



Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	AASB March 2026 (M219)
Topic:	Conceptual Framework: Not-for-Profit Amendments – Due process	Agenda Item:	4.1
		Date:	4 March 2026
Contact(s):	Evelyn Ling eling@asb.gov.au Maggie Man mman@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Finalising Standard

Objective of this staff paper

- 1 The objective of this staff paper is for the Board to decide whether to proceed to a pre-ballot draft of Amending Standard AASB 2026-X *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*. To this end, this paper:
 - (a) describes the due process conducted in developing the project proposals included in draft Amending Standard AASB 2026-X; and
 - (b) analyses whether the nature and extent of changes to the proposals in ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* warrant re-exposure of the proposals.

Structure of this paper

- 2 This paper is set out as follows:
 - (a) reasons for bringing this paper – paragraph 3;
 - (b) summary of project timeline and project proposals – paragraphs 4 and 5 ;
 - (c) summary of the due process steps taken and how ‘comply or explain’ elements have been addressed – paragraph 6;
 - (d) assessing whether the proposals can be finalised or whether they should be re-exposed – paragraphs 7 – 10; and
 - (e) staff recommendation – paragraph 11.

Reasons for bringing this paper

- 3 Paragraph 7.5.4 of the [AASB Due Process Framework for Setting Standards](#) states that when the Board has reached a general agreement on the technical matters in the project and considered the likely impact of the pronouncement, including the Impact Analysis^{1,2} (refer Agenda Paper 3.5

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- 1 Paragraph 7.5.4 references the Regulation Impact Statement. This document has since been superseded by the Impact Analysis.
 - 2 The [Australian Government Policy Impact Analysis](#) contains seven questions:
 - (1) What is the problem you are trying to solve and what data is available?
 - (2) What are the objectives, why is government intervention needed to achieve them, and how will success be measured?

[Board Only]) or similar document [a cost/benefit analysis], staff are to present a paper to the Board:

- (a) summarising the steps taken by the Board in developing the pronouncement;
- (b) setting out how the ‘comply or explain’ due process elements set out in the *AASB Due Process Framework for Setting Standards* have been addressed;
- (c) assessing whether the proposals can be finalised or whether they should be re-exposed; and
- (d) recommending whether the pronouncement should be issued under section 334 of the *Corporations Act 2001*.

From this, the Board determines whether to proceed to a pre-ballot draft Standard.

Summary of project timeline and project proposals

4 The due process on the project proposals occurred across the following timeline:

Date	Update
June 2020	The Board approved a project plan for a Conceptual Framework: Not-for-Profit Amendments project.
September 2020	The Board made decisions on not-for-profit (NFP) modifications to make to the <i>Conceptual Framework for Financial Reporting (Conceptual Framework)</i> .
April 2021	The Board made decisions affecting the timing of a revised conceptual framework for NFP entities. In effect, these decisions slow progress on the Conceptual Framework: Not-for-Profit Amendments project for a due process step (discussion paper) on the related Not-for-Profit Private Sector Financial Reporting Framework project.
September 2022	AASB Discussion Paper Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities) is issued. The Discussion Paper sought feedback on certain aspects that potentially had implications for the Board’s Conceptual Framework: Not-for-Profit Amendments project.
May 2023 – September 2024	The Board made decisions related to its proposals to extend the <i>Conceptual Framework</i> to be applicable to NFP entities and to extend the population of NFP entities required to prepare general purpose financial statements.
October 2024	The Board issued ED 334 for comment by 28 February 2025.
November 2024 – February 2025	Staff conducted outreach on ED 334 jointly with outreach on ED 335 <i>General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities</i> .
March 2025	The Board received an update of the preliminary feedback on ED 334.
May 2025	The Board decided to continue its Conceptual Framework: Not-for-Profit Amendments project and begin redeliberations of its project proposals.
July 2025 – February 2026	The Board redeliberated the project proposals exposed in ED 334 and considered a working draft of an Amending Standard. The Board completed its redeliberations of the technical matters in the project at its 5 February 2026 meeting.

