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

Our ref Submission - ED 341

Contact Heng, Kim (+61 2 9455 9120)

24 August 2026

Dear Dr Kendall,

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

KPMG Australia (KPMG) is pleased to have the opportunity to respond to *ED 341 Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18*.

We support the Board's proposal to align the classification and presentation requirements in AASB 1060 with those in AASB 18 *Presentation and Disclosure in Financial Statements*. Consistent requirements for Tier 1 and Tier 2 entities would improve comparability, reduce complexity and make AASB 1060 easier to apply, particularly for entities that report into Tier 1 groups, as they could maintain one reporting system rather than separate systems for Tier 1 and Tier 2 reporting.

We support retaining the existing AASB 1060 concessions and the proposed transition requirements including retrospective application as these strike an appropriate balance between comparability and reporting burden.

We encourage the Board to carefully assess the cost-benefit implications of any future disclosure amendments to AASB 1060.

We have provided detailed responses to questions where we have specific comments in the appendix to this letter.

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Anita Pozo-Jones on (02) 9335 7201, or myself on (02) 9455 9120.

Yours sincerely

Kim Heng
Partner
KPMG Australia

Appendix

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.**

If you disagree, please explain why.

We support the proposal for Tier 2 entities to apply the same classification and presentation requirements as Tier 1 entities. In Australia there are often large groups with multiple subsidiaries preparing GPFS-Tier 2 financial statements while the parent prepares Tier 1 financial statements. Aligning presentation requirements would improve consistency and comparability across the group.

We also support retaining the existing AASB 1060 concessions as they are established concessions and remain appropriate for Tier 2 reporting.

Although we support the proposal, we recommend that the Board undertake a cost-benefit assessment of whether Tier 2 entities should be permitted an accounting policy choice in applying the AASB 18 classification requirements for foreign exchange differences and derivative gains and losses.

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 agree with the proposed approach to alignment. Applying consistent classification and presentation requirements would make AASB 1060 easier to apply and improve consistency, particularly for Tier 2 entities that are subsidiaries of Tier 1 reporters. It would also reduce operational complexity by enabling groups to maintain a single reporting framework and reporting system across both Tier 1 and Tier 2 entities, rather than separate processes for each reporting tier. Incorporating all relevant classification and presentation requirements from AASB 18 into AASB 1060 will ensure AASB 1060 operates as a self-contained standard by embedding all necessary presentation guidance.

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 agree with the proposed transition requirements.

- Applying the amendments retrospectively is appropriate given they relate to presentation rather than recognition or measurement. Retrospective application enhances comparability between reporting periods and, together with the proposed reconciliation disclosures, helps users understand how previously reported information has been re-presented under the new requirements. This supports meaningful trend analysis and transparency regarding the impact of the changes.
- We also agree that Tier 2 entities should not be required to provide the reconciliation specified in paragraph 106(b) of AASB 1060 on initial application of the amendments, as this would impose disclosure requirements that are more extensive than those applying to Tier 1 entities under AASB 18.
- We support permitting eligible entities to change their election for measuring investments in associates and joint ventures as this relief is consistent with the transition requirements of AASB 18.

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.

We agree with the proposed approach as it would promote consistency and comparability between Tier 1 and Tier 2 NFP public sector entities. However, we note that paragraph 4(b) proposes that NFP public sector entities preparing Tier 1 GPFS would have an accounting policy choice to apply AASB 18 requirements relating to the identification and disclosure of management-defined performance measures.

ED 341 asks whether equivalent relief should be provided to Tier 2 NFP public sector entities. We note that the AASB has not yet decided whether AASB 1060 will require entities to identify and disclose management-defined performance measures. Depending on the ED 338** final amendments we would recommend the following:

NFP public sector entities (excluding universities)	**Tier 1**	**Tier 2**
Option 1	Accounting policy choice	Accounting policy choice
Option 2	No MPM disclosures required	No MPM disclosures required
Option 3	MPM disclosures required	Accounting policy choice*

*As these entities lack public accountability we would not recommend requiring MPM disclosures as those are not commonly used and less relevant.

** In our submission on ED 338 we expressed the following views which we continue to support: We support the proposed accounting policy choice to provide relief from MPM identification and disclosure for NFP public sector entities. However, we recommend the AASB clarify how the relief interacts with measures that some entities already include in the notes to the financial statements (for example Net Operating Balance used for fiscal or funding purposes). If an entity continues to present such a measure, it should not be regarded as electing to apply the MPM requirements in full (and therefore being required to identify and disclose all other potential MPMs). Without clarification, there is a risk of an unintended consequence whereby entities are deterred from continuing established, decision-useful disclosures for fear of triggering the 'whole-of-entity' MPM identification and disclosure requirements.

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.

We agree with the proposed approach. Presentation requirements for NFP private sector entities preparing Tier 2 GPFS should not be more onerous than those applying to Tier 1 NFP private sector entities under AASB 18 and AASB 107. Providing the same relief would promote comparability in the industry.

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

Although this ED deals with the alignment of classifications and presentation requirements the Board has indicated that the proposed amendments to the disclosure requirements in AASB 1060 will be considered separately at a later stage. In our submission on ITC 56 we expressed the following views which we continue to support:

- We do not recommend disclosure requirements for MPMs for Tier 2 entities, as these entities lack public accountability and MPMs are not commonly used and are therefore less relevant.
- We urge the Board to critically evaluate the relevance of paragraph 82(b) of AASB 18 which requires a qualitative description of the nature of expenses in each function line item for Tier 2 financial statement users. Tier 2 entities are currently exempt from the equivalent three nature-of-expense disclosures in AASB 101. We therefore do not support extending these requirements through AASB 1060 unless the Board can demonstrate that the benefits justify the additional reporting burden.

We urge the Board to conduct a thorough cost-benefit analysis for any additional disclosure requirements beyond what is currently required under AASB 1060.

General matters for comment

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

We do not consider the proposals to create any significant auditing or assurance challenges. As with the first-time adoption of any new accounting standard, some additional audit effort will be required in the year of transition to assess the application of the new requirements and the related transition disclosures. However, as the proposals largely align Tier 2 requirements with those already applicable to Tier 1 entities, we would not expect the audit challenges to be any greater than those encountered on the adoption of AASB 18 by Tier 1 entities.

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

Yes. Aligning the classification and presentation requirements for Tier 2 entities with those applying to Tier 1 entities would improve comparability and consistency of financial statements particularly for users comparing entities across industries or within a group. It would also reduce operational complexity by allowing groups to maintain one reporting framework and system for both Tier 1 and Tier 2 entities.

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

Yes. The proposals would promote consistency and comparability in financial reporting and reduce the burden on entities transitioning from Tier 2 to Tier 1 reporting.