

**From:** [Jason Cleasby](#)  
**To:** [Australian Accounting Standards Board](#)  
**Subject:** ITC 56 – Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements  
**Date:** Thursday, 9 October 2025 10:58:07 AM  
**Attachments:** [image001.png](#)  
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Dear AASB Board Members,

I appreciate the opportunity to provide feedback on ITC 56 and the broader financial reporting framework reforms. I write from the perspective of a Commercial and Finance Manager working within the not-for-profit (NFP) sector.

### **1. Retention of Special Purpose Financial Statements (SPFS)**

I strongly advocate for the continued availability of SPFS for NFP entities. The removal of SPFS for certain for-profit entities may be appropriate for highly commercialised NFP organisations where they may have stakeholders such as suppliers/contractors who may require higher levels of financial integrity in reporting. However, applying this logic to NFPs more broadly risks imposing disproportionate burdens on organisations that operate with limited resources and fluctuating funding. SPFS have historically provided a flexible and fit-for-purpose reporting option for NFPs, allowing financial professionals to tailor disclosures to the needs of stakeholders without unnecessary complexity. Their removal would likely increase compliance costs and administrative overheads, diverting resources away from mission-critical activities.

### **2. Regulatory Burden and Sector Pressures**

The NFP sector is already under significant pressure due to:

- Complex and varied grant acquittal requirements,
- Increasing demands from funding bodies and regulators,
- Chronic underfunding in many NFP sectors and financial instability.

### **3. Tier 2 Reporting and Volatility in Funding**

The current tier system does not adequately reflect the realities of NFP funding. Annual revenue thresholds can fluctuate significantly due to one-off grants or project-based funding, which may temporarily push an organisation into a higher reporting tier. This volatility creates chaos for small NFPs, which may be forced to adopt more complex reporting standards for a single year, only to revert the following year. Many small NFPs lack the capacity to manage such transitions effectively, and the cost of compliance may outweigh the benefits of enhanced comparability. Therefore, forcing small scale NFP's to use higher tier reporting requirements to avoid the complexities of transitioning between the tiers.

I propose that eligibility for Tier 2 reporting should be based on a **five-year average revenue** rather than a single year's result. This would provide greater stability and predictability for NFPs and allow them to plan external reporting responsibilities and select a reporting tier that is appropriate for their size and resources.

#### 4. Intended Benefits of AASB 1060 and AASB 2020-2

I acknowledge that the AASB has introduced AASB 1060 and AASB 2020-2 with the intention of improving financial reporting quality and consistency. The stated benefits include:

- Simplified disclosures for Tier 2 entities under AASB 1060, consolidating requirements into a single standard and aligning with international best practice.
- Improved comparability and transparency through the removal of SPFS for certain for-profit entities, ensuring consistent application of recognition and measurement requirements.
- Greater accountability and reliability of financial statements for users such as investors, creditors, and regulators.

While these goals are commendable, I question whether the same benefits apply to the NFP sector, where the users of financial statements are often internal stakeholders, grant providers, and community partners—not capital market participants. The cost of compliance must be weighed against the actual utility of the information produced.

#### 5. Conclusion

I urge the AASB to:

- Retain SPFS for NFP entities or provide a simplified Tier 3 framework that genuinely reduces complexity,
- Reconsider the use of annual revenue thresholds for tier classification, a five-year average would be far more effective for the sector,
- Ensure that any changes are evidence-based and developed in close consultation with the NFP sector.

Thank you for considering this submission. I would welcome the opportunity to participate in further consultations or outreach activities.

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We acknowledge the Noongar people as the traditional custodians of the land on which we live and work.



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18 December 2025

Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board  
Level 14, 530 Collins Street  
Melbourne VIC 3000  
Via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Dr Kendall

**SUBMISSION – INVITATION TO COMMENT 56 POST-IMPLEMENTATION REVIEW OF TIER 2 AND THE REMOVAL OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR CERTAIN FOR-PROFIT PRIVATE SECTOR ENTITIES AND FURTHER UPDATE OF TIER 2**

We appreciate the opportunity to provide comment to the Australian Accounting Standards Board (the AASB) on AASB Invitation to Comment 56 Post-Implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2 (ITC56).

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We consider that 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* have met their intended objectives of efficiency and effectiveness. We believe that AASB 1060 strikes an appropriate balance between meeting user needs and the costs for entities preparing Tier 2 GPFS.

Whilst we support the current maintenance process of AASB 1060, with the updated *IFRS for SMEs Accounting Standard* being made available internationally, we consider that some of the additional disclosures in *IFRS for SMEs* are excessive. In our view these do not represent a significant benefit for users over and above compliance costs involved in their adoption, so we request the AASB to carefully consider the cost/benefit of each additional disclosure and make conclusions consistently with the rationale adopted when developing AASB 1060 for the Australian market.

