

19 January 2026

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
VIC 9007

Dear Keith

## **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**

Thank-you for the opportunity to provide feedback on ITC 56. Moore Australia is a network of independent accounting firms with 13 offices and 600+ staff across Australia's capital cities and regional centres. We have a large portfolio of both SME and Not-for-profit clients and understand the challenges these organisations face when preparing Tier 2 General Purpose Financial Statements.

We believe that AASB 1060 and AASB 2020-2 have successfully met the needs of users and preparers, with appropriate disclosure requirements and are supporters of these standards. For future updates to AASB 1060 we recommend:

- *No need for consistency with IFRS for SMEs.* As the Board would have completed appropriate due diligence for disclosure changes made concurrently with updates to the Tier 1 standards, further changes to those disclosures for consistency with a standard that is not fully applied in Australia, is an unnecessary burden on Tier 2 entities, introducing unnecessary change and complexity to their reporting process.
- *Incorporate most of AASB 18 requirements.* Consistency in primary financial statement presentation is important to us across all reporting entities, though elements like MPMs are not necessary for Tier 2 entities.
- *Do not Broadly adopt IFRS 19 Subsidiaries without Public Accountability: Disclosure.* Its disclosure requirements are too extensive and not suitable to replace AASB 1060 in the Australian context.

Please see our detailed responses to the question in the ITC in the attached Appendix.

For further discussion on our responses, please contact me via email ([kristen.haines@moore-australia.com.au](mailto:kristen.haines@moore-australia.com.au)) or mobile (+61409 215 397).

Yours faithfully



Kristen Haines

National Head of Technical Accounting and Sustainability Reporting



Moore Australia

## **Section 1: Post Implementation Review**

### **Topic 1: Overall objective and assessment of AASB 2020-2**

**Question 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?**

Yes, we consider that AASB 2020-2 has generally improved the consistency, comparability, transparency, and enforcement of financial statements for the affected entities. More entities are now included in the General Purpose Financial Reporting framework, which has reduced the number of conversations and judgements about which entities are in scope. As noted in Question 13, there have been some challenges regarding the application of Aus 1.1(b) and identifying appropriate 'other documents'. For further information, please refer to Question 13.

Both the initial and ongoing costs associated with GPFS are broadly in line with expectations and are not unreasonably burdensome for those entities now required to prepare GPFS. While some entities experienced higher costs when preparing GPFS for the first time, particularly when applying the deferred tax requirements under AASB 112 *Income Taxes* and recognising leases on the balance sheet in accordance with AASB 16 *Leases*, these costs were in line with expectations. On an ongoing basis, the cost is not overly burdensome for these entities.

### **Topic 2: Overall objective and assessment of AASB 1060**

**Question 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?**

Yes, we consider that AASB 1060 has met its objectives of meeting the needs of users and minimising the costs for entities preparing Tier 2 GPFS. Compared to its predecessor RDR reporting, AASB 1060 applies a more appropriate level of disclosures and is easier to apply with all disclosures located in a single standard. Preparers have a much better understanding of what disclosures they are required to provide.

The costs associated with initial transition and ongoing application are in line with expectation and not an unreasonable burden for these entities.

### **Topic 3: Transition relief for FP private sector entities transitioning from SPFS to AASB 1060**

**Question 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?**

The transitional relief relating to not having to distinguish between changes in accounting policies and correction of errors on transition to AASB 1060, was a welcome relief used by a number of entities, and it was beneficial in ensuring that entities did start with high quality financial statements that were compliant with the recognition and measurement requirements of Australian Accounting Standards. Our Auditors found it was much easier to have the conversation with the clients and get entities to update the financial statements to the most accurate accounting, when they knew that it was not going to be called out as an error in the financial statements.

