ACAG
AUSTRALASIAN COUNCIL
OF AUDITORS GENERAL

19 August 2026

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West Victoria 8007
AUSTRALIA

Dear Dr Kendall

RE: AASB Exposure Draft ED 341 *Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18*

On behalf of the Australasian Council of Auditors-General (ACAG), thank you for the opportunity to comment on AASB Exposure Draft ED 341 *Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18.* The views expressed in this submission represent those of all Australian members of ACAG, unless otherwise specified.

ACAG agrees that Tier 2 entities should be subject to the same classification, presentation and aggregation requirements as Tier 1 entities provided that Tier 2 not-for-profit (NFP) public sector entities are provided the same relief as Tier 1 NFP public sector entities.

ACAG supports the proposed approach to align the classification and presentation requirements in AASB 1060 with those in AASB 18. While ACAG supports incorporating these additional requirements into AASB 1060, one jurisdiction recommends including a selection of guidance paragraphs from AASB 18 into the body of AASB 1060 rather than including it in Appendix B, to improve the usability for Tier 2 preparers.

As outlined in ACAG's responses to 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* and, ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*, ACAG considers that a well-grounded and sustainable public sector financial reporting framework remains a priority.

Accordingly, ACAG recommends that the AASB prioritise progression of its broader public sector financial reporting framework project. As part of this work, we recommend the AASB consider:

- whether users of public sector financial statements regard comparability across entities as essential in the primary financial statements and the extent to which it influences their understanding and decision-making; and
- whether additional public-sector-specific amendments to AASB 1060 are necessary.

Given the ongoing work on the public sector application of AASB 18 and the broader public sector financial reporting framework, the incremental approach to updating AASB 1060 may result in the standard requiring a more comprehensive review to ensure its ongoing suitability in the future.

ACAG appreciates the opportunity to comment and trusts you find the attached comments useful.

Yours sincerely

Rachael Vagg
Chair
ACAG Financial Reporting and Accounting Committee

AUSTRALASIAN COUNCIL OF AUDITORS GENERAL

ATTACHMENT

AASB specific matters for comment

Topic 1 Operating cash flow reconciliation

Question 1. Do you agree that Tier 2 entities should be subject to the same classification and presentation requirements, including aggregation requirements, for the financial statements as Tier 1 entities, except for the current concessions of:

(a) not having to present a third statement of financial position when the entity has applied an accounting policy retrospectively, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements; and

(b) the option to present a statement of income and retained earnings in place of a separate statement of comprehensive income and a statement of changes in equity under certain circumstances?

If you disagree, please explain why.

ACAG agrees that Tier 2 entities should be subject to the same classification, presentation and aggregation requirements as Tier 1 entities provided that:

- the current Tier 2 concessions identified in the Exposure Draft are retained
- Tier 2 not-for-profit (NFP) public sector entities are provided the same relief as Tier 1 NFP public sector entities.

Question 2. Do you agree with the approach proposed to achieve alignment of the classification and presentation requirements, including the consequential amendments proposed to guidance currently included in AASB 1060?

If you disagree, please explain why.

ACAG supports the AASB's proposed approach to align the classification and presentation requirements in AASB 1060 with those in AASB 18.

One jurisdiction recommends the AASB consider incorporating the following Appendix B guidance from AASB 18 into the body of AASB 1060 rather than including it in Appendix B, to improve the usability for Tier 2 preparers:

- paragraphs B2-B5, which provide guidance to support the existing requirements in paragraph 22 on materiality
- paragraph B111, which provides a list of statement of financial position line items and would support the proposed requirements in paragraph 44 of AASB 1060
- paragraph B112, which provides guidance on presenting notes in a systematic manner and would support paragraph 92 of AASB 1060. Similar guidance is currently included in paragraph 93 of AASB 1060
- paragraphs B109-B111, which provide guidance relevant to the application of paragraph 36 of AASB 1060.

ACAG found it difficult to identify which AASB 18 requirements are proposed to be incorporated into AASB 1060, which are proposed to be excluded, and which disclosure requirements remain subject to future assessment for inclusion in AASB 1060. For future amendments, it would be helpful if the AASB provides a reconciliation identifying the requirements and guidance proposed to be included or excluded from AASB 1060 and the rationale. This would assist stakeholders in understanding the relationship between AASB 1060 and AASB 18 and determine whether an ongoing reference to AASB 18 is necessary.

Question 3. Do you agree that the transition requirements should be the same as those for AASB 18:

(a) the amendments should be applied retrospectively;

(b) entities should disclose a reconciliation for each line item in the statement of profit or loss between the restated amounts and the amounts previously reported for the comparative period, but not for the current period or earlier periods presented. Entities are not required to comply with paragraph 106(b) of AASB 1060; and

(c) when first applying the amendments, eligible entities may change their elections for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss (see paragraph BC42)?

If you disagree, please explain why.

ACAG agrees that the transition requirements should be consistent with those for AASB 18.

Question 4. In ED 338, the AASB sought stakeholder feedback on the suitability of applying AASB 18 and the revised AASB 107 Statement of Cash Flows requirements to not-for-profit (NFP) private and public sector entities preparing Tier 1 General Purpose Financial Statements (GPFS).

