

30 January 2026

Dr Keith Kendall
Chair
Australian Accounting Standards Board
Level 20, 500 Collins Street
Melbourne, VIC 3000
Australia

Via email: standard@asb.gov.au

Dear Keith,

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

Deloitte is pleased to respond to the Australian Accounting Standards Board ('AASB' or 'Board') consultation paper 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 56" or "Consultation").

Overall, we support the Board's efforts in the removal of special purpose financial statements (SPFS) for certain for-profit private sector entities and the introduction of AASB 1060 *General Purpose Financial Statements – Simplified Disclosure for For-Profit and Not-for-Profit Tier 2 Entities*, which we believe have led to an overall improvement in financial reporting in Australia.

We have outlined our general views on the topics of the consultation below and responded to the specific questions of the consultation in the appendix.

Post implementation review of AASB 1060 and AASB 2020-2

In our opinion, financial reporting for entities that moved from special purpose financial statements (SPFS) to AASB 1060 showed improvement in consistency and comparability of information. The new framework has been welcomed for its clear minimum requirements and reduced opportunity for omission of key information.

In our experience, the transition from SPFS to AASB 1060 was in line with expectations in terms of additional effort and cost in the years of adoption, noting that the effort for some entities was significant. Particular challenges included entities consolidating for the first time, as well as disclosing information in respect of related party transactions, especially in more complicated group structures.

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Following the initial adoption effort the financial reporting environment for Tier 2 entities has stabilised. Overall, the level of disclosure in AASB 1060 is considered appropriate. Particular strengths of AASB 1060 include a meaningful reduction of disclosures compared to Tier 1, making it worthwhile to apply the framework in terms of reduced preparation cost, simpler language, and the ability to understand practically all of the disclosure requirements in a single standard.

Approach to updating and maintaining AASB 1060

We understand and acknowledge the AASB's framework for developing and maintaining AASB 1060 is to start with the *IFRS for SMEs*[®] Accounting Standard as the base. Overall, we are supportive of aligning to International Accounting Standards Board (IASB)-developed material wherever possible for reporting entities in Australia.

However, we think it is important to cause as little disruption to financial reporting for Tier 2 entities as possible, particularly given the challenges these (generally smaller) entities will face in adopting mandatory climate reporting in the coming years. We also believe that, following significant changes to their financial reporting in recent years due to the removal of SPFS and introduction of AASB 1060, Tier 2 entities should be afforded a period of stability in their financial reporting.

For those reasons, we recommend that the principles proposed in the ITC in respect of updating AASB 1060 for the amendments to the *IFRS for SMEs* Accounting Standard be reconsidered for the following two circumstances:

- Firstly, where disclosures have changed in the *IFRS for SMEs* Accounting Standard as a result of aligning the recognition and measurement (R&M) requirements with full IFRS[®] Accounting Standards. This includes, for example, the revised disclosure requirements for business combinations, fair value measurement, financial instruments and revenue, among others

For these changes, the AASB has already considered and developed appropriate disclosures requirements for the Australian environment based on the R&M requirements that the *IFRS for SMEs* Accounting Standard has now been updated for. Although we appreciate and share the desire to align to IASB-developed requirements wherever possible, we are concerned that the potential costs of making disclosure changes where no substantive R&M changes have occurred for Australian Tier 2 entities could outweigh the benefits of the changes to users. We also note that the updates to the *IFRS for SMEs* Accounting Standard have generally added more disclosures on the same R&M topics when compared to AASB 1060

- Secondly, where amendments have been made to the *IFRS for SMEs* Accounting Standard for disclosure requirements that the AASB specifically considered in the development of AASB 1060 but decided not to incorporate. For example, this includes the disclosure for changes in liabilities arising from financing activities in paragraph 7.19A of the *IFRS for SMEs* Accounting Standard and the maturity analysis for financial instruments in paragraphs 11.43-11.43B of the *IFRS for SMEs* Accounting Standard, among others. In these cases, we recommend the AASB undertake a more thorough

consideration of whether the IASB's decision provides new evidence that justifies a change to previous decisions made in developing AASB 1060.