However, we did not find the transitional relief available for early adoption – specifically the exemption from restating comparative information, was a particularly beneficial relief and did not encourage early adoption. This relief didn't reduce the years which you had to restate (30 June 2021 always had to be restated), but it just meant that those 30 June 2021 accounts needed to be restated a year earlier, than if you didn't provide that relief and adopted it on the mandatory application date.

### **Topic 4: Transition relief for entities transitioning from GPFS to AASB 1060**

**Question 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?**

The main optional transitional relief that our clients utilised was the option to not to provide comparative information that had not been previously disclosed in the financial statements. This simplified the transition process as it allowed them to focus on the current year and new information that they required rather than trying to rework older data.

**Topic 5: Educational materials**

**Question 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?**

**Question 6: In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?**

**Question 7: Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?**

We consider the education materials provided by the AASB incredibly useful in the implementation of both AASB 2020-2 and AASB 1060. They were extremely beneficial not only to preparers but also to the smaller firms of auditors and advisors that do not have the technical capacity to do this analysis themselves.

In particular the guidance material on AASB 2020-2 and how to interpret the accounting requirements in documents including the distinction between Australian Accounting Standards and accounting standards were incredibly helpful.

However it should be noted that the guidance material included in AASB 2020-2.BC93 (table of which entities are in scope of the standard) was ultimately heavily relied upon to apply the standard. As a result, we would suggest that consideration should be given as to whether this should have been included in the mandatory body of the standard itself rather than just in non-mandatory guidance documents. We believe that this would assist in making it clearer and easier to apply the requirements in the standard.

**Topic 6: Disclosure of individually material items**

**Question 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?**

**Question 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?**

We have experienced some challenges when dealing with audit clients due to the lack of an explicit disclosure requirement for individually material items. Where it is a matter that they do not want to call out, they have relied on the fact that there is no explicit requirements as justification as to why it doesn't need to be disclosed, even though we have pointed to the general concept of materiality and the requirements in the Conceptual Framework. We would be strongly supportive of adding a requirement to AASB 1060 to require the explicit disclosure of individually material items of income and expense, as it would assist in making the audit process smoother and make the requirements clear to preparers.



## Topic 7: Adequacy of disclosure requirements

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

We generally consider that the disclosure requirements in AASB 1060 are at an adequate level and does not require significant adjustment. A few minor changes that we would consider the Board to potentially consider are:

- Whether the requirements in AASB 1060.157(b) regarding the disaggregation of revenue is a meaningful disclosure. Usually, entities applying this standard only have a single revenue stream or the disaggregation is so contrived to be able to present that disclosures and irrelevant that it really isn't meaningful to users.
- It always has appeared unusual that AASB 1060.134 specifically states that entities do not have to provide comparative figures for the reconciliation of the movement in the Property, Plant and Equipment balances across the year, where all other disclosures require comparative figures to be provided. Similarly, this applies to intangible assets (AASB 1060.137) and investment properties (AASB 1060.132) as well.

## Topic 8: Maintaining AASB 1060

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

We agree with the current approach of updating AASB 1060 every time an amendment is made to another AASB Standard. We consider that it is more practical for the changes to be made concurrently, to ensure that the disclosure requirements are consistent with the underlying recognition and measurement requirements and encourage the Board to continue this approach going forward. See section 2, question 1.1 for further comments.

## Topic 9: Other matters

### Question 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?

No, we are not aware of any other regulatory issues that arise directly from the application of these two standards.

Associated issues relate to the interaction with the minimum requirements and best practice disclosures required by the ACNC for all entities including those preparing SPFS. However, we acknowledge that as AASB 2020-2 only applies to for-profit entities, this issue is not the focus of this PIR and is more relevant for consideration in the separate NFP Tier 3 project.

