



Project:	Application of AASB 18 and AASB 107 by Superannuation Entities and Not-for-Profit Entities	Meeting:	AASB June 2026 (M221)
Topic:	Sweep issues	Agenda Item:	8.6
		Date:	2 June 2026
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		Decision-Making:	High
		Project Status:	Consider ED 338 feedback

Objective of this paper

- The objectives of this paper are for the Board to:
 - consider** four sweep issues arising from feedback received on ED 338; and
 - decide** whether any action might be needed.
- The abbreviations noted in the Cover Memo apply to this paper.

Issue 1: **Comments from a stakeholder regarding a perceived lack of transparency in reporting by superannuation entities**

- One stakeholder [Richard Swarchz], who did not respond to any SMCs in ED 338, made general points about a perceived lack of transparency in reporting by superannuation entities in respect of information, such as:
 - investment fees and costs and whether they are properly deducted; and
 - separate identification of gross returns/income; taxable income; tax paid; and total unrealised capital gains since account inception.
- The comment letter from Richard Swarchz can be accessed [here](#).
- Staff consider that the comments are not able to be addressed in the context of the current project or necessarily as a standard-setting matter on the basis that:
 - the proper deduction of investment fees and cost is a matter for regulators, including the Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC); and

- (b) investment-portfolio-specific level matters are not addressed in AASB 1056 or AASB 18, which both apply to the reporting entity, which is at the whole of superannuation entity level, rather than portfolio-level.

6 **Staff recommendation:** Staff recommend that no action be taken. Staff plan to pass on relevant feedback to APRA and ASIC.

Question for the Board

Q1: Do Board members agree with the staff recommendation? If not, what alternative courses of action do Board members propose?

Issue 2: **Comments from a stakeholder regarding requiring universities to classify operating expenses by function to separate expenses associated with teaching and research activities**

7 One stakeholder [Professor Matthew Pinnuck from University of Melbourne], who did not respond to any SMCs in ED 338, suggested the Board to consider requiring – rather than merely permitting – universities to classify operating expenses by function to separate expenses associated with teaching and research activities.

8 The submission noted the following:

- (a) Functional classification provides significantly more decision-useful information for users of university financial statements. Universities undertake multiple distinct activities (teaching and research) with different funding models, cost structures, risk profiles and performance metrics.
- (b) Classifying expenses by nature – which is a current requirement by the Australian Government Department of Education – aggregates expenses across these distinct activities. It obscures the true cost of education, the cost of producing research, and the extent of cross-subsidisation between functions. This limits users' ability to assess efficiency, sustainability and performance. The current presentation of expenses by nature is viewed as reducing transparency and weakening accountability, particularly given the level of public funding received by the university sector.
- (c) The optionality in Accounting Standards for entities to present expenses by nature and/or by function is unlikely to change current practice. Without a mandate or authoritative guidance to require presentation by function, comparability and consistency across institutions are unlikely to improve.

9 The comment letter from Professor Matthew Pinnuck can be accessed [here](#).

Staff analysis

10 Under the *Higher Education Support Act 2003*, higher education providers listed in that Act must comply with the *Financial Statement Guidelines for Australian Higher Education Providers* (the Guidelines), issued annually by the Australian Government Department of Education. The [Appendix](#) to this paper lists those higher education providers for the Board's information.

11 The Guidelines for the 2025 financial period (presented as Agenda Paper 8.8 in the supplementary folder) include mandatory presentation and disclosure requirements, including:

- (a) disclosures relating to Higher Education Loan Programs, education and research funding (including Australian Research Council funding) and capital funding;

- (b) disaggregation of fees and charges between domestic and overseas students; and
- (c) disaggregation of employee and related expenses between academic and non-academic staff.

12 Staff note the following:

- (a) The mandatory presentation and disclosure requirements in the Guidelines have resulted in a high degree of comparability and consistency in financial reporting among the listed higher education providers. Accordingly, comparability does not appear to be a key concern.
- (b) Staff discussed the issues raised in the submission with representatives from the Department of Education. It was noted that similar concerns have previously been raised; however, disaggregation of expenses by function presents practical challenges, as many academic staff undertake both teaching and research activities.
- (c) AASB 18.78 requires an entity to apply judgement, and consider the matters set out in AASB 18.B80, in determining whether to present expenses by nature and/or by function to **provide a useful structured summary of expenses**. Staff consider the principles provide sufficient basis for the Department of Education to determine the most appropriate expense presentation formats (and any additional disclosures) to enable users of financial statements to understand the effect of transactions and other events and conditions on universities' financial position and financial performance (AASB 18.20). Staff also consider that the Department of Education is better placed than the AASB to set requirements for the disclosure of particular types of expenses of universities.

