Monday, 24 August 2026

Dr Keith Kendall
Chair, Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Via website: https://aasb.gov.au/current-projects/open-for-comment/submit-comment-letter/?id=2885

Dear Keith

Exposure Draft 341 Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18 (ED 341)

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the AASB on aligning the classification and presentation requirements in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) with AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18). We make this submission on behalf of our members and in the public interest.

To support our submission, we have consulted with our members and other stakeholders, including attending the AASB roundtable discussions. Effort has been made to consult with the various sectors that will be impacted by these proposed changes, and our submission reflects the feedback we have heard.

Key points

Consistent with the views in our submission on special purpose reporting reforms and simplified disclosure requirements (ITC 56), feedback from our stakeholders continues to indicate that both preparers and users value consistency between Tier 1 and Tier 2 presentation requirements. This ensures that financial statements of all types and entity sizes are as readily understandable and comparable as possible.

We therefore support the approach to aligning AASB 1060 with AASB 18, and the resulting proposed amendments to AASB 1060, set out in ED 341. We also appreciate the fast tracking of these proposals so that Tier 2 entities can adopt them as soon as possible and support the AASB's proposed transition requirements which we agree will facilitate this process.

Finally, we also support consistency of presentation requirements within sectors and agree that if the AASB decides to provide concessions from the AASB 18 requirements to Tier 1 entities in the not-for-profit (NFP) public and private sectors, then the same concessions should also be available to Tier 2 entities in those sectors.

Future directions

While we support the AASB's work to regularly update AASB 1060 for consistency with the Tier 1 requirements, it is important that the AASB keeps in mind the challenges that many preparers face as a result of the current financial reporting framework which imposes Tier 2 reporting on many smaller entities who believe the costs of this reporting outweigh the benefits to their users. We therefore encourage the AASB to be particularly mindful of the cost-benefit concern in developing its proposals for updating AASB 1060 for the additional disclosures required by AASB 18 and the third edition of the IFRS for SMEs Accounting Standard. We also reiterate our call for a Tier 3 standard for the for-profit sector, now that work is complete on the Tier 3 standard for the NFP sector.

Conclusion

Appendix A provides our detailed responses to the specific questions raised in ED 341. Appendix B contains more information about CA ANZ. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Amir Ghandar at amir.ghandar@charteredaccountantsanz.com.

Yours sincerely,

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Group Executive, Policy and International

Amir Ghandar FCA
Reporting and Assurance Leader

Appendix A

Responses to specific questions

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.

Feedback from our stakeholders indicates that both preparers and users value consistency of presentation between Tier 1 and Tier 2 financial statements. We expressed this view in our submission to AASB ITC 56 (Questions 2.1 and 2.2 in Section 2: AASB 1060 update) and therefore appreciate that the AASB has fast tracked the alignment of AASB 1060 with AASB 18. This will make it easier for our stakeholders to apply these important reforms to their Tier 2 financial statements as soon as possible and minimise the transition effort involved in helping users of all types of financial statements understand these improvements.

We also agree that the current Tier 2 presentation concessions referred to in 1(a) and (b) remain important and practical disclosure reliefs for Tier 2 entities, and so should be retained.

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.**

We support the approach that maintains AASB 1060 as a “one stop shop” for Tier 2 entities’ disclosure requirements by incorporating AASB 18 requirements into AASB 1060. This is our preferred approach to the update of AASB 1060 and aligns with the views expressed in our submission to AASB ITC 56 (Question 2.3 in Section 2: AASB 1060 update).

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.

We support consistency of the transition requirements between Tier 1 and 2 entities to maintain comparability for financial statements during the transition phase. The proposed transition requirements set out in 3(a) and (b) should ensure that necessary changes are clearly communicated to users without incurring excessive costs.

We also support allowing entities to reconsider their accounting policy choices for investments, as set out in 3(c), in order to ensure their choice best reflects their current intentions for that investment.

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; 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**
   d. **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.

Our submission to ED 338 supported the relief proposed for Tier 1 entities in ED 338. We agree that the reliefs are also appropriate for use by Tier 2 entities and that it is important that consistency of presentation requirements is maintained between Tier 1 and Tier 2 entities in this sector. Therefore, we also support these relief proposals.

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.

Consistent with our submission to ED 338, we support maintaining consistency between Tier 1 and Tier 2 entities where sector specific requirements are introduced.

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

While we support the decisions taken by the AASB around updating AASB 1060 to maintain Tier 1 and Tier 2 alignment, we remain aware that the complexity and constant change of AASB 1060 is becoming an issue for many of the smaller entities that currently fall within its scope due to the current financial reporting framework and legislative thresholds.

As noted in our submission to AASB ITC 56 (Question 2(c) in Section 1: Post-implementation review of AASB 1060 and AASB 2020-2), 75% of respondents to our 2022 IFRS Survey (page 19) agreed that further simplifications to the Tier 2 requirements are required so that the costs of compliance do not outweigh benefits to users. The majority of these were corporate entities and practitioners. With more change to come as AASB 1060 is necessarily updated for the new AASB 18 disclosures and the third edition of the IFRS for SMEs Accounting Standard later in the year, these concerns are likely to increase.

We, therefore, urge the AASB to develop a Tier 3 general purpose financial reporting standard for for-profit entities to rebalance the cost versus benefit of reporting reform. In the meantime, it will be important to ensure that the necessary forthcoming amendments to AASB 1060, referred to above, are carefully tailored to reduce cost-benefit concerns as much as is practically possible.

Concerns about the appropriateness of the disclosures in AASB 1060 also continue to exist within the public sector, a matter we also noted in our submission to ITC 56 (Question 1.1 in Section 2: AASB 1060 update).

Responses to General matters for comment

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?

As mentioned in our submission to ED 338, we support the implementation of sector neutral concessions as part of the transition to AASB 18. We agree that the AASB has adequately considered and addressed the sector specific needs of relevant sectors as required by the framework documents referred to above. We also agree that if concessions are made for Tier 1 entities in different sectors, equivalent concessions should be available for Tier 2 entities in those sectors.

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

As noted in the cover letter of our submission to ITC 56, there remains concern that the fragmented and complex nature of Australia's financial reporting framework and legislative thresholds means there are some smaller entities that are currently required to prepare Tier 2 financial statements without a clear demonstration of the cost-benefit balance of this level of reporting. Implementing such changes for these entities will incur further transition costs for limited benefit, a concern that supports our view that there remains a place for a Tier 3 standard for the for-profit sector. This would provide proportionate relief from the full recognition and measurement requirements of IFRS Accounting Standards to provide more of a cost-benefit balance.

We, therefore, welcome the AASB's June decision to monitor the need for the development of a Tier 3 reporting option for the for-profit private sector as part of its work plan and encourage the board to activate and progress this project as quickly as possible.

In addition, as noted in our response to Question 6, we are also aware of concerns within the public sector that using the IFRS for SMEs Accounting Standard as a base for AASB 1060 is not necessarily a useful benchmark for developing disclosures for Tier 2 public sector entities. We, therefore, recommend that the AASB performs further outreach to better understand the public sector perspectives on this topic as part of a wider project to complete framework reform in the public sector.

9. Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?

We are not aware of any auditing or assurance challenges created by the proposals.

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

We agree that the improvements in reporting that are being proposed in ED 341 will benefit all types of users of financial statements, especially when consistency of presentation between Tier 1 and Tier 2 entities is maintained.

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

Yes – in our view the proposals in ED 341 will improve the understandability of the income statement in direct response to user demand for improvement in this area. Maintaining a consistency of presentation between Tier 1 and Tier 2 entities will further improve the communicative value of financial statements, allowing a broader range of users to adapt to the reforms.

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.

We agree that the benefits to both preparers and users of the improvements in reporting being proposed in ED 341 due to the importance to both these stakeholders of maintaining consistency of presentation between Tier 1 and Tier 2 financial statements entities would outweigh the costs of transitioning to the new requirements for most of these entities.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents nearly 143,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.