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

We do not believe that the application of AASB 1060 has had any significant auditing or assurance challenges. However, the application of AASB 2020-2 has provided some challenges. The requirement in Aus 1.1(b) for entities required by their constituting document or another document to prepare financial statements that comply with the Australian Accounting Standards does pose some challenges to Auditors. It is very challenging for Auditors to understand what the complete population of other documents are that even exist to determine whether the company is correctly concluding whether they need to prepare GPFS or SPFS. Whilst we acknowledge that it should be the company's responsibility to determine the correct accounting framework to apply, the reality is that most of the entities that are considering whether to prepare Tier 2 financial statements or SPFS, do not have the technical expertise to understand how to make that distinction and therefore are often rely on the auditors to help them in determining that assessment.

Consideration should be given as to whether the consideration to consider 'another document' can either be ring fenced to a particular type of document e.g. financing agreements, association membership agreements etc, to provide some boundary in what needs to be considered. (NB Association membership agreements have been noted there as we are aware that the International Air Transport Association (IATA) requires Travel agents to prepare financial statements in accordance with Australian Accounting Standards).

**Question 14: Are the requirements in the best interests of the Australian economy?**

Yes, we consider that AASB 1060 and AASB 2020-2 are in the best interest of the Australian economy and a significant improvement in the previous Reduced Disclosure Regime (RDR). The volume of disclosures in AASB 1060 is more appropriate and their location in the single standard has increased the usability. Overall AASB 2020-2 has been beneficial as it has reduced the subjectivity relating to who has to prepare GPFS and resulted in improved comparability between entities.

**Question 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?**

No, we have no further comments for consideration as part of the PIR.

## Section 2: AASB 1060 Update

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

#### Question 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 IFRS for SMEs Accounting Standard?

We do not entirely agree with the Board's approach for considering how IFRS for SMEs should be reflected within AASB 1060. Whilst we understand the principles that were applied when AASB 1060 was first created, and the principle that the disclosure requirements in IFRS for SMEs should be used when the recognition and measurement requirements were the same or similar we do not think this is an appropriate approach for the ongoing maintenance of AASB 1060.

Where the Board has already made amendments to AASB 1060 for disclosures relating to new standards or amendments (e.g. AASB 15 *Revenue from Contracts with Customers*), the Board should not default to now amending AASB 1060 to be consistent with IFRS for SMEs which has been subsequently issued. This approach adds unnecessary change and complexity that we do not consider to be necessary. As the Board would have already carried out appropriate due diligence when making the initial changes to AASB 1060, unless there is strong evidence that an error was made in those original deliberations, we do not see the value in making the additional changes.

AASB 1060 and IFRS for SMEs are not the same standard, and whilst the IFRS for SMEs disclosures may be appropriate, if there is nothing to suggest that the AASB 1060 disclosures are also not sufficient, but just different from what is in the IFRS for SMEs, change for consistency with a standard we don't even apply in full seems to be an unnecessary burden on SME entities. No other standard would the Board have a second attempt at stating what the required disclosures are. There would need to be a fundamental argument to the deficiency of requirements to amend another standard. The same rationale should apply to AASB 1060

On a similar note, going forward, when the Board considers updates to AASB 1060 as a result of new standards or amendments to other standards, it will have available to it the amendments that the IASB have made to IFRS 19. We do not consider that the board should use those IFRS 19 amendments as the basis for amendments to AASB 1060. We note that the disclosure requirements included in IFRS 19 are much more extensive than what is currently contained in AASB 1060. Accordingly, whilst they should be considered as an absolute maximum level of possible disclosures that should be considered for inclusion in AASB 1060, the AASB should ensure that they consider the necessary disclosures in the Australian context, and what would best meet the needs of our users. Otherwise, there will be unnecessary disclosure creep and AASB 1060 will no longer be fit for purpose in Australia.

#### Question 1.2: Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1?

We are not aware of any users requesting further additional disclosures, as proposed in table 2.1.1. Therefore, we consider that it would be unlikely that these additional disclosures would be significantly beneficial to those users to justify the additional cost and effort of the disclosures for preparers.

In addition, our comments in Section 1, Topic 6 regarding the requirement to disclose individually material items, may be sufficient, whilst still allowing for judgement, for entities to disclose some of the additional items suggested below, without the need for specific additional disclosure requirements.

