

2 April 2026

Dr Keith Kendall FCPA  
Chair  
Australian Accounting Standards Board  
PO Box 204, Collins Street West, Victoria 8007

Via online submission: [www.aasb.gov.au](http://www.aasb.gov.au)

Dear Keith

### **Invitation to Comment 57 – AASB 2027-2031 Agenda Consultation**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the above Invitation to Comment 57 (ITC 57) on behalf of our members and in the public interest.

#### **Key recommendations**

The [Treasury Laws Amendment \(Financial Reporting System Reform\) Bill 2026](#) (the Bill) is progressing through the Australian Parliament and is expected to establish External Reporting Australia (ERA) later this year. The Bill would replace the Australian Accounting Standards Board (AASB) (and the Financial Reporting Council and the Auditing and Assurance Standards Board) with a new structure under ERA. We have been assured by the AASB and Australian Treasury that the operational aspects of the AASB, including its current and upcoming standard-setting and other projects, will continue into the new structure. In that context, some of the recommendations in our [joint submission](#) (with Chartered Accountants Australia and New Zealand) are relevant to ITC 57.

ERA is also proposed to include a dedicated sustainability standards board, alongside accounting and auditing standards boards. Comments and recommendations in this submission that relate to sustainability reporting are therefore relevant to the agenda and work plan of the proposed sustainability standards board.

On the basis that the AASB's current work plan and priorities will be carried forward into ERA, we make the following key recommendations for the 2027–2031 agenda:

- Adopt a more proactive, forward-looking standard-setting approach, with greater emphasis on longer-term projects and Australian leadership in shaping international developments, rather than primarily responding to consultations and timelines of the IASB, ISSB and IPSASB.
- Prioritise publication of the Tier 3 reporting standard for not-for-profits (NFPs), with a clear transition period and a guidance and education pathway for adoption. Continue to actively advocate for appropriate eligibility criteria to be established in legislation, and consider short-term options to support application while legislative change is progressed.

- Develop a Tier 3 reporting standard for for-profit entities to provide a reliable and consistent framework for general purpose financial reporting by smaller for-profit entities.
- Address high-impact public sector and NFP reporting issues, including:
  - Undertake a dedicated project on the continued application of AASB 16 *Leases* (AASB 16) by the public and NFP sectors, reflecting feedback from the sectors in our [submission](#) to the post-implementation review (PIR) of AASB 16.
  - Commence the public sector financial reporting framework project, as recommended in our [submission](#) to AASB Invitation to Comment 56 (PIR of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2).
  - Conduct PIR of a number of public sector-specific standards.
- Support effective implementation of sustainability reporting and public sector applicability by providing practical guidance, implementation support and targeted refinements based on early-stage feedback, while continuing to monitor and contribute to international developments. This should include aligning efforts with existing work underway in the public sector (refer to our detailed comments in the **Attachment**) and considering public sector-specific challenges, such as the applicability of sustainability frameworks at a whole-of-government level, the balance between costs and benefits, and pragmatic, fit-for-purpose approaches for private sector NFP and public sector entities.
- Focus on research and other outreach activities to support emerging and high-value reporting areas, including intangible assets, statement of cash flows, provisions, and sustainability reporting, where Australia can actively contribute to and influence international research and standard-setting activities on these topics.
- Reassess the project on service performance reporting, by clearly identifying user demand, problem definition and expected benefits before progressing any further.

Further detail on our above comments, including our responses to questions in ITC 57 are included in the **Attachment**. If you require further information, please contact me at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

**Ram Subramanian FCPA**  
**Financial Reporting Lead**  
**CPA Australia**

# ATTACHMENT – CPA AUSTRALIA’S RESPONSES TO QUESTIONS

## Overall Position and Strategic Direction

Implications arising from the establishment of External Reporting Australia (ERA)

We note the Australian Government has introduced legislation into Parliament to establish ERA, representing a significant reform to Australia’s financial reporting framework, consolidating the standard-setting functions of the AASB, AUASB and Financial Reporting Council into a single body responsible for accounting, auditing, assurance and sustainability standards, supported by dedicated technical boards for each of these areas.

