



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

via submission portal: <https://www.aasb.gov.au/current-projects/open-for-comment/>

22 January 2026

Dear Keith,

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

PricewaterhouseCoopers Australia (**PwC**) appreciates the opportunity to provide input on the Invitation to Comment (**ITC**) on the 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.

We consider that, overall, the Tier 2 reporting framework is functioning well and strikes a reasonable balance between meeting user needs and minimising the costs for preparers, consistent with the Australian Accounting Standards Board's (**AASB**) objectives. We have not identified any fundamental concerns that would impact the effectiveness of AASB 1060.

Our principal responses to the ITC are summarised below, with further detail provided in the Appendix:

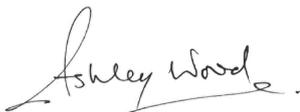
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- **Adoption of IFRS 19 (Subsidiaries without Public Accountability: Disclosures)** – We recognise that IFRS 19 may offer benefits, particularly for multinational groups that prepare subsidiary accounts centrally. However, these benefits seem dependent on other jurisdictions adopting IFRS 19. Introducing IFRS 19 as an alternative framework in Australia may increase complexity and potentially affect comparability across Tier 2 entities. Accordingly, at this time, we suggest maintaining the current AASB 1060 framework as the primary standard. Tier 2 entities wishing to demonstrate full IFRS compliance can consider supplementing AASB 1060 disclosures as necessary, including an explicit statement of compliance, which may help maintain consistency and reduce fragmentation.
- **Alignment of Tier 2 with AASB 18 (and other recent IFRS developments)** – To promote comparability between Tier 2 and Tier 1 financial statements in respect of financial performance presentation, we suggest a timely update of AASB 1060 to align with AASB 18. We suggest that updating AASB 1060 to incorporate AASB 18 need not be deferred until the next IFRS for SMEs update cycle, which may occur several years from now. Instead, it may be beneficial to consider exposing amendments in the near term to support large Tier 2 entities in enhancing performance reporting and to facilitate clearer comparison between Tier 1 and Tier 2 results for users.
- **Preservation of AASB 1060 as a one-stop-shop for Tier 2** – We generally support the approach of incorporating relevant presentation requirements from the new AASB 18 directly within AASB 1060 (rather than dispersing requirements across standards). This approach could help maintain clarity and convenience for Tier 2 preparers, even though it entails some ongoing maintenance by the AASB. We believe the benefits to users and preparers of having a single point of reference outweigh the incremental standard-setting effort.
- **Adoption of the AASB’s proposed criteria for updating AASB 1060 for the IFRS for SMEs (3rd edition)** – We agree that where recognition and measurement in full IFRS/AAS (Australian Accounting Standards) remains the same as in IFRS for SMEs, the related new disclosure requirements from the 2025 IFRS for SMEs Standard should generally be incorporated into AASB 1060. Conversely, disclosures that solely relate to simplified recognition or measurement options in the IFRS for SMEs that are not available under full IFRS (and therefore AAS) need not be considered. This selective approach will keep Tier 2 disclosures proportionate while ensuring the Standard remains up-to-date with genuine improvements identified by the IASB’s comprehensive review of IFRS for SMEs.

We would welcome the opportunity to discuss our submission further or address any questions you may have. Please feel free to contact myself at ashley.s.wood@au.pwc.com or Manuel Kapsis on manuel.kapsis@au.pwc.com.

Yours sincerely,

A handwritten signature in black ink that reads "Ashley Wood". The signature is written in a cursive style with a long horizontal flourish at the end.

Ashley Wood

Assurance Risk and Quality Leader

Detailed Responses

IFRS 19 (Subsidiaries without Public Accountability: Disclosures) [ITC Section 2, Topic 3]

On the question of IFRS 19 adoption in Australia (Section 2, Question 3.2), at this stage, we are inclined to maintain the current Tier 2 approach under AASB 1060 while remaining open to further evaluation should new evidence about IFRS 19's benefits emerge.

This approach aims to minimise complexity and additional disclosures for most Tier 2 entities, while preserving the integrity of Australia's simplified reporting framework. Until there is clear evidence that adopting IFRS 19 would provide benefits that outweigh the associated costs, it may be preferable for Australian Tier 2 entities to continue reporting under the existing, streamlined AASB 1060 framework. This approach would help maintain clarity and comparability in financial reporting for entities without public accountability, while avoiding the introduction of additional requirements whose advantages are not yet fully established.

We recognise that stakeholders hold divergent views on whether to adopt IFRS 19 in Australia. Our understanding is that adopting IFRS 19 for Tier 2 entities (though either Options (a) or (b) in the ITC) would effectively impose additional disclosures beyond those currently required by AASB 1060. Further analysis may be required to determine whether the benefits of adopting the additional disclosures in IFRS 19 outweigh the associated burdens, and how this might impact the cost–benefit balance that supports the simplified Tier 2 reporting framework.