We hold concern that continuing to align to the *IFRS for SMEs Accounting Standards* as a baseline has the potential to cause changes to the framework which the AASB previously considered unnecessary to the Australian environment, or for requirements that the AASB has already developed for existing R&M requirements. This creates the potential to cause ongoing volatility in respect of the disclosure requirements for Tier 2 entities without observable user or regulatory benefit. Given R&M changes are made to accounting standards on an ongoing basis, corresponding disclosure requirements should also be maintained on an ongoing basis. Consequently, it may prove impractical to continue aligning to the *IFRS for SMEs* that is only updated periodically, generally some time after R&M changes are made.

However, we encourage the AASB to consider how the IASB's process to maintain IFRS 19 can be used in maintaining AASB 1060, noting that the objectives in determining the appropriate disclosure requirements in IFRS 19 *Subsidiaries without Public Accountability: Disclosures* are generally aligned with the principles for determining disclosure requirements in AASB 1060.

Incorporation of AASB 18 Presentation and Disclosure in Financial Statements

Consistency of presentation is important to ensure understandability and comparability of financial reporting regardless of the tier of reporting adopted by a reporting entity. For this reason, we support the incorporation of AASB 18's presentation requirements within AASB 1060.

Adoption of IFRS 19 Subsidiaries without Public Accountability: Disclosures

Consistent with our views above in respect of the *IFRS for SMEs Accounting Standards*, we are concerned that the disclosure requirements in IFRS 19 would be onerous for Tier 2 entities compared to AASB 1060 when compared to the same R&M topics (and related disclosures). We are also concerned that this would be an unnecessarily significant change for Tier 2 entities so soon after adopting AASB 1060, and whilst also implementing mandatory climate reporting in Australia.

However, we recommend the AASB adopt the standard as a voluntarily alternate Tier 2 framework in Australia, ensuring any subsidiaries that are SMEs have the ability to claim compliance with IFRS Accounting Standards (including IFRS 19) if they wish to do so.

Our detailed comments on the questions raised in the ITC are further outlined in the Appendix.

Please contact me at cwarden@deloitte.com.au if you wish to discuss any of our comments.

Yours sincerely



Carol Warden
Partner

Appendix – Responses to the specific AASB questions for respondents in ITC 56

Topic	AASB questions	Responses to specific questions
SECTION 1: POST-IMPLEMENTATION REVIEW OF AASB 1060 AND AASB 2020-2		
Topic 1	<p>1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:</p> <ul style="list-style-type: none"> a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved? b) Were the costs of preparing GPFS for the first time broadly in line with expectations? c) Are the ongoing costs of preparing GPFS broadly in line with expectations? <p>In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>In our view the overall objective of AASB 2020-2 has been met.</p> <p>This is particularly so in respect of the consistency and comparability of disclosures, given many companies had previously complied with the recognition and measurement requirements of accounting standards. Consistency in respect of ultimate Australian parents preparing consolidated financial statements has also improved the transparency of financial reporting for Tier 2 entities.</p> <p>Costs of implementation varied on an entity-by-entity basis. For less complex entities where consolidation was not required, costs of implementation were relatively limited to collating information for additional disclosures. We note that this did add time and effort for both preparation and auditing the information, however not in excess of expectations.</p> <p>For more complex entities, in some cases the one-off costs were significant, particularly for:</p> <ul style="list-style-type: none"> • Preparing first-time consolidations, particularly in groups with complicated corporate structures • Collating necessary data for new disclosure requirements • In some cases, engaging external consultants where necessary. <p>However, the significant costs were for the most part “one-off” in nature. On an ongoing basis the uplift in consolidation and disclosure has become “business-as-usual”, albeit some increased costs have arisen on an ongoing basis to collate additional information and have it audited.</p>

