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Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 9007

Our ref Submission - ED 338
Contact Heng, Kim (+61 2 9455 9120)

27 February 2026

Dear Dr Kendall,

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

KPMG Australia (KPMG) is pleased to have the opportunity to respond to Exposure Draft 338 - *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (ED 338).

We welcome the AASB's efforts in undertaking further work to determine how AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18) should apply to superannuation entities, not-for-profit (NFP) private sector entities and NFP and for-profit public sector entities.

We generally support the proposed application of AASB 18 to superannuation entities, subject to the targeted relief outlined in the ED. Retaining AASB 1056 *Superannuation Entities* (AASB 1056) as the primary presentation framework appropriately reflects the unique characteristics of superannuation entities and the information needs of their users. Although this results in limited alignment with the full presentation principles in AASB 18, we believe this outcome is appropriate and proportionate. The proposed modifications appropriately introduce selected AASB 18 concepts where they enhance decision-usefulness, while preserving the industry-specific presentation model that supports consistency and comparability.

For NFP public sector entities, we support the targeted relief (including policy choices) that recognises jurisdictional templates and fiscal/Government Finance Statistics (GFS) considerations. We emphasise the importance of ensuring the relief operates cleanly in practice, particularly avoiding unintended consequences from the Management Performance Measures (MPM) relief, and the interaction between expectations about limiting "other" labels in AASB 18 and the prescribed fiscal classification frameworks in whole-of-government contexts.

We have set out our detailed comments to the specific matters for comment in the Appendix to this letter.



We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Julie Locke on (02) 6248 1190, or myself on (02) 9455 9120.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Heng', written in a cursive style.

Kim Heng
Partner
KPMG Australia

Appendix

Operating cash flow reconciliation

1. 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.

We support the proposed amendment. This aligns the wording in AASB 1054 to AASB 18 ensuring consistency across both accounting standards.

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

We support the proposed amendment. This will ensure consistency between AASB 1039.21 and AASB 1054.16.

Superannuation entities

Line items to be presented in primary financial statements

3. 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.

We support the intention of the proposal to require superannuation entities to continue to present the line items specified in AASB 1056 in the primary financial statements. AASB 1056 establishes industry-specific minimum presentation requirements that promote consistency and limit judgment where comparability is critical. Any outcome that could be interpreted as displacing or overriding AASB 1056 requirements with the more judgment-based principles in AASB 18 risks reducing disclosure and undermining comparability.

To give effect to the AASB's stated intention and avoid unintended consequences in practice, we recommend the AASB clarify and strengthen the drafting in paragraph Aus23.1(a) of AASB 18. As currently drafted, it is not clear that a superannuation entity applying AASB 1056 who does not judge whether to present separately a line item in the primary financial statements based on whether it is necessary for the statement to provide a useful structured summary must consequently present all applicable line items in the income statement and the statement of changes in member benefits in accordance with AASB 1056.9 and AASB 1056.11.

We recommend the drafting of paragraph Aus23.1 be replaced with:

“Notwithstanding paragraph 23:

- (a) a superannuation entity applying AASB 1056 *Superannuation Entities*; and
- (b) a government applying AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;

is not required to judge whether to present separately a line item in the primary financial statements based on whether it is necessary for the statement to provide a useful structured summary and rather presents the specific line items in the primary financial statements as required by AASB 1056 and AASB 1049 respectively.”

Statement of profit or loss presentation

4. 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.

We support the proposal. As superannuation entities invest in assets as a main business activity, most related income and expenses including dividends received and interest paid or received would be classified within the operating category. Consistent with this, superannuation entities are unlikely to have material income or expenses that would be presented within the investing or financing categories under AASB 18. Accordingly, further disaggregation of income and expenses into specific categories is unlikely to provide users with more useful information.

Presentation of expenses

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

We support the proposal. As AASB 1056 already requires superannuation entities to disclose expenses by nature, removing the option to present expenses by function will improve comparability and better serve members’ interests.

As noted above AASB 1056.9 and 1056.11 already require superannuation entities to present specified line items in the income statement and the statement of changes in member benefits, providing a clear and comparable structure that limits judgement.

