

Ref: KLB

17 March 2026

Dr. Keith Kendall
Chair
Australian Accounting Standards Board
Level 14, 530 Collins Street
Melbourne VIC 3000
Via email: standard@asb.gov.au

Dear Dr Kendall

SUBMISSION – INVITATION TO COMMENT 57 AASB 2027-2031 AGENDA CONSULTATION

We appreciate the opportunity to provide comment to the Australian Accounting Standards Board (the AASB) on AASB Invitation to Comment 57 AASB 2027 – 2031 Agenda Consultation (ITC57).

Pitcher Partners is an association of independent firms operating from all major cities in Australia. Firms in the Pitcher Partners network are full service firms and we are committed to high ethical standards across all areas of our practice. Our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, government entities, not-for-profit entities and small to medium sized enterprises.

ITC57 asks for views, based on the current AASB Work Plan, on the following:

1. Which projects do you think we should continue prioritizing?
2. Are there any projects currently on our Work Plan that you believe should be discontinued?
3. Are there any projects or ideas that are currently not on our Work Plan that you believe we should begin exploring?

We agree with the need to continue to prioritise the following matters:

- Review of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* project. However, this priority should be focused around the incorporation of presentation matters introduced by AASB 18 *Presentation of Financial Statements* to bring about consistency with Tier 1 reporters rather than the introduction of international amendments to IFRS for SMEs.
- The introduction of a Tier 3 financial reporting framework for NFP private sector entities in order to assist with the transition from special purpose to general purpose financial statements for those NFPs required to prepare financial statements in accordance Accounting Standards or Australian Accounting Standards for legislative purposes.

In the area of NFP private sector entities, we do consider there are some projects that are not on the AASB Work Plan that do cause constant frustration in the sector, as follows:

1. Accounting guidance to be provided in the area of a merger of NFP entities

NFPs every so often undertake a merger with another NFP for which there is no consideration. While AASB 3 *Business Combinations* does contain special exemptions from the acquisition method for mutual entities, it is not clear whether this may be applied by analogy to a NFP entity. Practice is varied, in that some apply this exemption, recognising the net assets/liabilities of the smaller entity as an equity movement, while others take the adjustment to the profit or loss. There is no consistent approach for determining exactly what circumstances should exist before applying the mutual entity exemption.

2. Application of AASB 1058 and AASB 15 to NFP entities

Consistent with our submission on the post-implementation review of Income of Not-for-Profit Entities, we indicated that AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for Profit Entities* is confusing for NFP preparers and practitioners, open to significant judgement and as a result comparability is lacking between NFP entities. We also indicated that any substantial changes in the short-term would not be supported as it has taken some time for preparers and auditors to determine a way forward in interpreting grant funding agreements in this area. However, we do see a potential for a longer-term project to explore this further, in light of last year's issue of the world's first internationally applicable financial reporting standard for Non-Profit Organisations.

3. Accounting guidance to be provided in the area of sale and leaseback accounting for NFP entities where the payments for the lease are not at market rates.

Sale and leaseback transactions take place in the NFP sector as well as the for-profit sector. A recent (and common example) we have seen in the school's area is where a school owns land and sells this (to a related organisation) and then leases it back. However, the lease back terms are always below market terms and usually extend over a long term (40 years plus). Applying paragraphs 101 to 102 in AASB 16 *Leases* is particularly difficult, since it was written for the for-profit sector where any potential adjustment measured using 102(a) or 102(b) would be of a similar value. This is not necessarily the case with these types of long-term lease arrangements which in the school's area have lease payment amounts restricted through legislation. We believe this area should be researched and explored to provide clarity going forward to NFP private sector entities undertaking such transactions.

Relating to points 1. and 3. identified above, these are ongoing matters requiring more guidance, rather than fundamental changes to the standard, and therefore a medium-term priority may be suitable. Relating to the second point identified above, this is more likely a longer-term project which looks at the International Non-Profit Accounting Standard (not just revenue and income which would include donations, but other NFP specific areas such as narrative reporting, impairment, volunteers, etc.) and the applicability of those standards/guidance (or components of those standards/guidance) in the Australian market.

Please contact either myself or Kerry Hicks, Director – Technical Standards (02 9228 2272 or kerry.hicks@pitcher.com.au), in relation to any of the matters outlined in this submission.

Yours sincerely
PITCHER PARTNERS



K L Byrne
Partner



K Hicks
Director – Technical Standards