



27 February 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

AASB ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on the above Exposure Draft (ED).

GENERAL COMMENT

Overall, IPA supports the proposals contained in ED 338, in particular:

- Proposed paragraph 16(a) in AASB 1054 for an entity to provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a).
- Proposed amendments to AASB 1039.21 which does not require an entity to provide a reconciliation of the net cash flow from operating activities.
- For a superannuation entity:
 - Continue to present all applicable line items in the income statement and in the statement of changes in member benefits and not be able to determine whether the required item is necessary for the statement to provide a useful structured summary.
 - Not to classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss.
 - Disclose information to provide users with a basis for understanding the nature of expenses.
 - Add paragraphs Aus6.1 and Aus34D.1 to AASB 107 relating to the classification of cash flows for dividends received and interest paid and received.
 - Add paragraphs Aus20.2 to AASB 107 and paragraph 16(b) to AASB 1054 relating to specify the reconciliation of operation cash flows.
 - Add paragraph 12A to AASB 1056 to specify that a superannuation entity should treat its statement of changes in member benefits (and its comparative information) as a primary financial statement.

- Not to modify the superannuation entities aggregation and disaggregation requirements as set out in AASB 18.
- Not to modify AASB 1056 for the AASB 18 MPM disclosure requirements.
- The proposed effective date for superannuation entities required to apply AASB 18 and the modifications proposed in ED 338 for periods beginning on or after 1 January 2028.
- Additional paragraphs Aus9.1, AusB5.1 and AusB80.1 to AASB 18 to provide guidance on how the FP terminologies and principles of AASB 18 applies to the NFP sector.

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 ED 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

[signed V Stylianou]

Vicki Stylianou

Group Executive, Advocacy & Professional Standards

Institute of Public Accountants

Attachment 1 – IPA’s responses to ED 338 specific questions

Specific matters for comment

Operating cash flow reconciliation

Q1 In respect to entities preparing Tier 1 GPFS, other than superannuation entities and NFP public sector entities, do you agree with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a)? Please explain your reasons.

IPA agrees with the proposed paragraph 16(a) in AASB 1054 that an entity should provide a reconciliation of the net cash flow from operating activities to the operating profit or loss subtotal in the statement of profit or loss, if the entity presents that subtotal in accordance with AASB 18.69(a). Our support is on the basis that the proposal would be consistent with AASB 18’s revision to AASB 107

Q2 Do you agree with the proposed amendments to AASB 1039.21? Please explain your reasons.

IPA supports the proposed amendments to AASB 1039.21 which does not require an entity to provide a reconciliation of the net cash flow from operating activities. Our support is on the basis that proposed amendment to AASB 1039.21 will be consistent with the proposed amendments made to AASB 1054.16.

Superannuation entities

Line items to be presented in primary financial statements

Q3 Do you agree with the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not judge whether to present line items in the primary financial statements based on whether they are necessary for the statement to provide a useful structured summary; and therefore, would be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11? Please explain your reasons.

IPA supports the proposed paragraph Aus23.1(a) and AusB8.1(a) in AASB 18 that a superannuation entity should not be able to determine whether to present line items in the primary financial statements based on the entity’s assessment of whether they are necessary for the statement to provide a useful structured summary. A superannuation entity would, therefore, continue to be required to present all applicable line items in the income statement and in the statement of changes in member benefits as required by AASB 1056.9 and AASB 1056.11.

We are of the view that where a specific Accounting Standard, in this case AASB 1056 for superannuation entities, requires the presentation of specific or applicable line items, an entity must apply the requirements. This is despite AASB 18.23, which states that “An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements ...”.

To permit a superannuation entity to decide which required line item in a specific Standard is “not necessary” for disclosure is likely to result in inconsistencies in presentation and thereby impair the comparability of the GPFs between superannuation funds.

Statement of profit or loss presentation

Q4 Do you agree with the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056? Please explain your reasons.