- (3) What policy options are you considering?
- (4) What is the likely net benefit of each option?
- (5) Who did you consult and how did you incorporate their feedback?
- (6) What is the best option from those you have considered and how will it be implemented?
- (7) How will you evaluate your chosen option against the success metrics?

5 The table below summarises the Board’s project proposals following its redeliberations, to inform the Board’s assessment whether the proposals can be finalised without re-exposure:

Topics	Date
Scoping of the <i>Conceptual Framework</i>	<p>The <i>Conceptual Framework</i> should apply to NFP entities that:</p> <ul style="list-style-type: none"> (i) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; (ii) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after 1 July 2029; or (iii) elect to prepare general purpose financial statements.
Amendments to AASB 1057 <i>Application of Australian Accounting Standards</i> to extend the population of NFP entities to which Australian Accounting Standards apply	<p>Australian Accounting Standards should apply to NFP entities that:</p> <ul style="list-style-type: none"> (i) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; (ii) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after 1 July 2029; or (iii) elect to prepare general purpose financial statements.
NFP modifications to the <i>Conceptual Framework</i>	<p>The <i>Conceptual Framework</i> should include ‘Aus’ paragraphs to address modifications for NFP entities. The ‘Aus’ paragraphs exposed in ED 334 are sufficient and appropriate (subject to editorial improvements) such that the pronouncement is suitable for developing Standards for NFP entities.</p>
Disclosures in special purpose financial statements	<p>NFP private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards should be required to make certain disclosures in special purpose financial statements that are held out as complying with Australian Accounting Standards. The disclosures exposed in ED 334 are sufficient and appropriate.</p>
Transition provisions	<p>NFP entities that are preparing general purpose financial statements for the first time and which prepare financial statements that comply with Tier 2: Australian Accounting Standards – Simplified Disclosures should have access to optional relief from:</p> <ul style="list-style-type: none"> (i) distinguishing the correction of errors from changes in accounting policy; (ii) presenting comparative information not previously disclosed in the notes to the financial statements; and (iii) restating comparative information. <p>In its redeliberations, the Board decided not to finalise its ED 334 proposal that the relief should be available only to early adopters of the amendments.</p> <p>The amendments should clarify that an NFP entity transitioning from preparing unconsolidated Tier 2-compliant general purpose financial statements to preparing consolidated Tier 2-compliant general purpose financial statements may apply AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>.</p>
Effective date	<p>The amendments should be effective for annual reporting periods beginning on or after 1 July 2029.</p>

Topics	Date
Title of the Amending Standard	The Amending Standard will be titled <i>AASB 2026-X Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements</i>

Summary of the due process steps taken and how ‘comply or explain’ elements have been addressed

- 6 When developing new and amending Standards, the *AASB Due Process Framework for Setting Standards* identifies both ‘mandatory’ due process steps (paragraph 6.5) and ‘comply or explain’ due process steps (paragraph 6.6). The following table summarises how each step has been addressed during this project, showing that:
- all mandatory due process requirements have been (or will be) complied with; and
 - all other potential due process steps have been either complied with, or there is a reason why not.

Due Process		Steps taken
Identifying the accounting or external reporting issues to be addressed, the scope of the issue and the rationale for needing a standard-setting solution [<i>paragraph 6.5(a)</i>]	Mandatory	<p>The objective of the Board’s Conceptual Framework: Not-for-Profit Amendments project is to apply the <i>Conceptual Framework</i> to NFP entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with Australian Accounting Standards. A standard-setting solution is required as part of complying with the Financial Reporting Council’s broad strategic direction to the AASB to develop Standards (in this case, a conceptual framework) using International Financial Reporting Standards.</p> <p>The issues to be addressed to make the IASB <i>Conceptual Framework for Financial Reporting</i> suitable for use by Australian NFP entities were identified from research, comparative analysis to other conceptual frameworks, and on consideration of cross-cutting Board projects.</p> <p>The project objectives will be met through the issue of amendments to:</p> <ol style="list-style-type: none"> the <i>Conceptual Framework</i> – that make the pronouncement suitable for developing Standards for NFP entities; and <i>AASB 1057 Application of Australian Accounting Standards</i> – that extend the population of NFP entities required to prepare general purpose financial statements. <p>The issues to be addressed, the scope of the issue and the rationale for needing a standard-setting solution are described in the Conceptual Framework: Not-for-Profit Amendments project plan approved by the Board in June 2020 and the Basis for Conclusions accompanying ED 334.</p>

