



Project:	Post-implementation review of AASB 1060 and AASB 2020-2	Meeting:	AASB March 2026 (M219)
Topic:	Evidence used to inform the PIR	Agenda Item:	5.2
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		Decision-Making:	High
		Project Status:	Summary of feedback received from roundtables and targeted outreach

The objective of this paper

- The objective of this staff paper is to present relevant evidence to support the Post-implementation Review (PIR) of:
 - AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
 - AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- The evidence presented in this paper is distinct from stakeholder feedback obtained through roundtables and comment letters, which is addressed in Agenda Paper 5.1. Instead, this paper provides:
 - a summary of findings from commissioned research; and
 - additional analysis undertaken by staff.
- Public sector entities are outside the scope of this paper. There were limited public sector entities early adopted AASB 1060, and the transition incentives and relief mechanisms associated with AASB 1060 and AASB 2020-2 were not relevant to public sector entities in the same way as for-profit private sector entities.
- This paper is for discussion purposes only. The Board is not asked to make any decisions at this meeting.

Overall conclusion and key findings

- Overall, the evidence indicates significant uptake of AASB 1060 in the non-listed for-profit (FP) sector following its introduction.

6. Research from an AASB commissioned report shows that nearly all entities presented the required line items under AASB 1060. There is no evidence that Tier 2 Simplified Disclosure (SD) regime results in reduced expense disaggregation on the face of the income statement.
7. Staff analysis of transition-period financial statements indicates that early adoption occurred across entities with diverse previously reporting frameworks (i.e. Reduced Disclosure Requirements (RDR) or Special Purpose Financial Statements (SPFS)) and that available transition reliefs were used by some early adopters, most commonly relief from comparative disclosures.
8. In the not-for-profit (NFP) sector, adoption of Tier 2 SD increased over the period examined but remained lower than in the FP sector, with SPFS continuing to be widely reported.
9. Taken together, the evidence provides relevant input for the Board's assessment, as part of the PIRs, of whether the removal of SPFS and the introduction of Tier 2 SD are operating as intended and meeting their stated objectives in practice.

Key findings

FP private sector

AASB Commissioned Research (post-implementation period)

- Based on a sample of 609 large proprietary firms with reporting year-ends between 30 June 2022 and 30 June 2023:
 - (a) 89% of the sampled large non-listed entities applied AASB 1060;
 - (b) nearly all entities complied with minimum presentation requirements under AASB 1060;
 - (c) the median number of expense line items disclosed by Tier 2 entities was comparable to Tier 1 entities and listed entities; and
 - (d) the median number of notes disclosed by Tier 2 entities was the same as Tier 1 entities, although Tier 2 financial statements were marginally shorter in page length.

Staff Additional Analysis (early adoption period)

- Based on 13842 ASIC-lodged financial reports with year-ends between 1 January 2021 and 31 December 2021 (i.e. prior to mandatory application of AASB 2020-2 and AASB 1060), 4535 reports referenced AASB 1060. However, following manual review of a refined sample of 333 reports. Only 42% (140) were confirmed as early adopters, indicating that early adoption was more limited than suggested by the initial keyword screening.
- Further, of the 140 entities that early adopted AASB 1060:
 - (a) 55% (77) disclosed the reporting framework from which they transitioned. Most of the entities (51 out of 77) transitioned from SPFS and the remaining transitioned from RDR (24 out of 77) and Tier 1 (2 out of 77); and

- (b) 26% (37) disclosed that they used some form of transition relief. The most common transition relief used (81% or 30 out of 37 entities) is the relief from providing comparative disclosures not previously disclosed in the notes.