Cash flow classification – dividends received and interest paid and received

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

The proposals in this ED do not require superannuation entities to classify income and expenses according to AASB 18’s income statement categories. Accordingly, we agree the amendments to AASB 107.34B which mandate presentation of dividends and interest cash flows should also not be applicable for the industry.

However, we recommend the AASB remove the existing accounting policy choice permitting superannuation entities to classify these cash flows as operating or investing cash flows and instead mandate classification as operating cash flows. This treatment is well established in practice and would enhance consistency and comparability across the superannuation sector.

We further recommend the AASB amend the illustrative examples in AASB 1056 to align with this approach. Superannuation entities generally treat cash flows from the purchase and sale of financial investments as operating cash flows, reflecting their main business activities. The current illustrative examples, which suggest classification as investing cash flows contribute to diversity in practice. Updating these examples to reflect operating classification would enhance clarity, consistency and comparability for users.

Operating cash flow reconciliation

7. 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.

We support the proposal as this is a required amendment given the proposal to retain AASB 1056's income statement presentation and therefore the use of different subtotals for the operating cash flow reconciliation.

Statement of changes in member benefits

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

We support the proposal. As AASB 1056 requires superannuation entities to present a statement of changes in member benefits, the proposal promotes consistency and aligns with current practice.

Aggregation and disaggregation

9. 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.

We are unable to agree with the proposal at this stage as no analysis has been provided comparing the application of AASB 1056 with AASB 18's aggregation and disaggregation requirements. We recommend the AASB perform an analysis to ensure there are no inconsistencies or unintended consequences of retaining AASB 18's aggregation and disaggregation guidance for superannuation entities. We have set out possible areas of inconsistency for the AASB to consider.

AASB 1056 does not contain specific aggregation principles i.e. it requires a minimum level of disclosure and then further disaggregation under AASB 1056.32 where necessary to explain the risk and benefit arrangements relating to different categories of members. Where a superannuation entity has historically disaggregated information further, could the entity then try to argue under AASB 18.41(c) that they could re-aggregate these balances and reduce disclosure?

Further, AASB 18 paragraphs B24-B26 introduce broader principles for labelling and describing items in the primary financial statements which are not included in AASB 1056. The illustrative statement of cashflows in AASB 1056 uses labels such as 'other income' and 'other expenses' which appear inconsistent with the more informative labelling required by AASB 18 paragraphs B25-B26.

We recommend the AASB adopt a more nuanced approach when assessing the potential modifications needed for superannuation entities with respect to aggregation and disaggregation requirements set out in AASB 18.

Management-defined performance measures

10. 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.

We support the proposal. Based on our experience, superannuation entities typically do not disclose subtotals of income and expenses in public communications that would meet the definition of an MPM. Accordingly, it is unlikely that many superannuation entities will be subject to this disclosure requirement.

However, if a superannuation entity presents sub-totals of income and expenses that meet the definition of MPMs, in our view, the related disclosure requirements should apply as such information deemed useful by management in assessing performance is also likely to be useful to users.

Effective date

11. 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.

We support the proposed application date of annual periods beginning on or after 1 January 2028 for superannuation entities.

NFP private sector entities and universities

12. 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.

We note that we are not aware of any NFP private sector entities in our client base that prepare Tier 1 financial statements. As a principle, however, we agree that NFP private sector entities should consider the common information needs of users of GPFS as described in the Conceptual Framework for Financial Reporting. This is because many operate in the same industries as for-profit entities and are therefore likely to be assessed by users alongside for-profit peers. Applying a consistent user-needs lens will help promote comparability and consistency of information across entities operating in the same sector.

In the university sector, financial statement presentation is heavily influenced by the Commonwealth Department of Education's financial statement guidelines, which are typically issued around August for entities with a calendar-year reporting cycle; the proposed guidance should therefore be applied in a way that remains operable alongside that established framework. We therefore welcome the proposals which recognise the sector-specific users of the GPFS of universities.

13. 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.

In an NFP context, users typically assess performance and financial position by reference to the entity's ability to deliver on its objectives and service outcomes (which may be financial and non-financial), rather than by reference to profitability alone.

We therefore support the proposed paragraph AusB80.1 requiring these entities to focus on the entity's 'operations or main activities' (rather than 'drivers of profitability').

14. 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.

