

Ref: KLB

18 December 2025

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

Dear Dr Kendall

SUBMISSION – INVITATION TO COMMENT 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

We appreciate the opportunity to provide comment to the Australian Accounting Standards Board (the AASB) on AASB Invitation to Comment 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 (ITC56).

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.

We consider that AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* have met their intended objectives of efficiency and effectiveness. We believe that AASB 1060 strikes an appropriate balance between meeting user needs and the costs for entities preparing Tier 2 GPFS.

Whilst we support the current maintenance process of AASB 1060, with the updated *IFRS for SMEs Accounting Standard* being made available internationally, we consider that some of the additional disclosures in *IFRS for SMEs* are excessive. In our view these do not represent a significant benefit for users over and above compliance costs involved in their adoption, so we request the AASB to carefully consider the cost/benefit of each additional disclosure and make conclusions consistently with the rationale adopted when developing AASB 1060 for the Australian market.

Further, we strongly support the adoption of certain aspects of AASB 18 *Presentation and Disclosure in Financial Statements* within AASB 1060 regarding classification and presentation in order for Tier 1 and Tier 2 to be consistent in this regard.

Finally, given our support for AASB 1060, we do not support the adoption of IFRS 19 *Subsidiaries without Public Accountability* in Australia.

Our detailed responses to the questions contained in ITC56 are attached to this letter.

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

SECTION 1: POST-IMPLEMENTATION REVIEW

Topic 1 – Overall Objective and assessment of AASB 2020-2

1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:
 - 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?

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.

Response:

We agree that the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities has been achieved. However, this was not without considerable cost for some entities on transition.

Some private companies, that had never previously consolidated, found the time and effort involved in transitioning to general purpose financial statements, from special purpose financial statements, excessive as it they did not believe there were users of the consolidated general purpose financial statements.

The ongoing costs of preparing general purpose financial statements are broadly in line with expectations.

SECTION 1: POST-IMPLEMENTATION REVIEW

Topic 2 – Overall objective and assessment of AASB 1060

2. Regarding AASB 1060, please provide your views on the following matters:
- 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?

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.

Response:

Overall, AASB 1060 has met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 general purpose financial statements and we do consider it an improvement on the previous Reduced Disclosure Regime (RDR).

The costs of applying AASB 1060 varied, depending on what type of financial statements, and what accounting policies the entity had previously adopted. For example, the costs of moving from RDR to AASB 1060 were negligible. However, as discussed in our response to Question 1, the requirement to consolidate for the first time when applying AASB 1060 was often found to be excessive.

Ongoing costs of applying AASB 1060 are broadly in line with expectations.

SECTION 1: POST-IMPLEMENTATION REVIEW**Topic 3 - Transition relief for FP private sector entities transitioning from SPFS to AASB 1060**

3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:
- 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 requirements in future standard-setting projects?

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.

Response:

A very small minority of our for-profit client base did use the optional transition relief of:

- Not presenting comparative information not previously disclosed when early adopting AASB 1060; and/or
- Not restating comparative information if it applied AASB 1 when early adopting AASB 1060; and/or
- The requirement to not distinguish between corrections of errors and changes in accounting policies if the entity became aware of errors in its most recent SPFS.

Whilst the transition relief did reduce the effort required during transition, we do not consider that the relief regarding comparatives should have been limited to the early adoption of AASB 1060.

Early adoption of accounting standards is not common practice by Australian entities and the transition options noted above were not a big enough incentive for entities to change their financial statements one year earlier than mandatorily required. Therefore, the bulk of companies adopted the standard at the mandatory date and had to prepare both prior year and current year numbers and disclosures complying with AASB 1060. This was a big transition cost for certain entities, as previously indicated, particularly those preparing consolidated financial statements for the first time.

SECTION 1: POST-IMPLEMENTATION REVIEW

Topic 4 – Transition relief for entities transitioning from GPFS to AASB 1060

4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:
- a) Was 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 requirements in future standard-setting projects?

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.

Response:

No, we do not believe this optional transition relief was used by our client base.

This was because, any time and cost savings were not significant as RDR generally had more disclosures than AASB 1060 and there were few new disclosures in AASB 1060 for which comparative relief could be obtained.

Further, as discussed in Question 3, early adoption of accounting standards is not common practice by Australian entities and the transition option noted above was not a big enough incentive for entities to change their financial statements one year earlier than mandatorily required.

Topic 5 – Educational materials

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?
6. In relation to *AASB 1060*, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

Response:

Yes, we are supportive of the AASB education initiatives regarding this topic, and the AASB staff were helpful when certain queries arose which needed further explanation.

Because AASB 1 featured so heavily in transition and it had been a long time since AASB 1 was regularly applied in Australia – some re-education on this topic as it applied to AASB 1060 and the removal of SPFS would have been helpful.