NFP private sector

AASB Commissioned Research

- Based on self-reported data from 39034 charities in the Australian Charities and Not-for-profits Commission (ACNC) Annual Information Statement (AIS) dataset over the 2021-22 period:
 - (a) among large charities, 23.9% reported using the Tier 2 SD in 2021, increasing to 33.6% in 2022;
 - (b) among medium-sized charities, 10.7% reported using Tier 2 SD in 2021 and 12.4% in 2022; and
 - (c) SPFS remained the most commonly reported framework during the period examined.
- Based on a sample of 6857 large and medium charities annual reports:
 - (a) approximately 60% large NPF entities preparing Tier 2 SD; and
 - (b) approximately one-third of medium-sized NFP entities preparing Tier 2 SD.

The above findings, however, should be interpreted with caution. Prior research has identified discrepancies between the reporting framework stated in financial reports and that self-reported in the ACNC AIS. Accordingly, the AIS-based results may not fully reflect actual reporting practice.

Structure of this paper

10. To provide the Board overview of evidence relevant to the AASB 2020-2 and AASB 1060, this Staff Paper is set out as follows:
 - (a) Background (paragraphs [11-15](#))
 - (b) Research evidence relevant to the PIRs (paragraphs [16-40](#))
 - (c) Appendix: Data and methodology used for the staff analysis of ASIC-lodged Financial Statements: Transition and early adoption evidence (paragraphs [1-12](#))

Background

11. In developing AASB 1060 and AASB 2020-2, the AASB drew on a substantial body of research undertaken by AASB staff and external academic researchers. This research examined the effectiveness of Australia's differential reporting framework, the operation of the reporting entity concept, and the quality and usefulness of financial statements lodged on public records. The findings from this work provided critical evidence to inform the AASB's assessment of whether reporting frameworks should be revised and improved to meet user needs.
12. [AASB Research Report No. 1 – Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements](#) published in 2014, analysed large samples of

financial statements lodged with the ASIC and state-based regulators and found that a majority of entities subject to public lodgement classified themselves as non-reporting entities and prepared SPFS rather than general purpose financial statements (GPFS) (see RR 1, Executive Summary, paras 7–8). The research also demonstrated that the indicators in Statement of Accounting Concepts (SAC) 1 were not applied consistently in practice and did not systematically explain reporting outcomes (RR 1, paras 8–9). Further analysis identified wide variation in the stated application of recognition and measurement requirements and evidence of lower quality accruals in SPFS compared with GPFS (RR 1, paras 13–15). These findings raised concerns about comparability, transparency and the usefulness of publicly available financial statements, and were a key evidential basis for the AASB’s conclusion that continued reliance on SPFS in a public lodgement context was not consistent with user-focused financial reporting. This research directly informed the policy intent of AASB 2020-2 to remove the ability of certain for-profit private sector entities to prepare SPFS.

13. Subsequent research expanded the analysis by examining the broader financial reporting framework for for-profit private sector companies. [AASB Research Report No. 7 – Financial Reporting Requirements Applicable to For-Profit Private Sector Companies](#) documented the interaction between accounting standards, Corporations Act requirements and regulatory thresholds (RR 7, paras 1–5). The report highlighted that Australia’s reporting entity concept is unique internationally and relies heavily on entity self-assessment, contributing to inconsistent reporting outcomes (RR 7, paras 5(1) and 6). It also observed that Australia permits entities required to lodge financial statements publicly to determine whether they prepare GPFS or SPFS, resulting in a lack of a level playing field between similar entities (RR 7, paras 5(1)–5(2)). These findings reinforced the policy case for reforming the treatment of SPFS and supported the AASB’s consideration of alternatives that would improve consistency and credibility while remaining proportionate for smaller and private entities.
14. Complementary research on NFP entities and smaller entities, including [AASB Research Report No. 5 – Financial Reporting Requirements Applicable to Charities](#), further demonstrated systemic issues associated with multiple regulators, inconsistent thresholds and significant judgement in determining whether GPFS or SPFS are required (RR 5, Executive Summary; Table 1). Although this research focused primarily on the NFP sector, it provided additional evidence of the practical challenges associated with self-assessment of reporting obligations and the consequences for comparability and user understanding. This broader evidence base informed the AASB’s assessment of how differential reporting frameworks operate in practice and the importance of aligning reporting requirements with the needs of users of publicly available financial information.
15. Collectively, this body of research informed the AASB’s response in two interrelated ways. First, it provided evidence that continued reliance on SPFS for for-profit entities required to prepare financial statements in accordance with Australian Accounting Standards (AAS) undermined comparability and user confidence, leading to the development of AASB 2020-2. Second, it demonstrated the need for a proportionate general purpose financial reporting alternative that could support the transition away from SPFS without imposing unnecessary disclosure burden. This evidence directly informed the development of AASB 1060, which introduced a revised Tier 2 SD framework designed to balance user information needs with preparer cost considerations.