We are generally supportive of applying the requirements of AASB 18 to NFP private sector entities and universities preparing Tier 1 GPFS.

However, we consider the management-defined performance measures (MPMs) requirements may not be well-suited to NFP private sector entities nor to the university sector. Universities' performance is more commonly assessed using non-financial measures (for example rankings, research outputs and similar measures) rather than subtotals of income and expenses. Accordingly, we recommend the AASB provide an explicit exemption from the MPM requirements for NFP private sector entities and universities, rather than requiring entities to assess whether they have any MPMs and potentially comply with related disclosures.

Effective date

15. 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.

We support the proposed application date of annual periods beginning on or after 1 January 2028.

NFP public sector entities, including governments

Statement of profit or loss presentation

16. Do you agree with the proposed paragraph Aus46.1(b) in AASB 18? Please explain your reasons.

We support the proposed accounting policy choice in Aus46.1(b). A policy choice allows Treasuries and central agencies to determine, at a jurisdictional level, whether and how to adopt the AASB 18 presentation model, while preserving comparability and user familiarity with existing formats.

Presentation of expenses

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

We support the proposed accounting policy choice in Aus78.1(b). Public sector expense presentation is commonly directed through centrally mandated templates and is closely linked to whole-of-government and GFS reporting requirements. Retaining the existing AASB 101.99 approach will ensure alignment with current practices and user expectations.

NFP-specific guidance

18. In respect to NFP public sector entities 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.

We support the proposal. Explicitly articulating the user base for NFP public sector GPFS will help ensure alignment with current practices and centrally mandated templates.

NFP-specific guidance

19. Do you agree with the proposed paragraph AusB80.1 in AASB 18 that NFP public sector entities 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.

In an NFP context, users typically assess performance and financial position by reference to the entity's ability to deliver on its objectives and service outcomes (which may be financial and non-financial), rather than by reference to profitability alone.

We therefore support the proposed paragraph AusB80.1 requiring these entities to focus on the entity's 'operations or main activities' (rather than 'drivers of profitability').

Relief from disclosing information about management-defined performance measures (MPMs)

20. Do you agree with the proposed paragraph Aus117.1 in AASB 18? Please explain your reasons.

We support the proposed accounting policy choice to provide relief from MPM identification and disclosure for NFP public sector entities. However, we recommend the AASB clarify how the relief interacts with measures that some entities already include in the notes to the financial statements (for example Net Operating Balance used for fiscal or funding purposes). If an entity continues to present such a measure, it should not be regarded as electing to apply the MPM requirements in full (and therefore being required to identify and disclose all other potential MPMs). Without clarification, there is a risk of an unintended consequence whereby entities are deterred from continuing established, decision-useful disclosures for fear of triggering the 'whole-of-entity' MPM identification and disclosure requirements.

Cash flow classification – dividends received and interest paid and received

21. Do you agree with the proposed paragraphs Aus6.1 and Aus34D.1 in AASB 107 in respect to NFP public sector entities? Please explain your reasons.

We support retaining the existing accounting policy choice to classify dividends received and interest paid/received as operating cash flows for NFP public sector entities. This treatment is well-established in practice, aligns with GFS/budget presentation, and supports comparability between GPFS and budget papers.

Operating cash flow reconciliation

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

We support the proposed approach. Where an NFP public sector entity elects relief and does not present the 'operating profit or loss' subtotal, it is appropriate to permit reconciliation from the profit or loss total. We note some jurisdictions use alternative subtotals (e.g., net operating balance) for management and fiscal reporting purposes; the AASB may wish to consider whether any additional guidance is needed to avoid unintended friction between such practices and the reconciliation requirements.

Aggregation and disaggregation

23. Do you agree that no modifications are needed for NFP public sector 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.

We do not propose specific modifications, but we flag an implementation consideration. In some cases, 'other' can be a prescribed fiscal classification label rather than a residual/immaterial category. As AASB 18 tightens expectations around the use of 'other', the AASB may wish to monitor whether this creates practical tensions for entities required to follow prescribed fiscal classification frameworks.

A more nuanced approach when assessing any potential modification needed for NFP public sector entities with respect to aggregation and disaggregation requirements set out in AASB 18 may therefore need to be considered.

