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

Our ref Submission - ITC 56
Contact Heng, Kim (+61 2 9455 9120)

22 January 2026

Dear Dr Kendall,

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

KPMG Australia (KPMG) is pleased to have the opportunity to respond to 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 (ITC)*.

We welcome the AASB's efforts in considering any potential impacts to AASB 1060 for new and/or revised standards namely IFRS for SMEs Accounting Standard, AASB 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

We generally support the proposals in Section 2, Topic 2, but have concerns regarding Topics 1 and 3:

- We disagree with the Board's proposed approach to assessing amendments to AASB 1060 in response to IASB changes to the IFRS for SMEs Accounting Standard. We recommend that the AASB adopt a more nuanced approach when assessing potential amendments to AASB 1060.
- The ITC analysis does not clearly indicate whether the Board has concerns with the current AASB 1060.
- It is unclear why IFRS 19 requires more extensive disclosures than IFRS for SMEs. Should the AASB decide to propose the adoption of IFRS 19, we recommend the Board clarify this apparent disparity. We recommend that the Board retain AASB 1060 and not adopt IFRS 19.

We have set out our detailed comments to select questions in Section 1, Section 2 and Section 3 in the Appendix to this letter. Where we have no response to specific questions they have not been reproduced in the Appendix.



Australian Accounting Standards Board
*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
22 January 2026*

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

Section 1 Post Implementation Review

We observed that many for-profit (FP) private sector entities transitioning from Special Purpose Financial Statements (SPFS) to General Purpose Financial Statements (GPFS) - Tier 2, i.e. to AASB 1060, used the optional transitional relief. In particular, to reduce the effort required during transition, FP private sector entities leveraged this relief to avoid presenting comparative information not previously disclosed in the notes, and from restating comparative information – particularly where consolidated financial statements were presented for the first time.

We note the AASB proposes similar optional relief for entities adopting the GPFS -Tier 3 NFP Accounting Standard (ED 335). Whilst not the objective of this ITC, given extensive use of the transition reliefs by FP private sector entities, we wanted to take this opportunity to note that we are supportive of providing similar optional relief for the GPFS-Tier 3 NFP standard and note that recent Board decisions have agreed to extend the reliefs to not only those that adopt prior to the effective date, but also to those that adopt from the effective date.

We have not provided specific comments on Topic 6 regarding disclosure of individually material items, as our detailed feedback on proposed amendments to AASB 1060 is outlined in Section 2 below.

For all other topics within Section 1 we have no response to the specific questions raised.

Section 2 Topic 1: Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard

- 1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard? If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?
- 1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1? If you disagree, with which recommendations do you disagree and what would you suggest instead?
- 1.3 Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2? If you disagree, with which recommendations do you disagree and what would you suggest instead?

We disagree with the Board's proposed approach to assessing amendments to AASB 1060 in response to IASB changes to the IFRS for SMEs Accounting Standard. AASB 1060 was developed to minimise differences with IFRS for SMEs unless justified by user relevance, consistency with Australian Accounting Standards (AAS), or cost-benefit considerations. Based on this principle, the AASB has previously exercised significant judgement when modifying disclosures to align with Australian requirements. The approach outlined in this ITC does not appear to apply similar judgement when

considering additional disclosures introduced by the revised IFRS for SMEs Accounting Standard. For example, the revised IFRS for SMEs Accounting Standard introduces:

- Maturity analysis disclosures for financial liabilities. The AASB previously considered this requirement and determined that the general disclosure provisions in paragraph 114 of AASB 1060 were adequate.
- Enhanced fair value measurement disclosures under paragraph 12, which were not included in the previous IFRS for SMEs or AASB 1060.

Although IFRS for SMEs and AASB 1060 both apply to entities without public accountability and share the same definition of public accountability, the ITC fails to justify (apart from the fact that the amendments were made to the updated IFRS for SMEs) why the AASB is revisiting decisions made when developing AASB 1060. It is also unclear whether the Board has identified any concerns with the current standard.

We recommend that the AASB adopt a nuanced approach by evaluating the appropriateness and relevance of the proposed updates in the Australian context, noting that AASB 1060 applies to both FP and NFP entities, unlike the IFRS for SMEs. In addition, the Board should undertake a cost-benefit analysis of including the proposed additional disclosures.

For example, some requirements of paragraph 12 of the updated IFRS for SMEs could be relevant to users in today's complex economic environment. Companies are regularly entering into more complex transactions such as power purchase agreements which may result in level 3 financial instruments. In those instances, disclosures on level 3 fair value measurements are likely material for users to understand significant fluctuations. In contrast, disclosures on changes in liabilities from financing activities are, in our experience, likely to be less useful to users given experience in the usefulness of these disclosures provided by entities preparing GPFS-Tier 1.

Full alignment with IFRS for SMEs should not occur without this nuanced assessment, as it would provide no additional benefit to users and also risks undermining the intent of AASB 1060 as a reduced-disclosure framework.