Our recommendations in response to ITC 57 are made based on the current AASB Work Plan, with the expectation that key projects and priorities, including those informed by stakeholder feedback, will be carried forward into ERA. We also understand that existing standards will continue under ERA until amended or replaced, ensuring continuity through the transition.

We further note the proposed establishment of a dedicated board for setting sustainability reporting standards under ERA. This structural change is expected to enable more targeted resourcing across both financial reporting and sustainability reporting, compared to the current model where these responsibilities are largely undertaken within the AASB. The comments we have made in this submission as they relate to sustainability reporting will be relevant to the new sustainability reporting standards board to be established as part of ERA.

Proactive standard-setting and global leadership

Based on feedback we have received, we encourage the AASB to adopt a more proactive standard-setting approach that reflects Australian-specific needs while contributing to international developments. Feedback received from stakeholders indicates there is a perception that several projects outlined in ITC 57 are relatively short-term in nature and, in some cases, rely on the progress of international standard-setting bodies (e.g. the IASB, ISSB and IPSASB) before being advanced domestically.

In our view, this approach risks limiting Australia’s influence in shaping global standards. Historically, Australia has played a leading role in international standard-setting by leveraging local practical experience to inform global developments. We recognise that the AASB plays such a role through its representation on multiple international standard-setting forums including the Accounting Standards Advisory Forum, the International Forum of Accounting Standard-Setters and the Asia-Oceania Standard Setters Group. Accordingly, we recommend that the AASB continues to take a leadership role by proactively identifying and progressing priority standard-setting areas that benefit Australia through represented forums and other avenues.

Balance between cost and benefits, and principles-based standards and guidance

We recommend the AASB continues to highlight a focus on balancing the usefulness of information for users, with the cost and complexity of reporting, for example by way of more vigorous cost benefit analysis. We also highlight the importance of maintaining an appropriate balance between principles-based standards and the provision of guidance.

Through our outreach in developing responses to consultations including ITCs and Exposure Draft (ED), we have consistently received feedback from stakeholders seeking additional guidance and practical examples to support the application of standards (e.g. [ITC 55 PIRs of AASB 16 leases](#) and [ED 338 on application of AASB 18 and AASB 107 by superannuation and NFP and Operating Cash Flow Reconciliation for entities preparing Tier 1 general purpose financial statements](#)). While we acknowledge that overly prescriptive guidance may undermine the principles-based nature of Australian Accounting Standards, there are circumstances where targeted guidance is undeniably necessary to support consistent and practical implementation across industries. Accordingly, we recommend that the AASB continue to consider stakeholder demand for guidance and practical examples, adopting a balanced approach that supports application without introducing undue complexity or rules-based outcomes.

## Priority Projects

### Tier 3 reporting standard for small Not-for-profit (NFP) entities

We support establishment of a Tier 3 financial reporting standard for NFP entities, consistent with our previous submissions on [ED 334 Limiting the Ability of NFP Entities to Prepare Special Purpose Financial Statements](#) and [ED 335 General Purpose Financial Statements – NFP Private Sector Tier 3 Entities](#), with the aim of improving transparency and accountability by smaller NFPs through the transition from preparing Special Purpose Financial Statements (SPFS) to fit-for-purpose general purpose financial statements (GPFS).

We emphasise that the effectiveness of the Tier 3 standard is highly dependent on clearly defining its scope and applicability—in particular, establishing which entities should and can apply the standard, how eligibility is determined, and how the standard is structured within the broader reporting regime for NFPs. Our previous feedback highlights that the absence of clear scoping, including appropriate thresholds that establish which NFP entities can apply the standard, creates uncertainty for preparers and risks inconsistent application across the sector.

The AASB has stated that the responsibility for setting thresholds to determine which NFP entities qualify as “small” rests within legislation, and therefore lawmakers who have carriage over such legislation will need to make necessary amendments to allow qualifying NFP entities to apply the new Tier 3 standard when preparing financial statements for statutory purposes. Whilst we acknowledge this statement, we believe the AASB still has a responsibility to ensure there is clarity as to which NFP entities can apply the standard, once it is issued. Given the AASB has signalled the intention to publish the new standard later this year, we recommend the AASB makes it a high priority to address the matter of scope and applicability of the new Tier 3 NFP standard through the following approaches:

- Proactively advocate with Commonwealth and State/Territory lawmakers to make necessary amendments to legislation to recognise the new standard and who can apply it.
- Develop an interim, short-term measure through a suitable provision in the standard that gives an indication as to which NFP entities may qualify as “small” and therefore can apply the standard.
- To provide necessary guidance to those who can apply the new standard to transition from their existing financial reporting practices to the new standard.