Effective date

24. Do you agree that NFP public sector entities, including governments, 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 these entities should be required to apply AASB 18?

We support the proposed application date of annual periods beginning on or after 1 January 2028 for NFP public sector entities.

Statement of changes in equity

25. Have you identified a public-sector-specific reason that would warrant an NFP public sector entity, or a government, to depart from the AASB 18 requirement to present a statement of changes in equity in their Tier 1 GPFS? If so, please explain.

We have not identified a public-sector-specific reason to depart from the requirement to present a statement of changes in equity. In practice, public sector financial statements already provide a statement detailing funding/equity movements (often linked to appropriations and contributed equity).

Whole of government and GGS financial statements

Line items to be presented in primary financial statements

26. Do you agree with the proposed paragraphs Aus23.1(b) and AusB8.1(b) in AASB 18 that a government 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 and subtotals in accordance with AASB 1049? Please explain your reasons.

We agree with this proposal given the proposed amendments relating to public sector NFP entities and the purpose of AASB 1049, together with the feedback from the FRC's Post Implementation Review of AASB 1049. Moreover, Australian Government jurisdictions have a long-standing objective and practice of consistent presentation as agreed through the Uniform Presentation Framework which aligns with the current AASB 1049 presentation.

Consistent with our comment in Question 3, to give effect to the AASB's stated intention and avoid unintended consequences in practice, we recommend the AASB clarify and strengthen the drafting in paragraph Aus23.1(b) of AASB 18. Please refer to our drafting suggestions under Question 3.

27. Do you agree with amending AASB 1049.14(f) to explain the effect of AASB 1049.13 on the application of the accounting policy choice provided in the proposed paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received? Please explain your reasons.

We agree with including the explanation as this would help preparers understand the intersection of Australian accounting standards and GFS.

28. Do you agree with updating the references to Standards and terminology in AASB 1049.14(g) and 31(a)(ii)? Please explain your reasons.

We support updating of references and terminology.

For-profit public sector entities

29. Do you consider it would be more important for the cash flow statements of for-profit public sector entities to be comparable with for-profit private sector entities or NFP public sector entities? Please explain why.

We consider comparability with for-profit private sector entities is generally more important for for-profit public sector entities as these entities operate commercially. We also note that, historically, amendments and sector-specific modifications have generally been directed to NFP sectors rather than the for-profit sector, and we therefore do not expect (or support) introducing new exceptions for for-profit public sector entities in this project.

30. Please explain how important it is for for-profit public sector entities to have consistent classification of dividend and interest transactions between the income statement and the cash flow statement (noting that the AASB has decided that these entities categorise income and expenses in accordance with AASB 18)?

We support no modification of AASB 18 and its related amendments for for-profit public sector entities. Accordingly, these entities will have consistency between the classification of dividend and interest transactions in the statement of profit or loss and the statement of cash flows.

This is aligned with the view expressed in Question 29 that for-profit public sector entities operate commercially and should generally be treated in the same way as other for-profit entities. In our view, the priority is consistent application of AASB 18 and related amendments between the for-profit public and private sectors rather than consistent classification of dividend and interest transactions between the income statement and the cash flow statement.

31. Assuming the AASB's proposals are implemented and dividends received and interest paid and received will continue to be classified as operating cash flows in the whole of government and GGS financial statements, please outline the cost and effort that would be required to adjust different cash flow classifications of for-profit public sector entities to facilitate consolidation into the whole of government financial statements and how they compare with the benefits of complying with the revised requirements of AASB 107? We consider comparability with for-profit private sector entities is generally more important for for-profit public sector entities. These entities operate commercially and are often assessed against market benchmarks (including for competitive neutrality), which is best supported by applying the same cash flow classification principles as other for-profit entities.

We expect there will be incremental effort to map and adjust classifications for consolidation where whole-of-government reporting continues to apply operating classification for interest/dividends, while for-profit public sector entities apply the revised AASB 107. However, jurisdictions already undertake mapping and supplementary data collection to align for-profit entity information into whole-of-government reporting. On that basis, we consider the incremental consolidation effort is manageable and can be weighed against the benefit of maintaining comparability of for-profit public sector entities with for-profit private sector peers under the revised AASB 107.