Topic	AASB questions	Responses to specific questions
		<p>In our view the increased costs were in line with expectations in the majority of cases.</p>
Topic 2	<p>2. Regarding AASB 1060, please provide your views on the following matters:</p> <ul style="list-style-type: none"> a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS? b) Were the costs of applying the Standard for the first time broadly in line with expectations? c) Are the ongoing costs of applying the Standard broadly in line with expectations? <p>In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>In our experience AASB 1060 has been well received, in particular in respect of:</p> <ul style="list-style-type: none"> • The extent of disclosures reduced as compared to the Tier 1 framework • Being able to reference practically all disclosure requirements in a single standard • The simpler language used throughout the standard. <p>Although we have not obtained views from users of financial statements on whether AASB 1060 is meeting their needs, we are not aware of our clients having widespread requests for additional information from their primary users.</p> <p>Given the transition from the Reduced Disclosure Requirements (RDR) framework to AASB 1060 was primarily the removal of disclosures, in our view the costs were broadly in line with expectations. For the most part costs related to understanding the new framework and performing an analysis of what could be removed, and whether any additional disclosures were needed.</p>
Topic 3	<p>3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:</p> <ul style="list-style-type: none"> a) Was any of the optional transition relief used? b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition 	<p>In our experience the use of optional transition relief was limited. This was largely due to many entities waiting until the mandatory application date to transition and consequently being unable to access the core transitional relief relating to comparative information. However, in some cases early adoption was elected, in which cases we observed reduced effort from restating comparative information.</p>

Topic	AASB questions	Responses to specific questions
	<p>requirements in future standard-setting projects?</p> <p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>If seeking to reduce adoption effort further, the board should consider providing relief at the mandatory application date in addition to early adoption.</p>
Topic 4	<p>4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:</p> <p>a) Was the optional transition relief used?</p> <p>b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?</p> <p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>We did not observe many Tier 1 or RDR reporting entities early adopting AASB 1060. Consequently, we do not have detailed comments on Topic 4.</p>
Topic 5	<p>5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?</p> <p>6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?</p> <p>7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?</p>	<p>Educational initiatives advanced awareness and baseline understanding of the removal of SPFS and supported the transition to GPFS among affected entities.</p> <p>Publications which explain the key differences between current and amended reporting requirements were useful to entities. In particular, shortform documents such as the <i>Key Facts</i> documents prepared by AASB staff, were useful for entities to understand quickly what disclosures could be removed, or what disclosures needed to be added.</p>

Topic	AASB questions	Responses to specific questions
	<p>Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.</p>	<p>Given many Tier 2 entities have limited resources to dedicate to major changes in accounting standards, other resources that may have been well utilised would have included checklists of specific disclosures removed or added when transitioning between tiers (including SPFS to AASB 1060, RDR to AASB 1060 or Tier 1 to AASB 1060).</p>
Topic 6	<p>8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?</p> <p>9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?</p> <p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>The lack of a specific disclosure requirement for individually material items in AASB 1060 has not produced concerning outcomes in our experience. Generally, entities disclose line items appropriately and in most cases elect to report material items of income and expense separately, and include adequate disclosure to provide users with an understanding of the amounts.</p> <p>Notwithstanding the above, we believe it would be useful to add this requirement to AASB 1060 to ensure material information is always provided. Including the requirement in the standard itself ensures consistency and enforceability of the requirement.</p>
Topic 7	<p>10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?</p> <p>Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.</p> <p>Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in</p>	<p>We are supportive of the current disclosure requirements in AASB 1060 and believe they are adequate and practical in their application. AASB 1060 reduces preparer effort where complexity is low, compared to full IFRS Accounting Standards, noting that in many cases there are limited users of the financial statements.</p> <p>Upon initial application of AASB 1060 there was some judgement and question regarding how much information (and what information) was required to meet some disclosure requirements. For example, the requirements in paragraphs 114 and 115 in respect of financial instruments. However, such questions appear to have resolved after initial application of AASB 1060.</p>