Research evidence relevant to the PIRs

16. There is currently limited research in the academic literature examining the effects of the removal of SPFS and the introduction of Tier 2 SD in Australia. To address this gap, in 2024, the AASB commissioned two academic teams separately to conduct research on FP private sector

entities and on NFP private sector entities—to provide relevant evidence to inform the PIRs. In addition, the commissioned research projects did not examine the extent of early adoption or the use of transition relief provided under AASB 1060 and AASB 2020-2. To supplement this gap, the AASB Research Centre undertook an analysis of ASIC-lodged financial statements of for-profit entities.

17. Accordingly, this section provides findings from 3 research conducted:
 - (a) Commissioned Research: Lodgement of Tier-1 and Tier-2 financial statements by non-listed for-profit entities (paragraphs [18-25](#));
 - (b) Staff analysis of ASIC-lodged Financial Statements: Transition and early adoption evidence (paragraphs [26-33](#)); and
 - (c) Commissioned Research: Lodgement of Tier-1 and Tier-2 financial statements by NFP entities (paragraphs [34-40](#)).

Commissioned Research: Lodgement of Tier-1 and Tier-2 financial statements by non-listed for-profit entities

18. Findings from this research are relevant to the non-listed for-profit entities. Professor Matt Pinnuck and Professor Brad Potter of the University of Melbourne were commissioned to examine the reporting framework choices and disclosure outcomes of large non-listed FP entities following the introduction of AASB 1060 and AASB 2020-2.
19. It is important to note that this commissioned research examined only the post-implementation period and excluded the early adoption period. Accordingly, staff conducted further analysis (see below) on the transition period to understand early adoption take-up and the transition relief applied.
20. In particular, the research aims to:
 - (a) document the reporting framework choices of non-listed entities eligible to apply Tier 2 reporting using AASB 1060;
 - (b) provide an exploratory investigation of the quality of Tier 2 reporting under AASB 1060; and
 - (c) identify significant areas of non-compliance with main disclosure requirements in AASB 1060.
21. By examining a sample of 609 large proprietary firms with reporting years-ends between 30 June 2022 and 30 June 2023, the research found that:
 - (a) 89% of entities reported using AASB 1060 (i.e. Tier 2 SD framework);
 - (b) 8% of entities reported using Tier 1-GPFS; and
 - (c) 3% of entities reported (possibly due to error) using:
 - (i) 2% used SPFS
 - (ii) 1% used Tier 2 RDR framework.

These findings indicate a high level of adoption of the SD framework using AASB 1060 in the non-listed for-profit entities. The small degree of potential error or non-compliance appears to relate primarily to enforcement mechanisms.