### Tier 3 reporting standard for small For-profit entities

Similar to the Tier 3 NFP standard that has been developed by the AASB, we continue to recommend the development of a Tier 3 reporting standard for smaller for-profit entities. Evidence from state-based regulatory developments, including the Minimum Financial Requirements (MFR) regime regulated by the Queensland Building and Construction Commission (QBCC) and the proposed Building Amendment (Minimum Financial Requirements) Regulations 2026 in Victoria, highlights that accounting-standards-based statutory financial reporting requirements can sometimes place an unnecessary regulatory impost on smaller for-profit entities. These examples demonstrate a clear need for simplified, proportionate financial reporting tailored to smaller for-profit entities, rather than compliance with Tier 1 or Tier 2 requirements, both of which require application of full recognition and measurement requirements of all applicable Australian Accounting Standards.

In addition to fulfilling a need for a simpler financial reporting framework for statutory financial reporting purposes, a Tier 3 for-profit standard could also benefit other entities preparing financial statements for non-statutory purposes including compliance with bank covenant requirements and other contract-based reporting obligations. Although self-managed superannuation funds are not required to comply with Australian Accounting Standards when fulfilling their statutory financial reporting obligations, a Tier 3 for-profit standard could introduce consistency in reporting by such entities.

Accordingly, there is a case for establishing a well-defined and operational Tier 3 reporting framework for for-profit entities that provides a proportionate alternative to Tier 2, reduces unnecessary compliance costs, and supports a consistent transition away from SPFS towards GPFS. Such a framework is critical to ensuring reporting requirements are appropriately calibrated to the size and complexity of entities, while maintaining transparency, comparability and the integrity of the financial reporting system.

## Commence the public sector financial reporting framework project

As noted in our [submission](#) in response to ITC 56, we recommend the AASB undertakes further outreach and research, to further explore whether the current financial reporting framework based on Tier 1 and Tier 2 Australian Accounting Standards remain fit for purpose for financial reporting by the Australian public sector. In particular, stakeholders have questioned the user-relevance of continuing with an approach of using the IFRS for SMEs Standard as the basis for AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060).

When AASB 1060 was developed and issued, it was intended as a temporary standard whilst the AASB undertook its NFP private sector and public sector financial reporting framework projects. Although the NFP private sector financial reporting framework project has been progressed and nearing its conclusion, we are not aware of any significant progress in respect of the equivalent public sector financial reporting framework project.

We recommend the AASB includes the public sector financial reporting framework project on its agenda with a view to considering the matters raised above and identifying whether any changes are necessary to the existing financial reporting framework, as it relates to financial reporting by the Australian public sector.

### AASB 16 Leases (AASB 16) for public sector entities

We support the prioritisation of commencing a project focusing on the ongoing impact of AASB 16 on public sector entities, informed by feedback received by the AASB in response to its PIR of AASB 16. Our recommendation is informed by feedback from our [Public Sector CFO Roundtable on IFRS 16 Leases](#), which brought together senior finance executives across Commonwealth agencies to discuss the implementation and impact of the standard. Participants consistently highlighted that AASB 16 is largely misaligned with public sector operations and accountabilities, noting that the standard is primarily designed for private sector for-profit entities and does not reflect the budget-driven nature of public sector decision-making.

Feedback from the roundtable indicates that the costs and complexity associated with implementing and maintaining AASB 16 are significant, often requiring substantial internal resources, specialised expertise and ongoing reliance on external advisors, with some agencies reporting implementation costs in the millions. Despite this, there is limited evidence of corresponding benefits, as lease-related disclosures and balance sheet recognition have not led to increased engagement or interest from key stakeholders. More broadly, AASB 16 has introduced additional complexity in financial reporting, including data and system challenges, increased judgement in application, and reduced clarity for non-expert users, in some cases obscuring rather than enhancing understanding.