Topic	AASB questions	Responses to specific questions
	<p>Section 2:</p> <ul style="list-style-type: none"> • Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060 • Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060 • Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060. 	<p>An area of improvement could include the consistency in whether comparative movement schedules are required – whilst comparative movement schedules are not required for certain items, such as property, plant and equipment and intangibles, the standard does require a comparative movement schedule for other movement schedules, such as deferred tax. Although we understand the basis for the above points (being alignment with the <i>IFRS for SMEs Accounting Standard</i>), these could be subject to reconsideration as part of updating AASB 1060, including the clarifying the underlying principle as to when comparative information is or is not considered useful for Tier 2 entities.</p>
Topic 8	<p>11. Do you have any comments about the AASB’s current approach to maintaining AASB 1060, including the frequency and timing of updates?</p> <p>Please explain the reasons for your view.</p>	<p>We are supportive of the current frequency and timing of updates.</p> <p>The current approach aligns changes to disclosures with any changes to the related recognition and measurement, which is important. It is also useful that Tier 1 and Tier 2 reporters implement any changes at the same time, bringing efficiencies in education initiatives and general understanding of any changes in the market.</p> <p>In addition to the current approach, the way that the IASB maintains IFRS 19 will be relevant to the AASB when maintaining AASB 1060. Given the principles to determining disclosure requirements in IFRS 19 are very similar to AASB 1060, we would support the AASB starting with the IASB’s proposals for IFRS 19 as a starting point.</p> <p>However, as we acknowledge in our later comments, it appears that the IASB has generally tended to include more disclosure requirements in IFRS 19 than the AASB on similar topics when it</p>

Topic	AASB questions	Responses to specific questions
		<p>developed AASB 1060 (for example, revenue recognition and fair value measurement).</p> <p>We therefore recommend the AASB update its approach to standard-setting taking into account how it will consider IFRS 19. This might include:</p> <ul style="list-style-type: none"> • When exposing IASB Exposure Drafts in Australia, including a specific matter for comment on whether the proposals to amend IFRS 19 would be considered appropriate for AASB 1060 • Developing principles on additional considerations the AASB would make that would warrant a departure from the IASB’s proposals for IFRS 19. This might include simplifying language compared to the full IFRS Accounting Standards disclosures, or additional cost-benefit considerations.
Topic 9	<p>12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?</p> <p>13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?</p> <p>14. Are the requirements in the best interests of the Australian economy?</p> <p>15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?</p> <p>If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues</p>	<p>We are not aware of any regulatory or other issues arising that adversely impact the application of AASB 1060 and AASB 2020-2.</p> <p>We did not encounter major auditing or assurance challenges. In some instances there were challenges in auditing first-time consolidations, particularly comparative information that had not previously been subject to audit, but we don’t consider this to be a matter that requires the attention of the AASB.</p> <p>We are not aware of any other matters that AASB should be aware of.</p>

Topic	AASB questions	Responses to specific questions
	<p>or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.</p>	
SECTION 2: AASB 1060 UPDATE		
Topic 1	<p>1.1 Do you agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)? If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?</p> <p>1.2 Do you agree with the AASB’s recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)? If you disagree, with which recommendations do you disagree and what would you suggest instead?</p> <p>1.3 Do you agree with the AASB’s recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)? If you disagree, with which recommendations do you disagree and what would you suggest instead?</p>	<p>We understand and acknowledge the AASB’s framework for developing and maintaining AASB 1060 is to start with the <i>IFRS for SMEs Accounting Standard</i> as the base.</p> <p>We generally agree with the principles proposed in the ITC in respect of updating AASB 1060 for the amendments to the <i>IFRS for SMEs Accounting Standard</i>. However, there are two areas in which we believe further consideration should be given by the AASB:</p> <ul style="list-style-type: none"> • Firstly, where disclosures have changed in the <i>IFRS for SMEs Accounting Standard</i> as a result of aligning the R&M requirements with full IFRS Accounting Standards. Examples include business combinations, fair value measurement, financial instruments and revenue which have all been revised to align to modern IFRS standards. In our view these changes should be considered a circumstance where “equivalent amendments have already been made based on previous amendments to the full IFRS Accounting Standards and AAS”, as envisaged in subparagraph (e) on page 36 of ITC 56, and consequently not be subject to change or alignment. <p>For these changes, the AASB has already considered and developed appropriate disclosures requirements for the Australian environment based on the R&M requirements that the <i>IFRS for SMEs Accounting Standard</i> now requires. Although we appreciate and share the desire to align to IASB-developed requirements wherever possible, we are</p>