22. The research also examined the quality of disclosures by examining three attributes:
- (a) minimum presentation of line items required (i.e. paragraphs of 35, 37 and 52 of AASB 1060);
 - (b) expense disaggregation; and
 - (c) note disclosure.
23. The research found that nearly all entities present the minimum line items. Fewer than 1% of entities did not present all required line items; however, most of these were holding companies that may not have had transactions during the period that would warrant providing the relevant information. It is also important to note that entities may apply materiality concepts, which means certain line items are not required if they are assessed as immaterial.
24. In addition, the evidence gathered shows that Tier 2 – SD entities disclose a median number of expense line items of seven. This is similar to the median number of expense line items reported by Tier 1-GPFS large proprietary entities of eight and by Australian listed entities of seven. Thus, there is no evidence that a SD framework results in any difference in expense disaggregation as measured by the number of line items. Specifically:
- (a) 50% of entities report between five and nine line items (the 25th and 75th percentile respectively);
 - (b) 80% of entities report between 4 and 11 expense line items (the 10th and 90th percentile respectively); and
 - (c) there is however a small number of entities provide a low level of expense disaggregation. These entities are generally holding companies and financing vehicles.

These findings are relevant to the PIRs for Topic 6. During the development of AASB 1060, some stakeholders raised concerns about the lack of a specific requirement to disclose individually material items of income and expense in the financial statements. The evidence indicates that the number of expense line items presented does not suggest an absence of such disclosures on the face of the financial statements. It should be noted, however, that a limitation of this research method is that it does not capture the extent to which expenses are further disaggregated in the notes to the financial statements.

25. The research also examines the number of notes to the financial statements and the number of pages from the statement of profit or loss to the audit report, and found that:
- (a) the median number of notes disclosed in a Tier 2-SD framework is 25, which is the same median number of notes reported by Tier 1-GPFS entities; and
 - (b) the median number of pages in financial statements of Tier-2 SD framework is 29, which is marginally lower than the 32 pages reported by Tier 1-GPFS entities.

These findings suggest that the Tier 2-SD framework does, in some respect, provide disclosure relief for entities. However, staff acknowledge that the evidence cannot conclusively

demonstrate that Tier 2 -SD results in fewer disclosures overall – particularly given that the median number of notes disclosed by Tier 2-SD entities is the same as that of Tier 1-GPFS entities. Several factors may explain this outcome. For example, entities may present the same number of notes but provide less detailed discussion than Tier-1 GPFS entities, which is consistent with the evidence on the number of pages in the financial statements. In addition, many entities rely on templates provided by their advisors when preparing their financial statements, including the notes. These templates often include a full suite of commonly disclosed notes that entities may use without fully considering whether each disclosure is required under AASB 1060.

Staff analysis of ASIC-lodged Financial Statements: Transition and early adoption evidence

26. As noted above, the commissioned research examined only the post-implementation period and excluded the early adoption period. Accordingly, the research centre undertook additional evidence-gathering to address this gap.
27. The staff analysis of ASIC-lodged financial statements provides complementary evidence on the transition and early adoption patterns following the introduction of AASB 1060 and AASB 2020-2. The analysis focuses on entities with financial reporting year-ends between 1 January 2021 and 31 December 2021. FP sector entities preparing financial reports during this period in accordance with the requirements of AASB 1060 are identified as early adopters and can utilise the transitional relief available to them.
28. The evidence gathered aims to answer the following questions:
 - (a) from which reporting regimes (SPFS, RDR or Tier 1) did entities transition when early adopting AASB 1060?;
 - (b) to what extent did entities early adopt AASB 2020-2 and AASB 1060; and
 - (c) what transition relief was used?
29. This research analysed 13842 ASIC-lodged financial reports with year-ends between 1 January 2021 and 31 December 2021. Using automated keyword-based text search method, 4535 reports reference keywords related to AASB 1060.
30. Given potential inconsistencies in how entities describe their reporting framework, staff randomly selected 361 reports to manually review and determined a final sample of 333 reports with clear and consistent reporting framework mentioned. The [appendix](#) describes the methodology and data underlying the staff analysis. Within the final sample of 333 reports, the findings show that 42% (140) adopted AASB 1060 early.
 - (a) 42% (141) reported using AASB 1060;¹
 - (b) 17% (56) reported using RDR;
 - (c) 25% (82 reports) reported using SPFS; and
 - (d) 16% (54 reports) reported using Tier 1.