Accordingly, we consider the ongoing application of AASB 16 by public sector entities should remain a high priority for the AASB, with a need to reassess its cost-benefit balance and explore potential simplifications or modifications to better align with the public sector context.

## Projects to Continue

As noted in our Overall Position and Strategic Direction above, we encourage the AASB to adopt a more proactive and forward-looking approach to its work program, including undertaking longer-term projects and playing a leadership role in shaping international research and standard-setting projects and activities. In this context, we outline below a few key projects that we consider should be prioritised.

### Intangible assets

We consider the accounting for intangible assets to be a critical and timely area for standard-setting. Intangible assets are increasingly central to value creation in the modern economy, particularly with the rise of digital technologies, data, software and AI-driven business models. It is critical to explore whether existing recognition and measurement requirements under current standards (including AASB 138 *Intangible Assets*) adequately capture the economic substance of these assets or reflect how they are created and utilised in practice.

We note that the IASB has commenced a high-priority project on intangible assets following feedback from its Third Agenda Consultation, with a focus on improving the usefulness of information provided to users and updating IAS 38 to better reflect newer types of intangible assets and evolving business models. The project includes assessing user information needs, reconsidering the definition and recognition criteria of intangible assets, and exploring

improvements to disclosures and comparability between acquired and internally generated intangibles. In our view, this presents an important opportunity for the AASB to actively contribute to, and where appropriate lead, international developments in this area, while also considering Australian-specific implications.

#### Statement of cash flows

We consider improvements to the statement of cash flows to be an important next-stage major project of relevance both internationally and in Australia. The significant structural changes to the income statement resulting from IFRS/AASB 18 *Presentation of Financial Statements* has highlighted that there is now an opportunity to consider the statement of cash flows to further enhance the usefulness, consistency and transparency of information in this statement.

The AASB will be aware that the IASB has recently progressed its project on *IAS 7 Statement of Cash Flows* from the research programme to its standard-setting work plan, focusing on areas such as:

- improving the disaggregation of cash flow information
- enhancing transparency around non-cash transactions and non-IFRS cash flow measures
- addressing inconsistencies in classification between operating, investing and financing activities
- the definition of cash equivalents.

In our view, this project will be critical in strengthening the linkage between profit or loss and cash flow information and presents an opportunity for the AASB to actively contribute to international developments and consider Australian-specific implementation issues.

#### Provisions

We recommend closely monitoring the IASB's 'Provisions—Targeted Improvements' project and consider it an important area for ongoing engagement by the AASB. In our joint submission (with CA ANZ) on [IASB ED: Provisions – Targeted improvements, proposed amendments to IAS 37](#), we expressed overall support to improve *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, particularly in enhancing measurement requirements and providing clearer guidance. However, feedback from our outreach when developing our submission also indicates that certain proposed amendments to the recognition criteria may introduce additional complexity and unintended consequences, potentially creating new uncertainties in practice rather than clarifying existing principles. We therefore recommend that the AASB continue to actively monitor and contribute to this IASB project, particularly in relation to the practical application of the potential revised recognition criteria and the need for additional guidance and illustrative examples.

#### Sustainability Reporting

We support the AASB continuing to play a leadership role in sustainability reporting, both domestically and internationally. As one of the first jurisdictions to introduce mandatory climate-related disclosures based on ISSB standards, Australia is well positioned to influence global developments and contribute to the evolution of globally consistent sustainability reporting frameworks.

Domestically, we note that the first year of reporting for Group 1 entities is nearing completion, with Group 2 entities now entering their initial reporting phase and Group 3 entities preparing for implementation. In this context, we encourage the AASB to prioritise facilitative measures to support adoption, including practical guidance, implementation support and targeted improvements based on early-stage feedback.

Our engagement with members indicates that the cost of implementation for Group 1 entities, and preparatory work for Group 2 entities, has been significant, and that there is a need for additional guidance and support. Group 3 entities, typically smaller and less resourced, may face additional and disproportionate challenges compared to Group 1 and 2 entities. We note existing concerns on the proportional application of the requirements of AASB S2 for Group 3 entities; in this regard, there is also confusion for Group 1 entities operating in similar sectors where reporting outcomes may differ due to the complexity and composition of their value chains.