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		<p>concerned that the potential costs of making disclosure changes where no substantive R&M changes have occurred could outweigh the benefits of the changes to users.</p> <p>Although we acknowledge that in some cases the changes are minimal and limited to specific wording used in the disclosure requirements, the resources needed to consider changes in wording and whether they should result in changes to disclosure should not be underestimated. We are concerned that making these changes would undermine the benefits of AASB 1060, particularly its simplicity and understandability from a preparer’s perspective.</p> <p>We also think the precedent set is important for future changes to IFRS Accounting Standards (and corresponding changes to the Australian Accounting Standards R&M). In light of earlier comments that AASB 1060 should continue to be maintained as R&M changes are made, in our view it would be impracticable to then subsequently update those disclosures as and when the <i>IFRS for SMEs Accounting Standard</i> aligns its requirements IFRS Accounting Standard, possibly many years later.</p> <ul style="list-style-type: none"> • Secondly, where amendments have been made to the <i>IFRS for SMEs Accounting Standard</i> for disclosure requirements that the AASB specifically considered in the development of AASB 1060 but decided not to incorporate. For example, this includes the disclosure for changes in liabilities arising from financing activities in

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		<p>paragraph 7.19A of the <i>IFRS for SMEs Accounting Standard</i> and the maturity analysis for financial instruments in paragraphs 11.43-11.43B of the <i>IFRS for SMEs Accounting Standard</i>, among others. In these cases, we recommend the AASB undertake a more thorough consideration of whether the IASB's decision provides new evidence that the AASB believes justifies a change to previous decisions it has made. These might include, for example, new evidence that the IASB received from users of SME financial statements that the AASB had not necessarily considered in its own decision making.</p> <p>Although we acknowledge the principle of AASB 1060 is that it aligns to the <i>IFRS for SMEs Accounting Standard</i> as a base, with the benefit of hindsight this principle appears to only have been practical in the original development of AASB 1060. We are concerned that continuing to maintain this principle as the baseline has the potential to cause changes to the framework which the AASB previously considered unnecessary to the Australian environment, or for requirements that the AASB has already developed for existing R&M requirements.</p> <p>Instead, we think that the AASB should consider revising its principle to only considering and aligning to the <i>IFRS for SMEs Accounting Standard</i> for disclosure changes that were not considered by the AASB in the development of AASB 1060 or in an amendment to AASB 1060 as a result of a new IFRS Accounting Standard.</p> <p>In relation to the proposed amendments, we have included some more specific commentary in the table below.</p>

Topic	AASB questions	Responses to specific questions	
		2025 IFRS for SMEs Accounting Standard	Our recommendations for amending AASB 1060
		Financial Statement Presentation	Changes to presentation requirements should be considered as part of aligning to AASB 18. Consequently, we do not support paragraph 3.15A being incorporated.
		Statement of Changes in Equity and Statement of Income and Retained Earnings	We support the AASB proposing to amend AASB 1060 for this requirement given it has not been specifically considered by the AASB before.
		Statement of Cash Flows	We are not aware of sufficient evidence that would justify including the reconciliation taking into account that the AASB considered but rejected including this disclosure requirement in developing AASB 1060.
		Consolidated and Separate Financial Statements	We do not consider there are sufficient changes to R&M requirements to justify re-considering the disclosure requirements developed by the AASB in AASB 1060 without obtaining further evidence justifying such a change.