Considering our response to question 1.1 above, in relation to the individual amendments we note the following:

- *Financial Statement Presentation*  
We have no issues with this high-level principle being included in the standard and would find it useful to have that specifically addressed in the standard to be able to direct preparers to, when discussing the disclosures that they have/ have not made. However, per the discussion

below in topic 2 – we would encourage the board to consider the adoption of the similar AASB 18 requirements rather than these changes based on AASB 101.

- ***Statement of Changes in Equity and Statement of Income and Retained Earnings***  
Whilst we consider this a simple disclosure to include and it would not be overly burdensome to Tier 2 entities, consistent with the principles in question 1.1 above as the Board previously concluded that these disclosures were not required when initially creating AASB 1060, if the Board cannot identify a change in circumstances that now makes this disclosure relevant in the Australian environment, we do not see the rationale for including these disclosures now.
- ***Statement of Cash Flows***  
If the Board has previously concluded that the disclosures around changes in financing liabilities was not a required disclosure when they initially created AASB 1060, and there has been no change to the Tier 1 requirements in that time, we do not consider that there has been any change in circumstances that would now suggest that these disclosures are relevant to warrant their inclusion now.
- ***Consolidated and Separate Financial Statements***  
Given that under the Australian Reporting regime, the gain or loss on disposal has always been calculated in the manner that IFRS for SMEs now requires, and the Board has previously concluded under both the AASB 1060 and the previous RDR model that this disclosure was not required, we do not consider that there has been any change in circumstances that would now suggest that these disclosures are relevant to warrant their inclusion now.
- ***Financial Instruments***  
Whilst we have no concerns with relocating the fair value disclosures into the separate section (See further comments below). However with the other proposed changes, unless the Board can demonstrate how there has been a change in circumstances since the issuance of AASB 1060 when it was concluded that the maturity analysis of liabilities and the aging of debtors were not required disclosures for Tier 2 reporters, we do not support now including these requirements. We do not consider that there has been any change in circumstances.
- ***Fair Value Measurement***  
The introduction of the fair value hierarchy into Tier 2 reporting is a significant increase in the reporting burden for Tier 2 reporters. We do not see the additional benefits to be gained from Tier 2 reporters having to report this information and are not supportive of this inclusion. As AASB 13 and the fair value hierarchy existed at the time that AASB 1060 was created, we would want to understand what change in circumstances has arisen in the Australian market to warrant this disclosure at this time.
- ***Business Combinations and Goodwill***  
Whilst we can see some benefits in requiring the new additional disclosures around contingent consideration, which were not previously included in the AASB 1060 disclosures, consistent with our other comments, we would want to understand what evidence the Board has that such disclosures are required for Tier 2 reporters in Australia given that they were not previously required. Similar comments would also apply to the other proposed disclosure requirements in relation to the Business combinations.
- ***Revenue from Contracts with Customers***  
The minor amendments proposed to align wording with IFRS for SMEs appears an unnecessary change that could create confusion for no additional benefit to users. However, for the additional disclosures that are proposed (paragraph 23.88 and 23.99, and the other amendments that expand on existing requirements in AASB 1060), we do not consider it is appropriate that these disclosures are updated again. When the Board adopted AASB 15 in Australia, at the same time they undertook an assessment of those disclosures that were required for users of Tier 2 financial statements. We consider that those disclosures are sufficient, or excessive as noted in section 1, question 10, and we do not consider that circumstances have changed such that the adequacy of disclosures concluded then is no longer relevant. As such we would not be supportive of these changes.
- ***Employee Benefits***  
Whilst these disclosures would be unlikely to be burdensome for Tier 2 entities due to the limited number of defined benefit plans in Australia, as these are not new requirements that have been introduced into AASB 119 since AASB 1060 was created, there does not appear to be any change in circumstances in the Australian environment that would now support including these

requirements, if anything as time passes and defined benefit schemes become less prevalent, arguably there is less need for these disclosures than there was previously.