IPA supports the proposed paragraph Aus46.1(a) in AASB 18 and paragraphs 10A and 22A in AASB 1056 to specify that a superannuation entity should not classify income and expenses into the operating, investing, financing and discontinued operations categories in its statement of profit or loss, and should treat references in AASB 18 to ‘operating expenses’ as expenses presented in the statement of profit or loss. Our support is for similar reasons as those noted in AASB 18, paragraphs BC21–BC23, that the AASB 18 categories are unlikely to provide additional information to users of a superannuation entity’s GPFs.

Presentation of expenses

Q5 Do you agree with the proposed paragraph Aus78.1(a) in AASB 18? Please explain your reasons.

IPA supports the proposed paragraph Aus78.1(a) in AASB 18 to specify that a superannuation entity should classify and present expenses in accordance with AASB 1056 and should not apply paragraphs AASB 18.78 or B80–B82. That is, a superannuation entity should apply AASB 1056.22, which requires the disclosure of information to provide users with a basis for understanding the nature of expenses. This contrasts with AASB 18.78, which requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of expenses or the function of the expenses within the entity. Our support for the proposal is based on similar rationale as those provided in Q3, in that the proposal would enable the comparability for superannuation entities’ GPFs

Cash flow classification – dividends received and interest paid and received

Q6 Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to superannuation entities? Please explain your reasons.

IPA supports the proposal to add:

- Paragraph Aus34D.1 to AASB 107 to retain the current accounting policy choice to permit a superannuation entity to continue electing to classify these cash flows as operating cash flows. A superannuation entity is therefore, not required to classify income and expenses into the AASB 18 income statement categories, which also means AASB 107.34B would not provide a basis for superannuation entities to classify these items in the statement of cash flows.
- Paragraph Aus6.1 to AASB 107 to specify that superannuation entities (and NFP public sector entities) that elect to classify the receipt of interest and dividends as operating activities, investing cash flows do not include the receipt of interest and dividends as described in paragraphs 34A–34D of the revised AASB 107.

Our support for the above proposals is for similar reasons as those noted in paragraphs BC28 to BC32.

Operating cash flow reconciliation

Q7 Do you agree with the proposed paragraph Aus20.2 in AASB 107 and paragraph 16(b) in AASB 1054 in respect to superannuation entities? Please explain your reasons.

IPA supports the proposals to add:

- Paragraph Aus20.2 to AASB 107 to specify that when reconciling cash flows from operating activities, a superannuation entity shall adjust its 'profit or loss' total and
- Paragraph 16(b) to AASB 1054 to specify that the 'profit or loss' total would be used as the starting point for reconciling net cash flow from operating activities when the entity does not present the 'operating profit or loss' subtotal in the statement of profit or loss.

Our support is on the basis that the additional paragraphs is consistent with the AASB's proposals to require a superannuation entity not to present the 'operating profit or loss' subtotal in its income statement.

Statement of changes in member benefits

Q8 Do you agree with the proposed paragraph 12A in AASB 1056? Please explain your reasons.

IPA supports adding paragraph 12A to AASB 1056 to specify that a superannuation entity should treat its statement of changes in member benefits (and its comparative information) as a primary financial statement for the purposes of applying the requirements set out in AASB 18, including comparative information, labelling, and aggregation and disaggregation. The proposal would ensure the statement of changes in member benefits is treated in the same way as other primary financial statements.

Aggregation and disaggregation

Q9 Do you agree that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

IPA supports the proposal that no modifications are needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18, as the requirements of AASB 1056 and AASB 18 with respect to aggregating and disaggregating line items and disclosures are not inconsistent.

Management-defined performance measures (MPM)

Q10 Do you agree that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements? Please explain your reasons. If you consider modifications are needed, please describe the changes and explain why they are necessary.