Due Process		Steps taken
		This due process step addresses Impact Analysis Questions 1 and 2.
Debating proposals in one or more public meetings [paragraph 6.5(b)]	Mandatory	All Board deliberations on the project proposals were conducted in public meetings.
Using an evidence-informed approach to standard-setting to ensure regulatory action is warranted, including completing before finalisation an Impact Analysis or similar assessments in the Basis for Conclusions [paragraph 6.5(c)]	Mandatory	Staff have prepared and submitted to the Office of Impact Analysis an Impact Analysis that addresses the costs and benefits of issuing these proposals (together with the proposals for a Tier 3 Standard – refer Agenda Paper 3.5). The draft Basis for Conclusions to the Amending Standard also describes how the standard-setting process has been evidence-informed (see for example, paragraphs BC65—BC73 in Agenda Paper 4.2). This due process step responds in part to Impact Analysis Questions 4 and 6.
Exposing for public comment a draft of any proposals. The comment period for an Exposure Draft of a domestic Standard is generally 90 days [paragraph 6.5(d)]	Mandatory	ED 334 set out the project proposals for public comment. The ED had a 120-day comment period. To facilitate obtaining good feedback, the ED 334 comment period was overlapped with the comment period for ED 335 <i>General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities</i> in recognition of the cross-cutting nature of the two exposure drafts. In developing some of the project proposals in ED 334, the Board had regard to AASB Discussion Paper <i>Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)</i> , which preceded ED 334 and ED 335. The Discussion Paper was publicly available and sought stakeholder feedback on the Board’s preliminary views on the following aspects of this project: (1) whether to require both private and public sector NFP entities to prepare general purpose financial statements, (2) whether relief should be available for certain NFP entities (and if so, which entities); and (3) the extent of NFP modifications to make to <i>Conceptual Framework</i> at this time. This due process step responds in part to Impact Analysis Questions 3, 4, 5, 6 and 7.
Making public submissions received, summaries of outreach events and other targeted consultations [paragraph 6.5(e)]	Mandatory	All submissions received on the project proposals, and summaries of outreach events and other targeted consultation conducted, are publicly available on the AASB website.
Considering in a timely manner the feedback received	Mandatory	Following close of the comment period on 28 February 2025, the Board considered the

Due Process		Steps taken
from comment letters and other outreach events and addressing in the Basis for Conclusion of any final pronouncements how the feedback has been addressed [paragraph 6.5(f)]		stakeholder feedback on ED 334 at its May 2025, July 2025, October 2025 and February 2026 meetings. The feedback received has been acknowledged, to the extent relevant, in the draft Basis for Conclusions to the Amending Standard (refer Agenda Paper 4.2). This due process step responds in part to Impact Analysis Questions 4, 6 and 7.
Considering whether the proposals should be exposed again [paragraph 6.5g)]	Mandatory	At this meeting, the Board is asked to consider whether the proposals should be re-exposed. The staff analysis in this regard is set out in paragraphs 7 – 10 of this paper.
Reporting to the Financial Reporting Council on the due process followed [paragraph 6.5(f)]	Mandatory	Staff will action this due process step before the Board votes on an Amending Standard.
Publishing a discussion document before an Exposure Draft is developed. The comment period for a domestic discussion paper is generally 120 days [paragraph 6.6(a)]	Comply or Explain	The Board decided that it was not necessary to develop a Discussion Paper for its Conceptual Framework: Not-for-Profits Amendments project proposals (refer June 2020 project plan). This is consistent with the extent of stakeholder feedback and academic research already known to the Board at that time about the suitability of the IASB conceptual framework document for NFP entities, and the opportunity accorded to stakeholders to provide feedback as part of relevant previous consultation documents/ projects. That is, issuing a discussion paper would be unlikely to develop any new information relevant to forming the proposals. Nevertheless, given the cross-cutting nature of this project with the Not-for-Profit Private Sector Financial Reporting Framework project, the Board decided to incorporate its preliminary views on certain key elements in the AASB Discussion Paper <i>Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)</i> preceding ED 334 and ED 335. The Discussion Paper had a 180-day comment period.
Establishing a project advisory panel, implementation or transition resource group or other type of specialist advisory group, ensuring broad representation of relevant stakeholders, with at least one Board member [paragraph 6.6(b)]	Comply or Explain	The Not-for-Profit Project Advisory Panel was established in 2021 as an informal consultative group of experts to assist with the direction of the project, offering early development of proposals and helping to establish relationships with key stakeholders.

