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To the members of the Board

We appreciate the invitation to comment on ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation. We have considered all questions but limited our response to those where we have specific views and/or opinions.

Consultation Paper Questions

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 concur with the proposal on the basis that conformity with the amended AASB 107.18(b) as it relates to the matter should be required for consistency of disclosure.

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

We concur on the basis that consistency of disclosure.

Superannuation entities

With regards to questions 3 to 11, we concur with the Boards proposals on the basis that:

- Where it is proposed that AASB 1056 will be utilised in preference to the otherwise-applicable AASB 18 requirements, it has been previously determined that the users of the financial statements of superannuation entities have different information needs to the users of other general purpose financial statements;
- Where conformity with the requirements of AASB 18 is proposed, these requirements require the application of 'best practice' whereby more useful structured summaries, or other highly useful information, is provided and described.

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.

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While it is usual for users to act in the manner described by Aus9.1, the wording utilised defines this as an absolute statement – the term ‘rather’ suggests that no users assess the financial returns on an investment in the entity. This may not be the case for not-for-profit entities that act as an investment vehicle. We note that the word ‘generally’ appears in the prior sentence, however we recommend that ‘rather’ be amended to another, less absolute word.

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.

Contextually, we agree that this additional requirement provides additional material information as it encourages the provision of financial information on specific qualitative outcomes of an entity that may otherwise be subsumed within other information applying the general principles.

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.

It is common for not-for-profit entities to receive grants or other donations that are recognised applying AASB 1058. Such income may meet the definition of revenue applying the definition contained within AASB 15 Appendix A. AASB 18.54 will potentially require that such grants, where the right to the grant is contingent upon funds being utilised in acquiring an such an asset, be recognised as within the investing category.

As an example, an entity may receive a bequest requiring the acquisition of assets that will be required to be invested in a specific manner to form a corpus for an entity; such bequests may be presented within the investing category, depending on interpretation of AASB 18.54(b).

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 concur that the modifications be applied for periods beginning on or after 1 January 2028.

NFP public sector entities, including governments

Whole of government and GGS financial statements

Such entities primarily report according to sector-defined policies, taking into account transactions that are unique to this sector. As a result, we have chosen to not provide feedback on transactions of this category.

Conclusion

Grant Thornton appreciates the opportunity to provide feedback on ED 338. We look forward to continuing to engage with the AASB in the future.

Yours sincerely

Grant Thornton Audit Pty Ltd

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