IPA agrees that no modifications are needed for superannuation entities with respect to the MPM disclosure requirements. Our view is based on the AASB's feedback from all superannuation entity

stakeholders, who responded to the targeted outreach, did not identify any subtotals of income and expenses a superannuation entity uses that would meet the definition of a management-defined performance measure (MPM), and the AASB 18 MPMs disclosure requirements are not onerous.

Effective date

Q11 Do you agree that superannuation entities should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that superannuation entities should be required to apply AASB 18? Please explain your reasons.

IPA agrees with the proposed effective date that superannuation entities should be required to apply AASB 18 and the modifications proposed in ED 338 for periods beginning on or after 1 January 2028.

NFP private sector entities and universities

NFP-specific guidance

Q12 In respect to NFP private sector entities and universities preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

IPA supports the proposal to add the following paragraphs to AASB 18 to provide guidance for NFP entities preparing Tier 1 GPFS:

- Paragraphs Aus9.1 and AusB5.1 – to require an NFP entity to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting* and
- Paragraph AusB80.1 – to require an NFP entity, when presenting expenses, to consider what line items provide the most useful information to users of financial statements about the entity’s “operations or main activities”, which is broader than considering “the main components or drivers of the entity’s profitability” required by AASB 18.B80.

We concur with the AASB’s observation that the additional paragraphs provide guidance on how the FP terminologies and principles of AASB 18 applies to the NFP sector.

However, while we support the sentiments in paragraph Aus9.1, we think the wording can be improved to be less absolute and provide guidance in the form of additional factors that are relevant to users of a NFP entity’s GPFS. This would reflect the broad range of NFP entities’ operations, including those that may rely on financial return on investment and/or where net cash inflows for its operations. We have therefore marked-up editorial changes to paragraph Aus9.1, below, for consideration.

Aus9.1 The objective of financial statements is to provide financial information about a reporting entity’s assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management’s stewardship of the entity’s economic resources. In respect of not-for-profit private sector and public sector entities, users (such as certain existing and

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

Q13 Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP private sector entities and universities preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

IPA supports the proposed paragraph AusB80.1, as it provides NFP guidance on the application of paragraph B80, which provides examples for a FP context.

Q14 Other than the proposals in Q12–Q13, the AASB did not identify any necessary modifications from AASB 18 or the revised AASB 107 for NFP private sector entities or universities preparing Tier 1 GPFS. Do you have any comments on the suitability of applying AASB 18 or the revised AASB 107 to these entities? If you consider further modifications are needed, please explain your reasons.

IPA has no further comments on further modifications to AASB 18 and AASB 107 for NFP private sector entities or universities, other than those proposed in Q12-Q13.

Effective date

Q15 Do you agree that NFP private sector entities and universities preparing Tier 1 GPFS should be required to apply AASB 18 and the modifications proposed to be made in the Exposure Draft for periods beginning on or after 1 January 2028? If not, which date do you consider that these entities should be required to apply AASB 18? Please explain your reasons.

IPA supports the proposed effective date in Q15.

NFP public sector entities, including governments

IPA has not provided comments to **Q16-Q31**, as they relate to matters affecting NFP public sector entities, including Government.

General matters for comment

Q32 Have the *AASB For-Profit Entity Standard-Setting Framework* and the *AASB Not-for-Profit Entity Standard- Setting Framework* been applied appropriately in developing the proposals in this Exposure Draft?

IPA is of the view that the frameworks in Q32 have been applied appropriately in developing the proposals in ED 338.

Q33 Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

IPA is unaware of there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

Q34 Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

IPA is unaware of the proposals creating any auditing or assurance challenges.

Q35 Overall, would the proposals result in financial statements that would be useful to users?

IPA is of the view that the proposals would result in financial statements that are useful to users.

Q36 Are the proposals in the best interests of the Australian economy?

IPA is of the view that the proposals are in the best interests of the Australian economy.

Q37 Unless already provided in response to the specific matters for comment above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or 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.

IPA has no further comments.