Due Process		Steps taken
Holding roundtables and education sessions to solicit feedback [<i>paragraph 6.6(c)</i>]	Comply or Explain	The AASB conducted three virtual and two in-person roundtables on ED 334 and ED 335 during the exposure period to obtain feedback on the proposals. In addition, staff attended/presented at four events, hosted by stakeholders. A webcast was published to aid stakeholders in understanding the proposals of ED 334 and ED 335. This webcast briefly highlighted some of the key proposals in ED 334.
Undertaking fieldwork [<i>paragraph 6.6(d)</i>]	Comply or Explain	The approved project plan did not contemplate undertaking fieldwork to test the project proposals. Fieldwork is not necessary when considering the nature of the project proposals: (i) it is not relevant to test amendments to the <i>Conceptual Framework</i> . Also, besides the proposal to extend the population of entities required to prepare general purpose financial statements, the proposals amendments are not expected to have a significant impact to NFP entities; (ii) NFP entities historically already transition from special purpose financial reporting to Tier 1 and Tier 2 general purpose financial reporting; and (iii) the longish implementation period accords time to address any implementation issues, including those related to Tier 3 reporting requirements, before the proposals become effective without the need for fieldwork before issue of final proposals.

Assessing whether the proposals can be finalised or whether they should be re-exposed

- 7 As noted above, one of the mandatory due process steps is assessing whether the proposals can be finalised or whether they should be re-exposed: either fully through a new consultation process or partially through a ‘fatal flaw’ limited re-exposure.³
- 8 The criteria against which the need for re-exposure is assessed is set out in paragraph 7.7.1 of the *AASB Due Process Framework for Setting Standards*, and is as follows:
- “(a) In considering whether there is a need for re-exposure, the AASB uses criteria similar to the IASB:
- (i) extent of new substantive issues not considered during the initial consultation (eg new requirements, terminology and/or examples);
 - (ii) extent of change to original proposals (structural changes excluded);

³ Where there is some change from the Exposure Draft but not enough to warrant re-exposure, a ‘fatal-flaw review’ version of a pronouncement may instead be issued for a short period for public comment, as a final opportunity to identify any further unintended consequences of the proposals, prior to voting by the Board.

- (iii) extent of input from interested parties and whether any key stakeholders have not provided input; and
 - (iv) any new evidence on the extent and nature of the issue being addressed.
- (b) The more extensive and fundamental the changes from the Exposure Draft and current practice, the more likely the proposals should be re-exposed, albeit with a shortened exposure period. However, the AASB also considers the costs of delaying improvements to financial reporting and the urgency of the need for change.
- (c) More weight is given to changes in recognition and measurement requirements than to disclosures in assessing whether to re-expose.”