In May 2026, the AASB decided in respect of NFP public sector entities (excluding universities) preparing Tier 1 GPFS to:

(a) require governments to continue presenting the GPFS of the Whole of Government and the General Government Sector in accordance with the formats specified in AASB 1049 Whole of Government and General Government Sector Financial Reporting, rather than the formats required by AASB 18;

(b) provide accounting policy choices for NFP public sector entities to elect to apply certain AASB 18 requirements – such as the requirements for categorising income and expenses into the operating, investing and financing categories and the requirements for identifying and disclosing information about management-defined performance measures – thereby allowing relevant regulators to continue prescribing presentation formats that best meet users' information needs;

(c) require NFP public sector entities to apply the AASB 18 requirements on labelling and aggregation;

(d) permit NFP public sector entities to reconcile cash flows from operating activities to the profit or loss total presented in the statement of profit or loss if the entity does not present the operating profit or loss subtotal; and

(e) retain the existing accounting policy choice for classifying cash flows from dividends received and interest paid and received, for example as cash flows from operating activities.

Do you agree that the reliefs granted to NFP public sector entities preparing Tier 1 GPFS should also be provided to NFP public sector entities preparing Tier 2 GPFS?

If you disagree with this approach, please explain why.

ACAG agrees that Tier 2 NFP public sector entities should be provided the same reliefs as Tier 1 NFP public sector entities. Tier 2 entities should not be subject to more onerous requirements than Tier 1 entities in equivalent circumstances. Providing equivalent relief would also:

- maintain consistency in the presentation of financial statements across Tier 1 and Tier 2 NFP public sector entities
- facilitate consolidation where reporting groups comprise a mix of Tier 1 and Tier 2 NFP public sector entities.

Question 5. ED 338 did not propose any specific reliefs for NFP private sector entities preparing Tier 1 GPFS but sought feedback on whether applying AASB 18 and the revised AASB 107 requirements is suitable for these entities. Do you agree with the approach that, should the AASB decide, in view of stakeholder feedback, to provide any relief to NFP private sector entities from complying with the new presentation requirements in AASB 18 and AASB 107, the same relief should also be provided to NFP private sector entities preparing Tier 2 GPFS?

If you disagree with this approach, please explain why.

ACAG has no specific comments, as this question does not apply to public sector entities.

Question 6. Do you have any other comments on the proposals?

Application date

ACAG recommends the AASB consider whether an earlier application date should be provided for Tier 2 entities. This would help avoid some NFP entities needing to implement financial reporting changes in successive years if they are required to prepare general purpose financial statements for the first time from 1 July 2029 under AASB 2026-2 *Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements.*

From a public sector perspective, the proposed Tier 2 amendments are expected to affect only for-profit (FP) entities as NFP public sector entities are likely to utilise the available exemptions. However, one jurisdiction does not understand the rationale for the approximately three-year gap between the application of AASB 18 by FP public sector Tier 1 entities from 1 January 2027 and the proposed application of the Tier 2 amendments from 2030. In determining the application date, this jurisdiction recommends the AASB consider whether the proposed timing achieves the intended benefits of the amendments for public sector entities, given the almost three-year gap before they become effective. In this regard, on the one hand, the proposals seek to align Tier 2 requirements with those applying to Tier 1 entities and thereby improve consistency and comparability in financial reporting. The proposed application date, however, would result in a prolonged period during which FP public sector Tier 1 and Tier 2 entities apply different reporting requirements, delaying the achievement of this objective. On the other hand, the Public Sector Financial Reporting Framework project may commence or progress during this period and result in further public-sector-specific amendments, meaning the proposed Tier 2 amendments may need to be reconsidered before they take effect.

Application guidance for NFP private sector entities and universities

The Board decided at its 14 May 2026 meeting to develop an exposure draft to provide guidance for NFP private sector entities and universities. ACAG recommends the AASB consider whether any relevant guidance developed from this forthcoming work should also be incorporated into AASB 1060 for Tier 2 entities.

AASB general matters for comment

Question 7. Have the *AASB For-Profit Entity Standard-Setting Framework* and the *AASB Not-for-Profit Entity Standard Setting Framework* been applied appropriately in developing the proposals in this Exposure Draft?

ACAG agrees that the Frameworks have been applied appropriately in developing the proposals.

Question 8. Are there any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals?

ACAG is not aware of any regulatory or other issues in the Australian environment that would affect implementation of the proposals.

Question 9. Do the proposals create any auditing or assurance challenges and, if so, an explanation of those challenges?

The majority of jurisdictions do not anticipate significant auditing or assurance challenges arising from the proposals. However, one jurisdiction considers that implementation may present some practical challenges for preparers and auditors of FP public sector entities, particularly in the initial years of application. These challenges may include the exercise of judgement in classifying income and expenses into the operating, investing and financing categories, together with the development of any centrally issued guidance and related processes to support consistent application.

Question 10. Overall, would the proposals result in financial statements that would be useful to users?

ACAG considers that aligning Tier 2 classification and presentation requirements with Tier 1 requirements will generally improve consistency and comparability in financial reporting and therefore enhance the usefulness of financial statements for users.

Providing Tier 2 NFP public sector entities with the same reliefs as Tier 1 NFP public sector entities would address concerns previously raised by ACAG regarding the regulatory implications of AASB 18 and the usefulness of requiring NFP public sector entities to classify income and expenses into operating, investing and financing categories. This approach will enable state regulators to prescribe the presentation and classification requirements that best meet the needs of users within their jurisdictions.

Question 11. Are the proposals in the best interests of the Australian economy?

ACAG does not have any specific comments.

Question 12. Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative, and are they appropriate relative to the existing requirements?

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.

ACAG expects the benefits of the proposals, including greater consistency and comparability between Tier 1 and Tier 2 financial statements, to outweigh any potential costs.

Given the reliefs provided to NFP public sector entities, any additional implementation costs incurred by preparers and auditors will be limited to a small number of FP public sector entities. These costs may include updating financial reporting systems, processes, controls, guidance materials and staff training, as well as applying the new classification, presentation, aggregation and labelling requirements.