Section 2 Topic 2: Potential effects of AASB 18 on AASB 1060

2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?

We recommend the Board assess the impact of AASB 18 on AASB 1060 before the IASB reviews IFRS 18 for the IFRS for SMEs Accounting Standard, as IASB updates are infrequent and we support an early assessment by the AASB. In Australia there are often large groups with multiple subsidiaries preparing GPFS-Tier 2 financial statements while the parent prepares Tier 1 financial statements. Aligning presentation requirements would improve consistency and comparability across the group.

2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

We support the Board's recommendation to replace AASB 101 presentation requirements in AASB 1060 with AASB 18 classification and presentation requirements, ensuring consistent classification and presentation in primary financial statements for both Tier 1 and Tier 2 entities.

2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which approach do you prefer?

We recommend that the Board adopt Option A, incorporating all relevant classification and presentation requirements from AASB 18 into AASB 1060. This approach will:

- Ensure AASB 1060 operates as a self-contained standard by embedding all necessary presentation guidance.
- Promote consistency in the presentation of primary financial statements across Tier 1 and Tier 2 entities.

2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

(a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and

(b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

We strongly support the Board's recommendation in 2.4(a). As AASB 101 forms the foundation of AASB 1060, the corresponding requirements in AASB 18 should apply. Furthermore, we urge the Board to critically evaluate the relevance of paragraph 82(b) of AASB 18 for Tier 2 financial statement users and conduct a thorough cost-benefit analysis.

2.5 For management-defined performance measures (MPMs), should AASB 1060 include:

(a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);

(b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);

- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- (d) no disclosure requirements for MPMs?

We do not recommend disclosure requirements for MPMs for Tier 2 entities, as these entities lack public accountability and MPMs are not commonly used and are therefore less relevant.

- 2.6 Should AASB 1060 require disclosure of further information regarding:
- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

We support the Board's recommendation in 2.6, as AASB 101 underpins AASB 1060 therefore, the related AASB 18 requirements should apply.

- 2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:
- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- (b) disclosure requirements regarding MPMs; and
- (c) aggregation and disaggregation principles.
- 2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):
- (a) dividends and interest received – investing cash flows; and
- (b) dividends and interest paid – financing cash flows.
- 2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

We are not aware of any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS.

Accordingly, we recommend the AASB maintain alignment with for-profit entities. For instance, management performance measures are generally not applicable to NFP private sector entities and therefore the related disclosure requirements should not apply.

Some NFP entities operate in the same industry as FP entities, so ensuring comparability benefits both preparers and users of financial statements (e.g. aged care, social service providers).

ED 338 seeks feedback on applying AASB 18 to NFP private sector entities preparing Tier 1 general purpose financial statements and on the inclusion of Australia-specific paragraphs. While we will provide separate comments to the AASB on ED 338, the Board should also consider inclusion of these Australia-specific paragraphs for NFP private sector entities preparing GPFS-Tier 2, i.e. whether the paragraphs should also be included in AASB 1060.

2.10, 2.11, 2.13 & 2.13 If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?

We recommend granting NFP public sector entities preparing Tier 2 GPFS the same reliefs to ensure consistency to NFP public sector entities preparing Tier 1 GPFS.

Section 2 Topic 3: Disclosure requirements in IFRS 19

Overview of AASB 1060 and the IASB's Subsidiaries Standard (IFRS 19)

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

3.2 Which of the options would you prefer with respect to AASB 1060 and IFRS 19 for Tier 2 entities?

Under AASB 1060, entities are not required to claim IFRS compliance. Therefore, we do not believe Tier 2 entities need to assert compliance with IFRS 19.

We also question the relevance of certain IFRS 19 disclosure requirements in the Australian context, for example:

- Para 66: Requires reconciliation of loss allowance balances. AASB 1060 does not generally require disclosure of changes in all loss allowances.
- Para 104: Requires disclosure linking disaggregated revenue to reportable segments. AASB 1060 has no such requirement.

AASB 1060 was designed as a simplified disclosure regime to reduce complexity and compliance costs for entities without public accountability.

Under AASB 1060, entities may voluntarily disclose additional information deemed relevant to users. Therefore, mandating amendments to include IFRS 19 disclosure requirements from the IFRS for SMEs review (Table 2.3.3) appears excessive and unjustified.



Further, the example disclosures noted above are not required under IFRS for SMEs. It is unclear why IFRS 19 imposes more extensive requirements given the IASB used IFRS for SMEs as a starting point in developing IFRS 19 and applied the same principles for reducing disclosures as it used when developing the IFRS for SMEs Accounting Standard.

By retaining only AASB 1060, the AASB will be required to maintain a single standard for Tier 2 entities.

On this basis, we support option (c) to retain AASB 1060 and not adopt IFRS 19.

We recommend reassessing IFRS 19's applicability in Australia alongside the IASB's post-implementation review of IFRS 19. By that stage, we expect to have a clearer view of the extent of IFRS 19 adoption across jurisdictions, including which additional regions have implemented the standard.