Introducing IFRS 19 as an optional or alternate Tier 2 framework (Options (d) or (e)) may potentially increase complexity. The creation of a third tier of reporting (Tier 1, Tier 2 under AASB 1060, and Tier 2 under IFRS 19) for similar entities may lead to confusion amongst preparers and users alike. In addition, multiple frameworks for the same class of entity may diminish the comparability and simplicity gains achieved by removing Special Purpose Financial Statements (**SPFS**) in Australia.

Preparers may encounter challenges in determining which framework to apply or may be required to transition between frameworks if mandated. Meanwhile, users would need to navigate two different formats and levels of disclosure for Tier 2 financial statements. Such fragmentation could pose challenges to maintaining a clear and streamlined reporting framework for entities without public accountability, highlighting the importance of careful consideration.

While IFRS 19 is intended to reduce disclosures for eligible subsidiaries and is optional internationally, its uptake and impact globally remain uncertain. We acknowledge that some Australian subsidiaries of

multinational groups may value the ability to state full IFRS compliance by using IFRS 19. In addition, multinational groups with centralised finance functions might realise efficiency gains if their subsidiaries can apply a consistent IFRS-aligned disclosure framework across jurisdictions. This could eliminate duplicate reporting efforts and simplify internal processes, especially when preparing multiple subsidiary accounts centrally. However, these benefits would mainly accrue to those global groups and only if IFRS 19 is widely adopted in other jurisdictions. If the international adoption of IFRS 19 is limited, multinationals would still have to navigate multiple reporting frameworks for their subsidiaries, reducing the intended simplification. In contrast, the majority of domestic-oriented Tier 2 entities in Australia have little need to claim IFRS compliance, so they would see added costs but minimal benefit from the extra disclosures. Importantly, Tier 2 entities that wish to claim IFRS compliance can achieve this by supplementing AASB 1060 with any additional disclosures necessary to meet all IFRS requirements and by providing an explicit and unreserved statement of such compliance in the notes, as required by AASB 101 and AASB 18.

On balance, at this time, we are inclined towards Option (c) - not adopting IFRS 19 in Australia - while recognising the importance of remaining responsive to evolving stakeholder views. AASB 1060 can be updated periodically to ensure it remains appropriate and effective, while avoiding the full adoption of IFRS 19's extensive disclosure requirements that could undermine its cost-effectiveness.

We look forward to supporting the AASB in monitoring the adoption of IFRS 19 in comparable jurisdictions and any emerging interest from Australian stakeholders. Should compelling reasons arise – such as widespread global uptake or strong domestic demand - we would welcome a collaborative reconsideration of IFRS 19's introduction.

Align Tier 2 promptly with AASB 18 (and other recent IFRS developments) [ITC Section 2, Topic 2, Questions 2.1 – 2.6]

We suggest a timely alignment of Tier 2 presentation requirements with AASB 18 [ITC Section 2, Topic 2, Question 2.1]. Timely alignment preserves comparability and avoids the period of prolonged divergence between the performance reporting of Tier 1 and Tier 2 reports that would arise if the update was deferred until the next IFRS for SMEs update cycle. Thus, we agree with the AASB in considering the impact of AASB 18 on AASB 1060 now as contemplated in the ITC.

We broadly support mirroring AASB 18's principles in Tier 2, with proportional tailoring where warranted, focusing on the following:

- *Expense by Function Presentation [ITC Section 2, Topic 2, Question 2.4]*

We recommend requiring (a) *the single-note expense by nature totals (AASB 18 paragraphs 83–85)* but consider that (b) *a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)* is not necessary for Tier 2 (noting the general requirement to disclose relevant information about material items *(AASB 1060 para. 91(c))*).

If a Tier 2 entity presents operating expenses by function, we suggest that it disclose specified expenses by nature in a single note (for example, totals for employee benefits, depreciation and amortisation, impairment), aligning with AASB 18 paragraphs 83–85 and ITC Q2.4(a). This requirement represents a modest incremental cost for preparers while delivering a clear benefit to users through enhanced comparability and insight. We encourage timely alignment of Tier 2 presentation requirements with AASB 18 *[ITC Section 2, Topic 2, Question 2.1]* to support continued comparability and avoid prolonged divergence. Such qualitative explanations, while useful, may be burdensome for smaller entities to articulate and audit, and the essential numerical information would already be captured by the specified nature totals. Provided that Tier 2 entities adhere to the general requirement to disclose relevant information about material items *(AASB 1060 para. 91(c))*, we believe the combination of that principle and the added note of expense totals is sufficient for the reporting needs of Tier 2 entities.