1 Staff initially identified 141 entities reporting using AASB 1060. One entity however was incorporated after 1 July 2021 and prepared financial statements for the period from 7 July 2021 to 31 December 2021. Thus, this entity was not classified as an early adopter and as such was excluded.

Overall, the findings indicate that early adoption was limited than suggested by the initial keyword screening.

31. Of the 140 entities that early adopted AASB 1060, 77 (55%) disclosed the reporting framework from which they transitioned. The remaining 63 entities (45%) did not specify their previous reporting framework. Among the 77 entities that disclosed their previous reporting framework used:
- (a) 66% (51) transitioned from SPFS;
 - (b) 31% (24) transitioned from RDR; and
 - (c) 3% (2) transitioned from Tier 1.

These findings indicate that, among early adopters that disclosed their prior reporting framework, most transitioned from SPFS.

32. Additionally, of the 140 early adopters:
- (a) 26% (37) utilised some form of transition relief. 7.14% (10 entities) utilised multiple transition reliefs;
 - (b) 73% (102) did not use and/or mention any transition relief; and
 - (c) 1% (1 entity) had no relief available as it is a not-for-profit entity.²
33. The most common transition relief used is the relief from providing comparative information not previously disclosed in the notes. 81% (30 out of 37 entities) used this transition relief. The findings indicate that the relief mechanism played a role in facilitating transition and managing implementation effort.

Commissioned Research: Lodgement of Tier-1 and Tier-2 financial statements by NFP entities

34. Dr Kevin Thai and Dr Prabashi Dharmasiri of the RMIT University were commissioned to examine the reporting framework choices of ACNC-registered NFP entities following the introduction of AASB 1060.
35. Like the commissioned research on large non-listed for-profit entities, this research also examined only the post-implementation period and excluded the early adoption period from analysis.
36. In particular, the research aims to present a comprehensive overview of the reporting landscape and the reporting framework choices of large and medium not-for-profit entities.
37. Using the self-reported data contained in the ACNC AIS dataset of 39034 unique charities over the 2021-22 sampling period. The research found that:
- (a) among the large-sized charities, 23.9% reported using the Tier 2 SD framework in 2021, with 33.6% reported using the Tier 2 SD framework in 2022; and

² Staff acknowledge that this entity was inadvertently included in the sample, as it is a NFP entity. This was identified during the later stages of the analysis. Staff consider that its inclusion does not affect the overall findings.

- (b) among the medium-sized charities, the proportion of entities using the Tier 2 SD framework remained similar across both years. (10.7% in 2021 and 12.4% in 2022).

The findings suggest a low-to-moderate level of adoption of the SD framework. While adoption of the Tier 2 SD framework has increased, preparing SPFS remains the most common reporting framework.

- 38. By examining a sample of 6857 large and medium charities' annual reports, the research found that:

- (a) approximately 60% of large NFP entities preparing GPFS Tier 2 SD report the application of the standard; and
- (b) only a third of medium NFP entities do so.

The research identified compliance issues related to the basis of preparation disclosures. Consistent with the analysis of for-profit entities, further education and guidance may be beneficial to support consistent application.

- 39. These findings, however, should be interpreted with caution. As part of this research, a further verification exercise was undertaken by comparing the reporting framework stated in the auditor's report with the framework self-reported in the ACNC AIS for a random sample of 130 medium-sized entities. This analysis identified discrepancies:

- (a) 24% of entities claiming GPFS Tier 2 SD in the AIS that were in fact preparing SPFS; and
- (b) 37% of entities claiming GPFS Tier 1 that were actually preparing GPFS Tier 2 SD.

- 40. This finding is consistent with [AASB Research Report 11 Review of Special Purpose Financial Statements: Large and Medium-Sized Australian Charities \(August 2019\)](#) identified an overall error rate of 16.51% between the reporting framework stated in financial reports and the self-reported information in the AIS.

