Dr Keith Kendall
AASB Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VICTORIA 8007

20 August 2026

Dear Keith,

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

Ernst & Young Australia is pleased to comment on the above Invitation to Comment. We welcome the opportunity to contribute to the future of financial reporting in Australia.

We support the Board's efforts to enhance Tier 2 reporting by entities in Australia. We agree with the continued alignment of presentation and disclosure requirements between Tier 1 and Tier 2 entities.

We encourage the AASB to proceed with the next stage of analysis of Tier 2 financial reporting with a broad objective of clarifying: the impact of the new disclosure requirements of AASB 18 *Presentation and Disclosure in Financial Statements* on Tier 2 reporting, any changes on Tier 2 reporting arising from the latest IFRS for SME's standard and addressing how IFRS 19 *Subsidiaries without Public Accountability: Disclosures* will impact the Australian financial reporting landscape. Ideally these questions will be addressed such that they may be early adopted at the same time as any amendments to AASB 1060 *General Purpose Financial Statements –Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* arising out of this ED, to avoid multiple significant changes within a short period of time.

Our detailed responses to the specific questions raised in the Invitation to Comment are attached.

We would be pleased to discuss our comments further with either yourself or members of your staff. If you wish to do so, please contact Melissa Sim on (02) 9276 9965 or Tony Hanrahan on (03) 9635 4036.

Yours sincerely

Ernst + Young

Ernst & Young

Specific matters for comment

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.

As previously indicated, we disagree with presentation concessions since we consider that classification and presentation requirements to Tier 1 and Tier 2 entities should be the same. Therefore, we continue to disagree with concessions provided to Tier 2 entities.

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 including the AASB 18 *Presentation and Disclosure in Financial Statements* application guidance in a new Appendix B to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.* We understand the benefits of a 'one stop shop' for all presentation and disclosure requirements and therefore agree with the inclusion of all relevant guidance in the appendix to the Standard.

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.

In order to maintain consistency in classification and presentation with Tier 1 entities, and between the current and comparative period:

a) We agree with retrospective application.

b) We concur with the proposed transition disclosures to achieve consistency with the transition requirements of Appendix C of AASB 18.

c) We concur with this proposal and consider it necessary to maintain consistency of recognition and measurement with Tier 1 reporters.

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.

No comments being provided.

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.

No comments being provided.

6 Do you have any other comments on the proposals?

We encourage the AASB to proceed with the next stage of analysis of Tier 2 financial reporting with a broad objective of clarifying: the impact of the new disclosure requirements of AASB 18 on Tier 2 reporting, any changes on Tier 2 reporting arising from the latest IFRS for SME's standard and addressing how IFRS 19 will impact the Australian financial reporting landscape. Ideally these questions will be addressed such that they may be early adopted at the same time as any amendments to AASB 1060 arising out of this ED, to avoid multiple significant changes within a short period of time.