

From: [Jason Cleasby](#)
To: [Australian Accounting Standards Board](#)
Subject: ITC 56 – Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements
Date: Thursday, 9 October 2025 10:58:07 AM
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Dear AASB Board Members,

I appreciate the opportunity to provide feedback on ITC 56 and the broader financial reporting framework reforms. I write from the perspective of a Commercial and Finance Manager working within the not-for-profit (NFP) sector.

1. Retention of Special Purpose Financial Statements (SPFS)

I strongly advocate for the continued availability of SPFS for NFP entities. The removal of SPFS for certain for-profit entities may be appropriate for highly commercialised NFP organisations where they may have stakeholders such as suppliers/contractors who may require higher levels of financial integrity in reporting. However, applying this logic to NFPs more broadly risks imposing disproportionate burdens on organisations that operate with limited resources and fluctuating funding. SPFS have historically provided a flexible and fit-for-purpose reporting option for NFPs, allowing financial professionals to tailor disclosures to the needs of stakeholders without unnecessary complexity. Their removal would likely increase compliance costs and administrative overheads, diverting resources away from mission-critical activities.

2. Regulatory Burden and Sector Pressures

The NFP sector is already under significant pressure due to:

- Complex and varied grant acquittal requirements,
- Increasing demands from funding bodies and regulators,
- Chronic underfunding in many NFP sectors and financial instability.

3. Tier 2 Reporting and Volatility in Funding

The current tier system does not adequately reflect the realities of NFP funding. Annual revenue thresholds can fluctuate significantly due to one-off grants or project-based funding, which may temporarily push an organisation into a higher reporting tier. This volatility creates chaos for small NFPs, which may be forced to adopt more complex reporting standards for a single year, only to revert the following year. Many small NFPs lack the capacity to manage such transitions effectively, and the cost of compliance may outweigh the benefits of enhanced comparability. Therefore, forcing small scale NFP's to use higher tier reporting requirements to avoid the complexities of transitioning between the tiers.

I propose that eligibility for Tier 2 reporting should be based on a **five-year average revenue** rather than a single year's result. This would provide greater stability and predictability for NFPs and allow them to plan external reporting responsibilities and select a reporting tier that is appropriate for their size and resources.

4. Intended Benefits of AASB 1060 and AASB 2020-2

I acknowledge that the AASB has introduced AASB 1060 and AASB 2020-2 with the intention of improving financial reporting quality and consistency. The stated benefits include:

- Simplified disclosures for Tier 2 entities under AASB 1060, consolidating requirements into a single standard and aligning with international best practice.
- Improved comparability and transparency through the removal of SPFS for certain for-profit entities, ensuring consistent application of recognition and measurement requirements.
- Greater accountability and reliability of financial statements for users such as investors, creditors, and regulators.

While these goals are commendable, I question whether the same benefits apply to the NFP sector, where the users of financial statements are often internal stakeholders, grant providers, and community partners—not capital market participants. The cost of compliance must be weighed against the actual utility of the information produced.

5. Conclusion

I urge the AASB to:

- Retain SPFS for NFP entities or provide a simplified Tier 3 framework that genuinely reduces complexity,
- Reconsider the use of annual revenue thresholds for tier classification, a five-year average would be far more effective for the sector,
- Ensure that any changes are evidence-based and developed in close consultation with the NFP sector.

Thank you for considering this submission. I would welcome the opportunity to participate in further consultations or outreach activities.

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Commercial & Financial Manager