Appendix: Data and methodology used for the staff analysis of ASIC-lodged Financial Statements: Transition and early adoption evidence

1. This appendix describes the methodology and data underlying the staff analysis of ASIC-lodged financial statements regarding the transition to and the early adoption of AASB 1060 and AASB 2020-2.

Sample selection

2. The overall approach was to select a sample of financial statements to examine the transition to and the early adoption of AASB 1060 and AASB 2020-2. To do this efficiently, staff first applied automatic keyword-based text analysis to identify potentially relevant financial statements. From this subset, staff then selected reports for manual review and verification.
3. Staff processed and digitised 13842 ASIC-lodged financial statements with year-ends between 1 January 2021 and 31 December 2021 using Optical Character Recognition (OCR).
4. Automatic keyword-based searches (i.e. “simplified disclosure”, “aasb 1060” and “aasb1060”) were used to identify references to AASB 1060. This resulted in 4535 reports being identified (i.e. potential early adopters of AASB 1060) for further analysis.
5. Within the sub-sample of 4535 reports referencing AASB 1060, additional keyword searches were performed to identify references to Tier 1, RDR and SPFS. As entities were expected to disclose their previous reporting framework upon transition,³ these searches could potentially assist staff in identifying reports that indicated both early adoption of AASB 1060 and the framework from which the entity transitioned.

Table 1: List of keywords references to Tier 1, RDR and SPFS

Reporting Framework	Keywords ⁴
Tier 1 ⁵	“complies with international financial reporting standards”, “comply with international financial reporting standards”, “have been prepared in accordance with the requirements of the corporations act 2001, australian accounting standards and other authoritative pronouncements issued by the australian accounting standards board (aasb) and international financial reporting standards”, “in full compliance with international financial reporting standards”, “comply with australian accounting standards and international financial reporting standards”, “prepared in accordance with the corporations act 2001, australian accounting standards and interpretations of the australian accounting standards board and international financial reporting standards”
RDR	“reduced disclosure”, “reduced disclosure requirements”

3 It is a requirement for entities transitioning from SPFS. While not mandatory, the transition from Tier 1 or RDR is commonly disclosed.

4 The text in the financial statements is converted to lower case to ensure that the keyword search is not case sensitive.

5 Some financial statements explicitly mention that they do not comply with/conform to IFRS standards. The words “comply with International Financial Reporting Standards...” were incorrectly being picked up by the Tier 1 keywords. Staff take an extra step of searching for variations of “do not comply with IFRS” to override the incorrect detection of the Tier 1 keywords.

Reporting Framework	Keywords ⁴
SPFS	"special purpose financial", "special-purpose financial"

6. The analysis showed that:
 - (a) 75% of reports also included references to SPFS and/or RDR;
 - (b) 3% included wording associated with Tier 1; and
 - (c) 18% referred only to AASB 1060 and did not mention any other reporting framework.
7. These findings indicate that some entities may have disclosed the reporting framework from which they transitioned. However, the keyword-based analysis provided only indicative evidence. Accordingly, manual review and verification was required.
8. As the final step in the sampling procedure, staff manually reviewed 361 financial reports.
9. During the manual review, staff verified the reporting framework by assessing consistency across the Basis of Preparation/Statement of Compliance, the Directors' Declaration and the Independent Auditor's Report. Of the 361 financial reports reviewed, 28 entities were removed because the reporting framework was unclear or inconsistent. For example, some entities referred to AASB 1060, while the corresponding audit reports referred to RDR. This resulted in a sample of 333 reports.

Analysis

10. Of the 333 reports retained in the final sample, 140 entities were identified as early adopters of AASB 1060. The remaining reports referred to AASB 1060 as a forthcoming standard but had not yet adopted it.
11. Staff undertook further analysis of the 140 early adopters. Of these:
 - (a) 77 entities disclosed the reporting framework from which they transitioned; and
 - (b) 37 entities disclosed that they had applied transition relief.
12. The figure below summarises the final sample and key findings:

