 3 general purpose financial reporting standard for the for-profit sector offering simplified recognition and measurement and further reduced disclosures. We are also continuing to advocate with governments for regulatory reform to address the inconsistent reporting requirements that currently exist in a variety of federal, territory and state-based legislation (see our [submission](#) to the Federal Deregulation task force in 2021 and our

2025 submission to Charities Minister Leigh (as appended to our [submission to AASB ED 334](#)).

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.

No comment.

Section 2: AASB 1060 update

Introduction

In February 2025, the IASB issued its third edition of the IFRS for SMEs Accounting Standard. Since AASB 1060 was originally developed based on the second edition of the IFRS for SMEs Accounting Standard, the AASB is reviewing the new edition to identify relevant updates to incorporate into AASB 1060. This topic seeks feedback on which substantive amendments to the IFRS for SMEs Accounting Standard should be reflected in AASB 1060.

AASB specific matters for comment

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

1.1 Do you agree 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 (see page 36)?

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

We agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 based on amendments made to the IFRS for SMEs Accounting Standard. We agree that in most circumstances decisions made about disclosure requirements in the IFRS for SMEs Accounting Standard provide a useful global benchmark for high quality disclosures and so they should continue to be the basis of AASB 1060. However, we have heard some concerns expressed in the Australian public sector that the IFRS for SMEs does not necessarily provide a useful benchmark for the public sector entities applying AASB 1060. We, therefore, recommend further outreach to better understand the public sector perspective on this topic.

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?

We agree with the recommendations for amendments to AASB 1060 listed in Table 2.1.1.

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?

We agree with the recommendations not to amend AASB 1060 for the changes in Table 2.1.2.

Topic 2: Potential effects of AASB 18 on AASB 1060

Introduction

In June 2024, the AASB issued AASB 18 *Presentation and Disclosure in Financial Statements* to replace AASB 101 *Presentation of Financial Statements* effective 1 January 2027 for many Tier 1 entities. AASB 18 introduces new presentation and disclosure requirements for primary financial statements, particularly the statement of profit or loss. Except for two presentation simplification concessions, AASB 1060 generally aligns with Tier 1 presentation requirements. This topic invites feedback on whether AASB 1060 should be updated to align with AASB 18 requirements and, if so, the approach to incorporating those requirements.

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.

We urge the AASB to consider the impact of AASB 18 on AASB 1060 ahead of the IASB’s consideration of IFRS 18 for the IFRS for SMEs Accounting Standard.

Our members prefer consistency of basic classification and presentation requirements between Tier 1 and Tier 2. We consider it a matter of urgency that the AASB develops proposals to amend AASB 1060 so that the changes for Tier 1 and Tier 2 entities can be implemented in the same financial reporting period.

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?

We agree with the AASB's proposal to replace the classification and presentation requirements content in AASB 1060 drawn from AASB 101 with the new requirements in AASB 18.

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.

We prefer and support Option A because a significant part of the appeal of AASB 1060 is that it operates as a one-stop shop for the disclosure requirements for Tier 2 entities.

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.

- (a) When operating expenses are presented by function, certain specific expense items that are relevant to the decisions of users are not clearly disclosed. We agree that depreciation, amortisation, impairment write-downs/reversals, inventory write-downs/reversals and employee benefits are expenses of this nature and so we support

this additional information being presented separately in a single note to enable users to readily ascertain this information by nature.

However, we consider that an overall note, disclosing the total for each of these types of expenses is sufficient for Tier 2. Breaking them up by the functional category they are recorded in would be a costly change that would serve no real user need. If preparers thought such detail was important to a user's understanding, they could choose to include it as part of a qualitative disclosure.

- (b) We also agree with the inclusion of a qualitative description of the nature of expenses classified by function. This is a useful presentation of information where consistency between Tier 1 and Tier 2 should be maintained if a functional classification is to be adopted.

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.

We support option (a) because where a Tier 2 entity chooses to operate in a similar manner to a Tier 1 entity, it should apply the same AASB 18 requirements. We would expect most Tier 2 entities will not have MPMs and so including these requirements will not be relevant in most circumstances and would unnecessarily expand the content of 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.

The improved aggregation and disaggregation guidance now contained in AASB 18 is an important presentation improvement that should also be made to guidance contained in AASB 1060.

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.**

- (a) We support the use of the five categories approach for the presentation of financial statements to maintain consistency between Tier 1 and Tier 2 entities in both the for-profit and NFP sector. We also support the additional disclosures for key expenses where a functional classification is adopted, but consistent with our response to Question 2.4 such disclosures need only be totals for these expenses.
- (b) Our feedback is that MPMs of the kind envisaged by AASB 18 are unlikely to be relevant in the NFP sector.
- (c) Our feedback is that the guidance on aggregation and disaggregation is helpful and would be appropriate in the NFP sector.

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.**

Feedback from our stakeholders is that consistency between Tier 1 and Tier 2 requirements is preferred.

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.

We are not aware of any NFP specific reasons that would require Tier 2 NFPs to have different requirements than those applicable to other Tier 2 entities that we have discussed in our earlier responses.

Questions regarding NFP public sector entities preparing Tier 2 GPFS

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.

Feedback from our stakeholders is that consistency between Tier 1 and Tier 2 requirements is preferred.

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.

Feedback from our stakeholders is that Tier 2 NFP public sector entities should be provided with the same reliefs as given to Tier 1 NFP public sector entities in the interests of consistency.

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.

Feedback from our stakeholders is that Tier 2 NFP public sector entities should be provided with the same reliefs as given to Tier 1 NFP public sector entities in the interests of consistency.

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.

- (a) Feedback from our stakeholders is that the aggregation and disaggregation requirements are beneficial and that Tier 2 NFP public sector entities should be required to provide the same information as that required of Tier 1 entities.
- (b) Feedback from our stakeholders is that cross-referencing the note disclosures is helpful and that Tier 2 NFP public sector entities should be required to provide the same information as that required of Tier 1 entities.

Topic 3: Disclosure requirements in IFRS 19**Introduction**

In May 2024, the IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which allows eligible subsidiaries to comply with reduced disclosure requirements while maintaining IFRS compliance. This topic compares the disclosures in IFRS 19 with those in AASB 1060 and seeks stakeholder views on whether IFRS 19 should be adopted in Australia and, if so, how this might be implemented within the Tier 2 framework.

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

Overall, we have not heard much interest from Tier 2 entities or from our members about a need for IFRS 19. Most Tier 2 entities have no need to claim IFRS compliance in their

financial statements. Plus, the increased level of disclosures IFRS 19 requires when compared to AASB 1060 is significant thereby a less attractive and cost-effective option. Therefore, we are of the view that the costs of introducing and maintaining an alternative set of Tier 2 disclosure requirements will divert scarce standard setting resources away from the effective maintenance of AASB 1060 (and the possible creation of a Tier 3 in the for-profit sector).

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.

As explained in our response to Question 3.2 above, the feedback we have received aligns with option (c) – being to retain AASB 1060 and not adopt IFRS 19.

However, we recognise that it is challenging to Australia’s published IFRS harmonisation position to have an IFRS Accounting Standard on issue that is not operative locally. Therefore, should the AASB decide that the strategic imperative of “global harmonisation” requires implementation of IFRS 19, we recommend option (d) – prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19. This approach acknowledges the existence of AASB 19 and provides choice to those Tier 2 entities that do need or want to claim IFRS compliance for their financial statements while maintaining the status quo for all other Tier 2 entities.

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.

We do not support implementing IFRS 19 in a piecemeal manner for the reasons set out in our response to Question 3.2.

AASB general matters for comment

In addition to the specific matters for comment on each of the three topics in this section, the AASB would also value comments on the following:

- 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?**

We are not aware of such regulatory issues.

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

We are not aware of any challenges in this regard.

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

We are of the view that the proposals will provide useful financial information.

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

We agree that the proposed refinements to AASB 1060 will improve the quality and consistency of the financial statements for Tier 2 entities. However, as noted in our cover letter, and in our responses to Questions 1 and 2 relating to the overall assessment of AASB 2020-2 and AASB 1060, there remains a need to better target the scope of the Tier 2 reporting regime via legislative and other reform and develop a fit-for-purpose Tier 3 general purpose financial reporting standard offering simplified recognition and measurement for the for-profit sector.

- 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 non-financial) 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 refer to our responses to Questions 1 and 2 relating to the overall assessment of AASB 2020-2 and AASB 1060.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.