Internationally, while Australia has taken a leading position on climate-related reporting, we consider it timely to look beyond initial implementation and contribute to the next phase of sustainability reporting. This includes supporting the development of emerging areas such as connectivity between sustainability and financial reporting, nature-related and human capital disclosures, as well as influencing improvements in report quality, comparability and decision-

usefulness. In doing so, the AASB can continue to shape international standard-setting while ensuring Australian perspectives and practical experience are reflected in global frameworks.

#### Climate-related financial disclosure requirements for NFP public sector entities

From a public sector perspective, we note that the AASB's current work plan includes climate-related financial disclosure requirements for NFP public sector entities as a lower-priority project, and we consider this prioritisation appropriate at this stage.

We are aware of the Commonwealth Government's proposed rollout of climate-related reporting that is based on the requirements of AASB S2, with Tranche 1 entities requiring full compliance with the requirements from FY 2026–27. We are also aware of the Commonwealth Government's range of support materials and application guidance.

At the same time, we note ongoing developments at the IPSASB level that highlight important considerations for the AASB's future work in this area. These include clarifying the objectives of sustainability reporting (beyond climate-related) in the public sector and achieving an appropriate balance between costs and benefits, particularly where climate-related impacts may arise indirectly from broader policy decisions. There are also practical challenges in defining an appropriate scope, including the applicability of frameworks such as AASB S1 and S2 at a whole-of-government level, where entity-level approaches may not be readily transferable. Further considerations include the feasibility of annual assurance and the inherent difficulty in measuring outcomes, as opposed to inputs, in the public sector context. We encourage the AASB to continue monitoring international developments and retain this project on its agenda, with a view to developing pragmatic and fit-for-purpose approaches over time.

#### Accounting standards for public sector and NFP entities

We note that there are relatively limited PIRs proposed in the AASB's agenda consultation for public sector-specific accounting standards. In particular, several previously identified projects appear to have been omitted from the current plan.

The PIRs of AASB 1049 Whole of Government and General Government Sector Financial Reporting and AASB 1055 Budgetary Reporting (in respect of Whole-of-Government and General Government Sector) was conducted by the Financial Reporting Council in 2021 and the outcomes of the project were considered at the [August 2025 meeting](#) of the AASB. We recommend including this project as part of the upcoming agenda and progress it as previously planned.

In addition, further public sector standards such as AASB 1050 Administered Items, AASB 1059 Service Concession Arrangements: Grantors, AASB 1051 Land Under Roads, AASB 1052 Disaggregated Disclosures, and AASB 1004 Contributions have not been subject to a PIR as far as we are aware. Given the significance of the public sector to the Australian economy, and the unique and complex nature of its transactions compared to commercial entities, we consider there is a need for the AASB to continue PIRs of these standards, if not all of them. This is further supported by the level of stakeholder engagement and feedback observed in recent consultations (for example, in relation to AASB 18 adoption and the PIR of AASB 16), indicating that these sectors continue to face practical challenges and would benefit from targeted PIRs of public sector-specific accounting standards.

## Projects to Reconsider

### Service Performance Reporting (SPR)

We recommend that the AASB reconsider the direction of the project on SPR. Based on our stakeholder engagement, there is insufficient evidence around user needs from service performance reporting and how a potential new standard (or other pronouncement) might satisfy such user needs. This is particularly the case where a new standard (or other pronouncement) may duplicate or replace existing, well-established public sector reporting practices as they relate to SPR. This raises fundamental questions regarding the identification of primary users, the specific information gaps that remain unaddressed, and whether the proposed reporting would meaningfully enhance decision-making or accountability.

While improving consistency is often cited as an objective, it is unclear whether this is a priority concern for stakeholders in the public sector, or whether the benefits of standardisation would outweigh the associated costs and implementation challenges. In practice, many public sector entities already provide service performance information through established reporting channels aligned with their operational and accountability frameworks. Accordingly, we

suggest the AASB reassess the underlying problem definition and user demand before progressing further and consider whether resources would be better directed towards higher priority areas.

Similar views as noted above have also been expressed by private sector NFP stakeholders we have consulted in relation to this project.