- *Foreign Currency Translation*  
If the Board has concluded as recently as October 2023 that these disclosures were not relevant for Tier 2 entities, especially given that AASB 2023-5 has only just become effective for years ended 30 June 2025 for the first time, we do not understand why it is now appropriate to include these requirements, if you have no further evidence to refute the fact that they are not relevant for Tier 2 entities
- *Related Party Disclosures*  
As there have been no changes to these equivalent requirements in AASB 124 since AASB 1060 was issued, we do not think that there is any change in circumstances that would suggest that the disclosures that the Board already concluded were adequate in the Australian environment are no longer adequate for Tier 2 entities and therefore would not be supportive of these additional disclosures being added.
- *Specialised Activities (Exploration and evaluation assets)*  
As this does not add any new disclosure requirement and just notes existing presentation requirements, whilst we do not see any additional value from this being added, we have no objection to its inclusion.

### **Question 1.3: Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2?**

Yes, we agree with the recommendation not to amend AASB 1060 for the changes proposed in table 2.1.2 as they all appear to relate to situations where the recognition and measurement requirements are different in IFRS for SMEs compared to AASB 1060.

**Topic 2: Potential effects of AASB 18 on AASB 1060****Question 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?**

Yes. We consider it is always important that Tier 1 & Tier 2 financial statements are aligned where possible and whenever amendments are made to the requirements for Tier 1 financial statements, at the same time consideration should be given to the requirements in AASB 1060. This applies not only to AASB 18 but all requirements, as has been the approach of the Board to date. We see this approach is important for two reasons

1. For users – it increases comparability. Whilst we acknowledge that there are differences in disclosures between tier 1 and tier 2 financials, ensuring that underlying recognition and measurement is consistent and presentation of primary statements to allow for comparisons to be able to be made between entities
2. For Advisors (preparers) and Auditors – more efficient and higher quality if updated concurrently. Many SMEs use advisors to assist in preparing financial statements, for those advisors and auditors who are working across multiple different clients who are both tier 1 and tier 2 reporters, to have consistency in when requirements change, makes it easier for them to stay current, know what rules are currently applicable. It will lead to higher quality reporting, it also makes training and upskilling more efficient if it is all being done at the same time.

The only caveat on these observations, would be one reason to not update for AASB 18 immediately, would be to consider the implications for those NFPs who ultimately may have the opportunity to move into Tier 3 reporting when it becomes effective. It would seem to be an unreasonable burden on these entities to have to deal with significant changes to the income statement as a result of the AASB 18 requirements being integrated into AASB 1060 but then shortly afterwards transitioning to Tier 3 financial reporting. However, this burden could potentially be addressed by permitting early adoption of Tier 3 reporting or permitting NFPs to continue to apply AASB 101 for an additional year before they transition to Tier 3.

**Question 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?**

Yes, we consider the consistency of presentation in the primary financial statements between Tier 1 and Tier 2 GPFS to extremely important, therefore we are supportive of the classification and presentation requirements of AASB 18 being incorporated into AASB 1060. Having consistent presentation and classification on the primary statements will ensure that the comparability between entities of that primary information, even if the supporting note disclosures are different. The views expressed in question 2.1 are also relevant to our response to this question.

**Question 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, which of the following approaches do you prefer? (Option A or Option B)**

Due to our views on questions 2.4 & 2.5 and our belief that not all elements of AASB 18 are relevant for Tier 2 entities, we would support Option A. That is only bring the sections of AASB 18 that are considered relevant for Tier 2 entities into the requirements of AASB 1060. Whilst we acknowledge this approach may not be as clean as approach B, we feel that it is an easier approach to follow when not all requirements of AASB 18 are to be applicable for Tier 2 reporters.

However, if the AASB were to adopt all the requirements in AASB 18 wholesale for Tier 2 reporters, it would make sense to require Tier 2 reporters to apply AASB 18 similar to the recognition and measurement requirements of other standards, so that tier 2 reporters would follow the recognition, measurement and presentation requirements of other standards and AASB 1060 would be merely disclosure requirements – consistent with the way the IASB has made IFRS 19 operable.

**Question 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)?**

No, we do not consider that these disclosures are required to be included in a Tier 2 GPFS.

For the specified expenses by nature in a single note, as this is consistent with AASB 101.104 – the current equivalent paragraph requiring expenses by nature to be disclosed in the notes when an entity classifies expenses by function in the income statement, which is already excluded from AASB 1060. We have not seen this to be a deficiency in the current disclosures and therefore see no reason why this requirement would need to now be introduced into AASB 1060.

With regards to the qualitative description of the nature of expenses, we do not consider that these will be valuable disclosures as they are likely to become generic boilerplate disclosures that do not provide any real additional detail that couldn't be assumed from the name of the expense. We expect that disclosures would end up being along the lines of:

*Selling expenses: Expenses related to the selling operations of the business including sales staff expenses and marketing costs.*

*Administration expenses: Expenses relating the general administration of the business including head office costs and administrative staff expenses.*

As we feel that these descriptions do not add value, we do not support requiring them to be included in AASB 1060.



**Question 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;**
- (b) the full text of paragraphs 117–125 of AASB 18;**
- (c) only some disclosure requirements about its MPMs; or**
- (d) no disclosure requirements for MPMs?**

MPMs should not be included in AASB 1060. We do not consider that MPMs would be relevant for the majority of Tier 2 reporters. It would appear to be unusual that you would have an entity that doesn't have public accountability and is hence preparing Tier 2 financial statements, yet is putting out measures of managements view of an aspect of the entities performance in public communications at the same time. For the simplification of the requirements, we would prefer to just exclude them for all Tier 2 reporters given rather than including it for a small number, as it makes the requirements simpler to follow, and as these are meant to be simplified disclosures, it should be addressing the needs of the majority of entities and not dealing with specific niche areas.

However, as we do not consider that they are relevant for the majority of reporters, if it can be justified that there is a specific use case where disclosing this information is imperative for a type of entity that prepares tier 2 financial statements, we conceded that it is not ultimately that much of a burden for entities to have the requirements included, as they would just be ignored anyway.

**Question 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?**

Yes. We consider the aggregation and disaggregation requirements are fundamental building blocks of financial statement presentation and therefore it is important that this guidance be included in Tier 2 for consistency with the Tier 1 requirements. We consider that the only disclosure requirements should be different between tier 1 and tier 2 and the aggregation and disaggregation requirements are not disclosure requirements.

**Questions regarding NFP private sector entities preparing Tier 2 GPFS****Question 2.7: Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including classification and disclosure requirements.**

Yes, we think that the classification and presentation requirements in AASB 18 would be useful to NFP private sector entities. Whilst we acknowledge that many NFPs are unlikely to have amounts classified as financing in the income statement, the value of being able to split out the income and expense relating to their main business and the income (and expense) relating from investment activities relating to endowments and other investments supporting their main business activities should not be overlooked. Some NFPs do have significant investment portfolios, and providing information separately on the performance of the investment portfolios to the core business operations can be useful to users to understand how the NFP is performing at both managing that investment portfolio and performing their underlying core operations.

Whilst we do acknowledge introducing these requirements will result in additional costs to these entities, we consider that this is adequately offset by the proposed introduction of Tier 3 reporting requirements for some NFPs, such that it would presumably only be applicable to larger NFPs. In addition, most of the additional cost would be in the first year of adoption as new reporting systems etc are established, we do not see that this would have significant ongoing costs that would make it prohibitive for NFPs.

**Question 2.8: Please provide comments on the suitability of requiring NFP private sector entities to classify dividend and interest cash flows as investing or financing activities.**

Consistent with our response to question 2.7 above, we think it is appropriate for NFP private sector entities to classify dividends and interest amounts in investing and financing activities in the cash flow statement. This is again potentially valuable information as it helps users to understand where the cash is being generated in the NFP and helps users to assess their underlying core business performance versus their ongoing investment performance.

**Question 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?**

We have not been able to identify any specific reason why the requirements for NFP private sector entities should have different requirements for Tier 2 GPFS compared to private sector for profit entities. Given that this is the fundamentals of primary statement presentation, we consider it is appropriate that there is consistency across sectors. We also consider that this would also be inconsistent with the concept of sector neutrality.

**Questions regarding NFP public sector entities preparing Tier 2 GPFS**

**Question 2.10: Should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs as Tier 1 GPFS for classification and presentation requirements?**

**Question 2.11: Should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief regarding disclosure of MPMs?**

**Question 2.12: Should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief regarding the indirect method of reporting cash flows?**

**Question 2.13: Should NFP public sector entities preparing Tier 2 GPFS be aligned with Tier 1 GPFS in relation to aggregation and disaggregation requirements?**

Whilst we have not yet given consideration to each of the specific proposals noted in questions 2.10 – 2.13 and will consider whether to make a submission on ED338, in the context of Tier 2 GPFS for NFP public sector entities, we consider that it is important that the presentation is consistent between Tier 1 and Tier 2 NFP public sector entities. Accordingly, if it is concluded that relief will be provided to Tier 1 public sector entities similar relief should also be provided to Tier 2 public sector entities.

On the same rationale that comparability is important, we do not believe that relief should be given to Tier 2 public sector entities even if it is not given to the tier 1 public sector entities, even though Tier 2 financial statements should be simpler, but because it would reduce comparability between those Tier 2 public sector entities and all other entities. The views we expressed in question 2.1 are also relevant considerations in considering this question as well.

**Topic 3: Disclosure requirements in IFRS 19**

**Question 3.1: Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?**

No in general, we do not think that it is important for Australian entities to be able to claim compliance with IFRS 19. For many entities they are local operations with no foreign operations or ownership so compliance with IFRS Accounting Standards is not at all important for them – this would be the majority of the entities that we see applying AASB 1060. Where we have clients that do have to provide reporting up to a foreign parent, the foreign parent is generally not interested in what the Subsidiary has to do to meet their local statutory reporting requirement, they just want their 'reporting pack', with the IFRS compliant recognition and measurement.

Therefore, for most entities applying Tier 2 reporting IFRS 19 compliance is not necessary and extent of the additional disclosures required by IFRS 19 would not be beneficial to the users of the Tier 2 financial reports, and they would merely be a burden for preparers.



**Question 3.2: Which of the options would you prefer regarding adoption of IFRS 19? Please provide the reasons for your preference.**

Our preferred approach is option e (adopt IFRS 19 only for those entities which are subsidiaries without public accountability – and make it optional). If IFRS 19 is going to be available in Australia we would want it to be made very narrowly applicable to only those entities that meet the IFRS 19 definition and not be more widely applicable.

What we do not want to end up with is a situation where there ends up being effectively an additional tier of reporting – Tier 1, IFRS 19 and then Tier 2, and then banks and other users start demanding that entities prepare IFRS 19 compliant financial statements rather than AASB 1060. We feel there is a risk of this occurring and a general increase in the expectation of this more detailed level of disclosures where we can't see users would get significant additional benefit, it would come at significant costs for preparers. We are concerned that it would result in bracket creep in the extent of disclosures that are being provided. The level of disclosures provided in a Tier 2 set of financial statements appears to be sufficient for users, and shifting reporters to IFRS 19 does not appear to be warranted.

**Question 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.**

N/A – per above we do not consider that it should be adopted at all in Australia for tier 2 entities and are comfortable with the level of detail for the disclosures already required in AASB 1060.