9 The following table analyses each of the criteria in paragraph 6(a) above. The staff analysis was formed having regard to the feedback received on ED 334 and the Board’s redeliberations of the project proposals (including consideration of a working draft of the Amending Standard):⁴

Criteria	Staff analysis
Extent of new substantive issues not considered during the initial consultation	No new substantive issues not considered during the initial consultation have been raised during the redeliberation process of the technical matters regarding the proposals.
Extent of change to original proposals (excl. structural changes)	As reflected in the Table in paragraph 4, there was only one substantive non-editorial change to the original proposals: for the proposed transitional relief to not be restricted to early adopters of the amendments. Staff note that the main impact of the proposals will be that some entities currently preparing special purpose financial statements will no longer be able to do so. The costs of these amendments for many of these entities is expected to be alleviated by the introduction of simpler reporting requirements. Staff consider that the cost impact of these amendments will not have significantly changed between the original and ‘final’ proposals having regard to the developments on the Board’s Not-for-Profit Private Sector Financial Reporting Framework project (see Agenda Paper 3.1).
Extent of input from interested parties and whether any key stakeholders have not provided input	In addition to input from the Not-for-Profit Project Advisory Panel during the proposal development period, the AASB received 17 formal written submissions and 25 survey responses regarding its ED 334 proposals. In addition: <ul style="list-style-type: none"> • the AASB received 5 formal submissions about the NFP financial reporting framework more generally or to ED 335, but which include feedback relevant to ED 334 proposals; • 58 participants attended the three virtual outreach sessions; and • 17 participants attended the in-person roundtable sessions.

4 See:
(i) Agenda Paper [3.2](#) of the 1 May 2025 AASB meeting (collation of feedback);
(ii) Agenda Papers [4.1](#), [4.2](#) and [4.3](#) of the 3 July 2025 AASB meeting (redeliberation – scoping, NFP modifications to the Conceptual Framework, and disclosures in special purpose financial statements);
(iii) Agenda Paper [5.1](#) of the 7 October 2025 AASB meeting (redeliberation – transitional provisions); and
(iv) Agenda Paper [5.1](#) of the 5 February 2026 AASB meeting (redeliberation – effective date; working draft).

Criteria	Staff analysis
	<p>Stakeholders making a submission or attending an outreach event included professional services firms/accounting advisors, professional bodies, auditors, preparers, regulators and academics.</p> <p>Key stakeholders of this project are preparers of NFP entity financial statements and regulators and other users of those financial statements. The AASB has received feedback from some, but not many, stakeholders in these demographics.</p> <p>Other stakeholders of this project include preparers of NFP public sector entity financial statements. This is because as a result of this project, many of these entities might be required to prepare (at a minimum) Tier 2 general purpose financial statements, if they do not already do so. The AASB has received feedback from a few (2) stakeholders in this demography.</p>
Any new evidence on the extent and nature of the issue being addressed	Staff have not become aware of any new evidence on the extent and nature of the issue being addressed other than the issue of the International Non-Profit Accounting Standard (INPAS) by the International Non-Profit Reporting Foundation (INPRF) in October 2025. The Board considered the ED preceding the INPAS in the development of its proposals.

- 10 The analysis in the table above shows that there are no extensive or fundamental changes from the Exposure Draft and current practice. Consequently, having regard to the criteria in the *AASB Due Process Framework for Setting Standards*, staff consider that the project proposals, as presented in draft AASB 2026-X (Agenda Paper 4.2), do not require any re-exposure before finalisation.

Staff recommendation

- 11 On reflection of the due process taken and the limited changes from the preliminary project proposals as set out in paragraphs 5 – 10 above, staff consider that the Board has satisfied the due process necessary to issue an Amending Standard for its project proposals, and that no re-exposure of the proposals is needed. Consequently, **staff recommend** that the Board should proceed to a pre-ballot draft of Amending Standard AASB 2026-X *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, for subsequent voting and issue under section 334 of the *Corporations Act 2001*.

Question to Board members

- Q1 Do Board members agree that the due process necessary to issue an Amending Standard is satisfied for its project proposals, and that no re-exposure of the proposals is needed?
- Q2 If so, do Board members agree with the staff recommendation in paragraph 11 to proceed to a pre-ballot draft of Amending Standard AASB 2026-X for subsequent voting and issue? If not, what do Board members suggest?