SECTION 1: POST-IMPLEMENTATION REVIEW**Topic 6 – Disclosure of individually material items**

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?
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?

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.

Response:

No, we do not 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 preparing or using Tier 2 general purpose financial statements. The broader requirement in the standard in paragraph 91(c) is generally sufficient to encourage clients to provide more disclosure in this area.

No, we do not think the AASB should add an explicit disclosure requirement to AASB 1060 in this regard, particularly if the AASB is going ahead to incorporate AASB 18 into AASB 1060, including the classification, presentation, aggregation and disaggregation principles.

We can appreciate that some may prefer to see an explicit requirement, however we would not want to see a disclosure in AASB 1060 that was over and above the Tier 1 disclosure requirements.

SECTION 1: POST-IMPLEMENTATION REVIEW

Topic 7 – Adequacy of disclosure requirements

10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?

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.

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 Section 2:

- 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.

Response:

There are some disclosures within AASB 1060 that owners of private companies consider sensitive in nature and therefore they consider that the costs outweigh any benefits – such as key management personnel disclosures where there is a small number of KMP, related party disclosures for proprietary companies and business combination disclosures involving a family company acquiring another family company.

Further, we fail to see the relevance of the future lease commitments disclosure, when the lease liability is already recognised in the statement of financial position and this is not a disclosure requirement for Tier 1 general purpose financial statements.

Our overall view of the proposed amendments to AASB 1060 as outlined in Section 2 of the ITC is that the disclosures arising from the updated *IFRS for SMEs Accounting Standard* seem excessive and move AASB 1060 closer to Tier 1 general purpose financial statements. In our view, they do not represent a significant benefit for users over and above the compliance costs involved in their adoption, so we request the AASB to carefully consider the cost/benefit of each amendment. Such additional proposed disclosures only add to our concerns raised above. See further our comments in Section 2 on these proposals.

However, we support the proposal to amend AASB 1060 to align with certain requirements of AASB 18, and we have commented specifically in Section 2 about these proposals.

SECTION 1: POST-IMPLEMENTATION REVIEW

Topic 8 – Maintaining AASB 1060

11. Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?

Please explain the reasons for your view.

Response:

Yes, we support the AASB's current approach to maintaining AASB 1060. Whilst we appreciate this means frequent updating of AASB 1060 – generally these updates are quite narrow and applicable in limited circumstances.

Topic 9 – Other Matters

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?

13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?

14. Are the requirements in the best interests of the Australian economy?

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?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Response:

We have no further matters to be considered as it relates to the post-implementation review of AASB 1060 and AASB 2020-5.

SECTION 2: AASB 1060 UPDATE

Topic 1 – Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard
--

<p>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 <i>IFRS for SMEs Accounting Standard</i>?</p>

<p>If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?</p>
--

Response:

Yes, we agree 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*.

<p>1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1?</p>
--

<p>If you disagree, with which recommendations do you disagree and what would you suggest instead?</p>
--

Response:

Our overall view of the proposed amendments to AASB 1060 as outlined in Section 2 of the ITC is that the disclosures arising from the updated *IFRS for SMEs Accounting Standard* seem excessive and move AASB 1060 closer to Tier 1 general purpose financial statements. In our view, they do not represent a significant benefit for users over and above the compliance costs involved in their adoption, so we request the AASB to carefully consider the cost/benefit of each amendment.

Of main concern to us are the proposals to include requirements to disclose:

- (a) changes in liabilities arising from financing activities (*IFRS for SMEs* paragraph 7.19A);
- (b) analysis of the age, by reference to due date, of trade receivables and other financial assets measured at amortised cost (*IFRS for SMEs* paragraph 11.43);
- (c) details of fair value measurements (*IFRS for SMEs* paragraphs 12.28 to 12.32);
- (d) contingent consideration arrangements for business combinations (*IFRS for SMEs* paragraphs 19.38(e)(i) to (iii) and 19.41); and
- (e) information regarding revenue from contracts with customers (*IFRS for SMEs* paragraphs 23.83 to 85 and 88 to 90).

In our view, the above proposed disclosure requirements go beyond the original objective and positioning of (the AASB 1060) Tier 2 requirements in the Australian financial reporting environment.

In addition, having previously concluded that it is unnecessary for AASB 1060 to include requirements to disclose the information specified by paragraph 9.23B (gain or loss relating to a retained interest in a former subsidiary) and paragraph 11.43A (maturity analysis of financial liabilities) of the *IFRS for SMEs Accounting Standard*, we question the basis on which the AASB has now changed its position. In our view, the AASB should limit its assessment to amendments made to the *IFRS for SMEs Accounting Standard*, and not reopen decisions previously made in relation to existing *IFRS for SMEs* disclosure requirements.

SECTION 2: AASB 1060 UPDATE

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?

Response:

Yes, we agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2.

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?

If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for 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.

Response:

We encourage the AASB to 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.

In our view the presentation and classification requirements applicable to Tier 2 entities should align with Tier 1 / full IFRS Accounting Standards.

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?

Response:

Yes, we 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.

SECTION 2: AASB 1060 UPDATE

Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

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?

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 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.

Please provide the reasons for your preference.

Response:

We support Option A.

Although the adoption of Option A will significantly increase the volume of requirements contained within AASB 1060 (when compared to Option B), we believe it is important to maintain the 'stand-alone standard' approach for the presentation, classification and disclosure requirements applicable to Tier 2 entities.

SECTION 2: AASB 1060 UPDATE

Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

- 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)?
- Please provide the reasons for your view.

Response:

In our view, AASB 1060 should not include a requirement to disclose the information specified by paragraphs 83 to 85 of AASB 18. We believe the existing disclosure requirements of AASB 1060 are sufficient to satisfy the information needs of users of financial statements of Tier 2 entities, which include, for example, the disclosure of:

- (a) impairment losses recognised or reversed in accordance with AASB 102 (AASB 1060.123(d));
- (b) for each class of property, plant and equipment, a reconciliation of the carrying amount at the beginning and end of the reporting period, showing separately impairment losses recognised or reversed and depreciation (AASB 1060.134(e));
- (c) for each class of intangible assets, a reconciliation of the carrying amount at the beginning and end of the reporting period, showing separately impairment losses recognised or reversed and amortisation (AASB 1060.137(e));
- (d) the total share-based payment expense (AASB 1060.168); and
- (e) impairment losses by class of asset (AASB 1060.169 and 170).

We do however note that AASB 1060 does not require the disclosure of total employee benefits expense and, instead, requires the disclosure of the total share-based payment expense (AASB 1060.168) and the expense recognised for defined contribution plans (AASB 1060.172). In order to provide more useful information to users of financial statements of Tier 2 entities and to streamline the disclosure requirements of AASB 1060, we would support replacing paragraphs 168 and 172 with a single requirement to disclose the total employee benefits expense recognised for the reporting period.

In relation to the disclosure of the information specified by paragraph 82(b) of AASB 18, in our view, it would be appropriate for AASB 1060 to be amended to include this disclosure requirement.

SECTION 2: AASB 1060 UPDATE

Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

- 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?
- Please provide the reasons for your view.
- If you support only some disclosure requirements, please identify which disclosures should be required and why.

Response:

In our view, AASB 1060 should not include a requirement to disclose information relating to MPMs (as defined by AASB 18). In our experience it is not common practice for Tier 2 entities to use MPMs (as defined by AASB 18) and, accordingly, it is not necessary for AASB 1060 to include disclosure requirements relating to MPMs.

- 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)?
- Please provide the reasons for your view.

Response:

As outlined in our response to Question 2.2 (above), in our view, AASB 1060 should be amended to include 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. Consistent with this position, in our view, AASB 1060 should be amended to include additional requirements and guidance in relation to the aggregation and disaggregation of information to align with the requirements and guidance specified by paragraphs 41 to 43 and B16 to B26 of AASB 18.

However, we believe it would be excessive in the context of Tier 2 reporting to require disclosure of the line item(s) in which amounts are included when amounts disclosed in the notes are included in one or more line items in the primary financial statements (paragraph 114 of AASB 18). In our view, AASB 1060 should not include this disclosure requirement.

SECTION 2: AASB 1060 UPDATE

Questions regarding NFP private sector entities preparing Tier 2 GPFS

Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

- 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.

Response:

In our view, amendments made to AASB 1060 to align with the presentation, classification and disclosure requirements of AASB 18 should apply equally to both for-profit entities and not-for-profit private sector entities.

Accordingly, in our view, requirements for classifying income and expenses in five categories, and their presentation in the statement of profit or loss are suitable for application to Tier 2 general purpose financial statements of not-for-profit private sector entities.

Our views on whether to amend AASB 1060 to include additional disclosures for operating expenses classified by function, disclosure requirements regarding MPMs, and aggregation and disaggregation principles are outlined in our responses to the earlier questions. The views expressed in relation to these matters apply equally to Tier 2 general purpose financial statements of not-for-profit private sector entities.

- 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.

Response:

In our view, amendments made to AASB 1060 to align with the presentation, classification and disclosure requirements of AASB 18 should apply equally to both for-profit entities and not-for-profit private sector entities.

Accordingly, in our view, requirements for classifying dividends and interest cash flows (in the statement of cash flows, consistent with the revised AASB 107) are suitable for application to Tier 2 general purpose financial statements of not-for-profit private sector entities.

SECTION 2: AASB 1060 UPDATE

Questions regarding NFP private sector entities preparing Tier 2 GPFS (continued)

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.

Response:

We have not identified any not-for-profit specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for not-for-profit private sector entities preparing Tier 2 general purpose financial statements.

However, we encourage the AASB to include additional guidance to assist not-for-profit private sector entities to classify income and expenses into the operating, investing and financing categories.

For example, many entities operating in this sector are recipients of government funding, which is accounted for in accordance with the requirements of AASB 15 and/or AASB 1058 as appropriate. The accounting treatment and financial statements presentation of the receipt of government funding (including operating grants and capital grants) can be a sensitive matter for some entities. In our view, practical guidance on the appropriate classification of government funding in the presentation of the statement of profit or loss would be welcome.

Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

2.10 [summarised]: A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose certain reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements.

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.

Response:

In our view, there should be consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities.

Accordingly, if not-for-profit public sector entities preparing Tier 1 general purpose financial statements are granted certain reliefs related to the new classification and presentation requirements for primary financial statements, in our view, not-for-profit public sector entities preparing Tier 2 general purpose financial statements should be provided with the same reliefs.

SECTION 2: AASB 1060 UPDATE

Questions regarding NFP private sector entities preparing Tier 2 GPFS (continued)

2.11 [summarised]: 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? Please provide the reasons for your view.

Response:

Consistent with the reasons for our response to Question 2.10 (above), in our view, not-for-profit public sector entities preparing Tier 2 general purpose financial statements should be provided with the same relief.

2.12 [summarised]: 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.

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.

Response:

Consistent with the reasons for our response to Question 2.10 (above), in our view, not-for-profit public sector entities preparing Tier 2 general purpose financial statements should be provided with the same relief.

Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

2.13 [summarised]: The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification.

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?

Response:

Consistent with the reasons for our response to Question 2.10 (above), in our view, the aggregation and disaggregation requirements specified by AASB 18 should also apply to not-for-profit public sector entities preparing Tier 2 general purpose financial statements.

SECTION 2: AASB 1060 UPDATE

Topic 3 - Disclosure requirements in IFRS 19

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

Response:

Given Australia's long standing, accepted and understood practice of preparing special purpose financial statements and Tier 2 general purpose financial statements (under both the 'reduced disclosure requirements' regime and 'simplified disclosures' regime), neither of which complied with IFRS Accounting Standards (or the *IFRS for SMEs* Accounting Standard), in our view, it is not important for Tier 2 entities to state compliance with IFRS 19.

- 3.2 Which of the following options would you prefer:
- replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
 - amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
 - retain AASB 1060 and do not adopt IFRS 19 at all;
 - 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
 - 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.

Please provide the reasons for your preference.

Response:

In our view, AASB 1060 should be retained and IFRS 19 should not be adopted in Australia (option (c) above)

Our position is based on the following:

- The disclosures required by AASB 1060 are primarily based on the disclosures required by *IFRS for SMEs*. By using *IFRS for SMEs* as a base for AASB 1060, the AASB wanted to ensure that users are not overburdened with unnecessary information that would clutter the financial statements and make them less understandable.

We support this principle. When considered in the Australian context, in our view, the disclosure requirements of IFRS 19 exceed what is reasonable and appropriate for Tier 2 entities. Accordingly, we do not support the replacement of AASB 1060 with IFRS 19 (option (a) above), nor the amendment of AASB 1060 to include the additional disclosures of IFRS 19 (option (b) above).

- In our view, there should be consistency in the presentation and disclosure of items in Tier 2 general purpose financial statements for all entities without public accountability, irrespective of whether the entity is a subsidiary. Accordingly, we do not support the adoption of IFRS 19 as an optional or mandatory alternative framework for subsidiaries without public accountability (options (d) and (e) above).

SECTION 2: AASB 1060 UPDATE

Topic 3 - Disclosure requirements in IFRS 19 (continued)

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.

Response:

We support the AASB's 'bottom-up' approach to the development of AASB 1060, primarily based on the disclosures required by *IFRS for SMEs*, and the AASB's current approach to the maintenance of AASB 1060.

Accordingly, as a matter of principle, we do not believe parts of IFRS 19 should be adopted in Australia (by way of amendment to AASB 1060).

Further, when considered in the Australian context, in our view, there are no parts of IFRS 19 that we consider to be necessary for AASB 1060 to continue to meet the intended objectives of the Tier 2 reporting framework.

AASB general matters for comment

In addition to the specific matters for comment on each of the three topics in this section, the AASB would also value comments on the following:

1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
 - a. not-for-profit entities; and
 - b. public sector entities, including GAAP/GFS implications?
2. Would the proposals create any auditing or assurance challenges?
3. Overall, would the proposals result in financial statements that would be useful to users?
4. Are the proposals in the best interests of the Australian economy?
5. Unless already provided in response to the AASB specific matters for comment 1.1–3.3 above and/or general matters for comment 1–4 above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Response:

We have no further matters to be considered as it relates to the proposals.