13 **Staff recommendation:** Staff recommend that no action be taken.

Question for the Board

Q2: Do Board members agree with the staff recommendation? If not, what alternative courses of action do Board members propose?

Issue 3: The NFP public sector entities that would be permitted to apply the proposed relief from certain AASB 18 requirements

14 In developing ED 338, the Board considered providing relief from certain AASB 18 requirements to NFP public sector entities other than universities. Paragraph BC49 of ED 338 states that the proposed reliefs would apply to:

- (a) governments (as defined in AASB 1049) and the NFP public sector entities they control; and
- (b) local government entities.

Consistent with this approach, universities were excluded from the scope of those reliefs.

15 However, questions have arisen regarding the scope of such reliefs, particularly whether they extend beyond entities consolidated into a government's GPFS to other entities that may be regarded as operating in the public sector (ACAG). For example, some entities may be treated as public sector entities for financial reporting purposes where government has the power to appoint a number of directors or an interest in residual assets, and are audited by the Auditor-General in the relevant jurisdiction, but are not consolidated into any government's GPFS.

16 The term "public sector entities" is not defined in AASB pronouncements. Determining the sector in which an entity operates – and, consequently, the Australian Accounting Standards applicable to it –

is a matter for the relevant regulator and the entity. Accordingly, the Board is not being asked to define the term or to determine which entities fall within that classification.

- 17 To give effect to the Board's decisions in a clear and operable manner, staff recommend:
- (a) removing the specific categories of NFP public sector entities listed in paragraph BC49 of ED 338; and
 - (b) inserting new Aus paragraphs in AASB 18 and AASB 107 to clarify that the reliefs apply to all NFP public sector entities, except universities, along the following lines:
 - [In AASB 18] For the purposes of paragraphs Aus46.1, Aus78.1 and Aus117.1, not-for-profit public sector entities do not include the higher education providers listed in Sections 16-15 and 16-20 of the *Higher Education Support Act 2003*.
 - [In AASB 107] For the purposes of paragraphs Aus6.1, Aus20.2 and Aus34D.1, not-for-profit public sector entities do not include the higher education providers listed in Sections 16-15 and 16-20 of the *Higher Education Support Act 2003*.

Question for the Board

Q3: Do Board members agree with the staff recommendation in paragraph 17? If not, what alternatives do Board members recommend?

Issue 4: Clarify how AASB 18.75(a)(ii) and AASB 18.83 would operate when an NFP public sector entity does not categorise expenses in the AASB 18 categories

- 18 ACAG questioned how AASB 18.75(a)(ii) and AASB 18.83 – requiring specific disclosure requirements for operating expense – would operate when an NFP public sector entity elects to not categorise expenses in the AASB 18 categories and thus there would be no “operating expenses”.
- 19 Staff note that the proposed paragraph Aus46.1 in ED 338 specifies that an NFP public sector entity that elects to apply the relief and not categorise income and expenses into the operating, investing and financing categories, shall “ ... treat references in this Standard to ‘operating expenses’ as expenses presented in the statement of profit or loss, including when applying paragraphs 75(a)(ii), 79–82 and 85.” Staff consider that this sentence is sufficiently clear.
- 20 However, to avoid confusion, staff recommend:
- (a) reviewing the paragraphs cross-referenced in the proposed paragraph Aus46.1 to determine whether additional references (e.g., paragraph 83) should be included; and
 - (b) clarifying in the Basis for Conclusions that the relevant AASB 18 disclosure requirements relating to expenses apply irrespective of whether an NFP public sector entity elects to categorise income and expenses into operating, investing and financing categories.

Question for the Board

Q4: Do Board members agree with the staff recommendation in paragraph 20? If not, what alternatives do Board members recommend?

Appendix: Higher education providers listed in the *Higher Education Support Act 2003*

<u>Table A providers (Section 16-15)</u>	<u>Table B providers (Section 16-20)</u>
<p>Central Queensland University Charles Darwin University Charles Sturt University Curtin University of Technology Deakin University Edith Cowan University Griffith University James Cook University La Trobe University Macquarie University Monash University Murdoch University Queensland University of Technology Royal Melbourne Institute of Technology Southern Cross University Swinburne University of Technology The Australian National University The Flinders University of South Australia The University of Adelaide The University of Melbourne The University of Queensland The University of Sydney The University of Western Australia University of Ballarat University of Canberra University of Newcastle University of New England University of New South Wales University of South Australia University of Southern Queensland University of Tasmania University of Technology, Sydney University of the Sunshine Coast University of Western Sydney University of Wollongong Victoria University of Technology Australian Catholic University Australian Maritime College Batchelor Institute of Indigenous Tertiary Education</p>	<p>Bond University The University of Notre Dame Australia Melbourne College of Divinity</p>