- *Management Performance Measures (MPMs) [ITC Section 2, Topic 2, Question 2.5]*

Our view is that Option (c) – requiring scaled-down management performance measure (MPM) disclosures in Tier 2 financials – is the right balance, as envisaged by ITC Q2.5.

Typically, we would not expect many Tier 2 entities to report performance metrics that meet the criteria for disclosure of MPMs applying AASB 18 - if a Tier 2 entity doesn't use any MPMs, this requirement imposes no burden.

If a Tier 2 entity chooses to report a non-standard profit metric that meets the criteria for disclosure of MPMs, it should at least explain what it includes/excludes and reconcile to the nearest IFRS subtotal, even though the disclosure can be simpler than for Tier 1. This approach provides transparency without importing the full Tier 1 MPM package. Consistent with the rationale for providing equivalent reconciliations elsewhere, while such custom measures of performance can be useful, they should be clearly defined and reconciled to statutory results. For example, ASIC RG 230 provides guidance on

disclosing non-IFRS profit measures by explaining how they are calculated and differ from the statutory results. Requiring a basic reconciliation and definition for MPMs in Tier 2 reports would codify this transparency into the audited financial statements.

By contrast, Option (a) or (b) would import full AASB 18 MPM disclosures, which are disproportionate for many Tier 2 entities. Conversely, no MPM disclosure requirement (d) risks confusion when alternative performance metrics are highlighted. Having a minimal, standardised note mitigates this.

Option (c) ensures any MPM is understandable and reconcilable, without undue burden.

- *Aggregation and Disaggregation and Linking of Notes [ITC Section 2, Topic 2, Question 2.6]*

We agree that presentation/disaggregation principles should remain the same across Tier 1 and Tier 2. Clear requirements help preparers strike the right balance in deciding how much to aggregate line items. Therefore, we support importing AASB 18's guidance (e.g. the emphasis on not obscuring material information through aggregation, and the specific rule to identify in the notes which line item encompasses a particular disclosure). These requirements are fundamentally about providing clarity to users, and we think the principles will help Tier 2 entities provide more useful information. In practice, many preparers already do this intuitively, however, making it an explicit requirement in AASB 1060 will promote consistency. The cost is minimal (mostly a disclosure drafting consideration), while the benefit is to reinforce transparent communication in financial reports.

Preserve AASB 1060 as a one-stop-shop for Tier 2 [ITC Section 2, Topic 2, Question 2.3]

We prefer retaining AASB 1060 as a standalone standard of all presentation and disclosure requirements for Tier 2 (i.e. Option A in relation to incorporating AASB 18).

This “one-stop shop” approach has been one of the clear benefits for preparers under the new Tier 2 framework – all relevant guidance is consolidated, avoiding the need to cross-reference multiple standards (as was necessary under the old RDR approach). The one-stop shop design has been regarded as both practical and convenient for preparers and auditors. We acknowledge that carrying forward AASB 1060 means AASB must replicate or update certain content from Tier 1 standards into AASB 1060, requiring ongoing maintenance efforts. Nevertheless, we consider these efforts justified by the clarity, usefulness, and convenience provided to preparers and users. We understand that stakeholder feedback during initial development of AASB 1060 indicated concerns when important presentation guidance was not directly included in the Tier 2 standard. Including all necessary material in one place ensures nothing

is overlooked and promotes compliance (especially for smaller entities who may otherwise be unaware of various pieces of guidance in another standards).

Therefore, for the upcoming integration of AASB 18's new presentation requirements, we prefer Option A – bring the relevant AASB 18 paragraphs into AASB 1060 – over Option B (which would require Tier 2 entities to refer to AASB 18). Option A preserves the simplicity of applying one standard for Tier 2, and it maintains consistency with the original design principle of the Simplified Disclosures framework.

Adoption of the AASB's proposed criteria for updating AASB 1060 for the IFRS for SMEs (3rd edition) [ITC Section 2, Topic 1]

We support updating AASB 1060 in line with the third edition of the IFRS for SMEs, as set out in ITC 56 Section 2 (Topic 1), including the rationale, maintenance approach and summary of major amendments.

Post Implementation Review (PIR) of AASB 1060 and AASB 2020-2 [ITC Section 1]

We support the removal of SPFS for certain for-profit private entities and the associated implementation of AASB 1060 Tier 2 general purpose reporting. Our post-implementation observations indicate that these changes have met their primary objectives and have been welcomed in practice. We also support updating AASB 1060 for recent international developments (notably, the IFRS for SMEs 2025 amendments and the new AASB 18 on presentation) to keep Tier 2 reporting relevant and high-quality, noting there is a wide range of entities that fall within the scope of Tier 2.