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		Financial Instruments: Analysis of the age	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060.
		Financial Instruments: Maturity analysis	
		Financial Instruments: Time bands	
		Fair Value Measurement: 12.1	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060.
		Fair Value Measurement: 12.2	
		Fair Value Measurement: 12.28	
		Fair Value Measurement: 12.29	
		Fair Value Measurement: 12.30	
		Fair Value Measurement: 12.31	
		Fair Value Measurement: 12.32	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement
		Business Combinations and Goodwill	
		For reporting periods after the acquisition date	

Topic	AASB questions	Responses to specific questions	
			developed by the AASB in AASB 1060.
		Revenue from Contracts with Customers	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060.
		Employee Benefits	We support the AASB proposing to amend AASB 1060 for this requirement given it has not been specifically considered by the AASB before.
		Foreign Currency Translation	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060. We note that proposing this change appears to conflict with the proposed approach that “the

Topic	AASB questions	Responses to specific questions	
			<p>AASB proposes to amend AASB 1060 to align with the IFRS for SMEs Accounting Standard, <i>unless equivalent amendments have already been made based on previous amendments to the full IFRS Accounting Standards and AAS</i>” (emphasis added).</p>
		<p>Related Party Disclosures</p>	<p>We support the AASB proposing to update AASB 1060 for this amendment given it has not been previously specifically considered by the AASB.</p>
		<p>Specialised Activities</p>	<p>We support the AASB proposing to update AASB 1060 for this amendment. We don’t anticipate it would result in a significant change in practice.</p>
		<p>We agree with the substantive amendments to the <i>IFRS for SMEs</i> Accounting Standard for which the AASB has not recommended amending AASB 1060 for the reasons set out in the ITC.</p>	
<p>Topic 2</p>	<p>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? If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for</p>	<p>Yes, the AASB should consider the impact of AASB 18 on AASB 1060 prior to the IASB considering the suitability of IFRS 18 in the <i>IFRS for SMEs</i> Accounting Standard. We believe there should be continued alignment in the primary financial statements between Tier 1 and Tier 2 entities, and consequently</p>	

Topic	AASB questions	Responses to specific questions
	<p>Topic 2. If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.</p> <p>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? If you disagree, with which aspects do you disagree and what would you suggest instead?</p> <p>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 of the following approaches do you prefer?</p> <ul style="list-style-type: none"> • Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance). • Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation 	<p>supporti replace the existing presentation requirements in AASB 1060. Alignment of presentation enhances understandability and comparability by users of financial statements.</p> <p>Although it would be ideal for the amendments to be adopted concurrently by Tier 1 and Tier 2 entities, we are concerned that there would be insufficient time for the AASB to develop an exposure draft and finalise the amendments to AASB 1060 with sufficient time for Tier 2 entities to adopt them. However, we encourage the AASB to prioritise this project to allow early adoption by those that wish to do so, such as subsidiaries of global groups.</p> <p>In respect of the approach to take, Option A is preferred on the basis that it is helpful for Tier 2 preparers for all presentation disclosure requirements to be included in a single standard. Although we acknowledge that this could increase the length of the standard overall, it would be more useful than needing to reference across multiple standards for a fundamental issue such as presentation. For the same reason we also consider it would be helpful to include Appendix B of AASB 18 as an Appendix to AASB 1060. In our experience to date with AASB 18, the guidance in the Appendices is often fundamental to understanding the requirements of AASB 18.</p> <p>In our view the aggregation/disaggregation criteria should also be included in AASB 1060 – in our view this guidance is relevant in achieving consistent primary financial statement presentation between tiers.</p> <p>For the additional disclosures on expenses by nature in paragraphs 83-85 and 82(b) of AASB 18, we are not aware of a</p>

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	<p>requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.</p> <p>Please provide the reasons for your preference.</p> <p>2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:</p> <ul style="list-style-type: none"> 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)? <p>Please provide the reasons for your view.</p> <p>2.5 For management-defined performance measures (MPMs), should AASB 1060 include:</p> <ul style="list-style-type: none"> 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 	<p>need for this additional information, acknowledging that the similar requirements for AASB 101 have not been included in AASB 1060 to date. Although we acknowledge that such information can be useful for the reasons set out in ITC 56, similar to other comments we consider adding new requirements to AASB 1060 should be limited where they have not been considered necessary in previous deliberations.</p> <p>In respect of MPMs, we note that it is less common for Tier 2 entities to disclose MPMs in public communications outside the annual report. However, Tier 2 entities will sometimes include MPMs within their annual reporting suite, such as within the Directors Report or the Operating and Financial Review.</p> <p>In circumstances where MPMs are used by Tier 2 entities, we consider that users of their financial statements would find the disclosure requirements in AASB 18 useful to understand them, particularly given MPMs are used to explain an entity’s financial performance. MPMs being disclosed within the financial statements would also mean that the disclosures are subject to audit, which is generally preferred by users of the financial statements.</p> <p>However, we note that much of the information required to be disclosed is also required by ASIC’s Regulatory Guide 230 <i>Disclosing non-IFRS financial information</i>. Consequently, disclosing information about MPMs under both AASB 1060 and RG 230 could become onerous. Therefore, whether or not to include the MPM disclosure requirements should, in our view, depend on whether and how ASIC updates RG 230 in response to AASB 18.</p>

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	<p>MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or</p> <p>d) no disclosure requirements for MPMs? Please provide the reasons for your view.</p> <p>If you support only some disclosure requirements, please identify which disclosures should be required and why.</p> <p>2.6 Should AASB 1060 require disclosure of further information regarding:</p> <ul style="list-style-type: none"> 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)? <p>Please provide the reasons for your view.</p>	<p>If RG 230 is not updated, although it would be preferential to have the information on MPMs subject to audit, we would be more supportive of excluding the MPM requirements from AASB 1060 on cost-benefit grounds.</p>
Topic 2	<p>Questions regarding NFP private sector entities preparing Tier 2 GPFS</p> <p>2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:</p> <ul style="list-style-type: none"> 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. 	<p>We are not aware of any matters specific to NFP public sector Tier 2 entities that would warrant amendments to AASB 18 for these entities for any of the matters set out in Topic 2.</p> <p>Consistent with our comments above, overall we are supportive of aligning the presentation requirements across tiers to ensure consistency and understandability of the primary financial statements.</p>

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	<p>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):</p> <ul style="list-style-type: none"> a) dividends and interest received – investing cash flows; and b) dividends and interest paid – financing cash flows. <p>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.</p>	
Topic 2	<p>2.10 A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:</p> <ul style="list-style-type: none"> a) for the statement of profit or loss, these entities would not be required to: <ul style="list-style-type: none"> (i) apply paragraphs 47(a)–(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories; (ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or (iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of 	<p>We are not aware of any matters specific to NFP private sector Tier 2 entities that would warrant amendments to AASB 18 for these entities for any of the matters set out in Topic 2. We support any reliefs provided to Tier 1 NFP public sector entities also being available to Tier 2 NFP public sector entities.</p> <p>Consistent with our comments above, overall we are supportive of aligning the presentation requirements across tiers to ensure consistency and understandability of the primary financial statements.</p> <p>Note that we will respond to the specific matters for comment in ED 338 <i>Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation</i> separately in response to that consultation.</p>

Topic	AASB questions	Responses to specific questions
	<p>expenses in order to present the most useful structured summary of the expenses; and</p> <p>b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received. 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? Please provide the reasons for your view.</p> <p>2.11 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18. If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?</p> <p>Please provide the reasons for your view.</p> <p>2.12 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the ‘profit or loss’ total as the starting point for the indirect method of reporting cash flows from operating activities.</p> <p>If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief? Please provide the reasons for your view.</p> <p>2.13 The forthcoming Exposure Draft for NFP public sector</p>	

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	<p>entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:</p> <ul style="list-style-type: none"> a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24–B26 of AASB 18); 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)? <p>Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?</p> <p>Please provide the reasons for your view.</p>	
Topic 3	<p>3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?</p> <p>Please explain your view.</p> <p>3.2 Which of the following options would you prefer:</p> <ul style="list-style-type: none"> a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities; 	<p>Our view is that AASB 1060, having only recently been adopted, has been well received and achieved its objectives. Adopting IFRS 19 risks increasing costs without proportionate benefits to Tier 2 entities and users of the financial reports. Consequently, we don't support replacing the Tier 2 framework with IFRS 19 in its entirety.</p> <p>Although it would be desirable to fully align to an IFRS-based framework, we are concerned that the additional disclosures in IFRS 19, as illustrated in the tables to ITC 56, would add too many additional disclosures for AASB 1060 to be able to continue to</p>

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	<p>b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;</p> <p>c) retain AASB 1060 and do not adopt IFRS 19 at all;</p> <p>d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or</p> <p>e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.</p> <p>Please provide the reasons for your preference.</p> <p>3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.</p>	<p>meet its objectives. In particular, the step up in disclosures for financial instruments, fair value measurement, revenue, impairment of assets and similar would risk bringing the Tier 2 framework in Australia much closer to the disclosure requirements of the Tier 1 framework. We are concerned that such a change would lead to feedback that there are too many disclosure requirements in the Tier 2 framework, similar to feedback received by the Board through the RDR framework's post-implementation review and the proposed revisions in ED 277 <i>Reduced Disclosure Requirements for Tier 2 Entities</i> (as noted in the BCs to AASB 1060).</p> <p>We also note the scoping differences between AASB 1060 and IFRS 19. The IASB has developed the requirements of IFRS 19 for subsidiaries of IFRS reporters, which poses challenges for adoption of the standard in Australia, including:</p> <ul style="list-style-type: none"> • Whether it is reasonable to assume that what is appropriate for subsidiaries of an IFRS reporter is also appropriate for an entity that is not a subsidiary. For example, it is reasonable to assume that subsidiaries that are SMEs may have access to greater resources via their parent reporting under IFRS Accounting Standards compared to other Tier 2 entities. • If adopting IFRS 19, prima facie it would not be applicable to a large population of Tier 2 reporters in Australia without expansion of its scope. <p>Our comments are also made in recognition of the major change that many Tier 2 entities have made in recent years to step up from SPFS and in acknowledgment that significant resources of these entities will be focussed on mandatory climate reporting over coming years.</p>

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		<p>However, in our view it's important that Tier 2 entities have the ability to claim compliance with IFRS 19 if they wish to. We anticipate that this might be the case for global IFRS preparers that wish for the global subsidiaries to align to the IFRS 19 framework. We are also aware that in some instances financial reporting teams are located entirely overseas, meaning that preparers of financial statements might be unfamiliar with the Australian-specific requirements of AASB 1060, making the availability of IFRS 19 desirable.</p> <p>Given the above, we would support Option C, to adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or a AASB Accounting Standard incorporating IFRS 19.</p> <p>However, in our view AASB 1060 should be maintained as the "default" Tier 2 framework, and we expect that the large majority of reporters would continue to report under AASB 1060. We would also encourage the AASB to have clear guidance explaining the differences between Tier 1, AASB 1060 and IFRS 19 so that preparers are able to easily navigate the various disclosure requirements.</p> <p>It would also be useful for the AASB to develop educational materials to demonstrate what additional disclosure would be necessary for an entity to claim compliance with IFRS 19 compared to the disclosure requirements of AASB 1060.</p>