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Further, we strongly support the adoption of certain aspects of AASB 18 *Presentation and Disclosure in Financial Statements* within AASB 1060 regarding classification and presentation in order for Tier 1 and Tier 2 to be consistent in this regard.

Finally, given our support for AASB 1060, we do not support the adoption of IFRS 19 *Subsidiaries without Public Accountability* in Australia.

Our detailed responses to the questions contained in ITC56 are attached to this letter.

Please contact either myself or Kerry Hicks, Director – Technical Standards (02 9228 2272 or [kerry.hicks@pitcher.com.au](mailto:kerry.hicks@pitcher.com.au)), in relation to any of the matters outlined in this submission.

Yours sincerely  
PITCHER PARTNERS



K L Byrne  
Partner



K Hicks  
Director – Technical Standards

## SECTION 1: POST-IMPLEMENTATION REVIEW

**Topic 1 – Overall Objective and assessment of AASB 2020-2**

1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:
  - a) Has the *overall* objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?
  - b) Were the costs of preparing GPFS for the *first time* broadly in line with expectations?
  - c) Are the *ongoing* costs of preparing GPFS broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

*Response:*

We agree that the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities has been achieved. However, this was not without considerable cost for some entities on transition.

Some private companies, that had never previously consolidated, found the time and effort involved in transitioning to general purpose financial statements, from special purpose financial statements, excessive as it they did not believe there were users of the consolidated general purpose financial statements.

The ongoing costs of preparing general purpose financial statements are broadly in line with expectations.

## SECTION 1: POST-IMPLEMENTATION REVIEW

**Topic 2 – Overall objective and assessment of AASB 1060**

2. Regarding AASB 1060, please provide your views on the following matters:
- a) *Overall*, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?
  - b) Were the costs of applying the Standard for the *first time* broadly in line with expectations?
  - c) Are the *ongoing* costs of applying the Standard broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

*Response:*

Overall, AASB 1060 has met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 general purpose financial statements and we do consider it an improvement on the previous Reduced Disclosure Regime (RDR).

The costs of applying AASB 1060 varied, depending on what type of financial statements, and what accounting policies the entity had previously adopted. For example, the costs of moving from RDR to AASB 1060 were negligible. However, as discussed in our response to Question 1, the requirement to consolidate for the first time when applying AASB 1060 was often found to be excessive.

Ongoing costs of applying AASB 1060 are broadly in line with expectations.

## SECTION 1: POST-IMPLEMENTATION REVIEW

<b>Topic 3 - Transition relief for FP private sector entities transitioning from SPFS to AASB 1060</b>
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| <p>3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:</p> <p>a) Was any of the optional transition relief used?</p> <p>b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?</p> |
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<p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>
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*Response:*

A very small minority of our for-profit client base did use the optional transition relief of:

- Not presenting comparative information not previously disclosed when early adopting AASB 1060; and/or
- Not restating comparative information if it applied AASB 1 when early adopting AASB 1060; and/or
- The requirement to not distinguish between corrections of errors and changes in accounting policies if the entity became aware of errors in its most recent SPFS.

Whilst the transition relief did reduce the effort required during transition, we do not consider that the relief regarding comparatives should have been limited to the early adoption of AASB 1060.

Early adoption of accounting standards is not common practice by Australian entities and the transition options noted above were not a big enough incentive for entities to change their financial statements one year earlier than mandatorily required. Therefore, the bulk of companies adopted the standard at the mandatory date and had to prepare both prior year and current year numbers and disclosures complying with AASB 1060. This was a big transition cost for certain entities, as previously indicated, particularly those preparing consolidated financial statements for the first time.

## SECTION 1: POST-IMPLEMENTATION REVIEW

**Topic 4 – Transition relief for entities transitioning from GPFS to AASB 1060**

4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:
- a) Was the optional transition relief used?
  - b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

*Response:*

No, we do not believe this optional transition relief was used by our client base.

This was because, any time and cost savings were not significant as RDR generally had more disclosures than AASB 1060 and there were few new disclosures in AASB 1060 for which comparative relief could be obtained.

Further, as discussed in Question 3, early adoption of accounting standards is not common practice by Australian entities and the transition option noted above was not a big enough incentive for entities to change their financial statements one year earlier than mandatorily required.

**Topic 5 – Educational materials**

5. In relation to the *removal of SPFS for certain FP private sector entities*, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
6. In relation to *AASB 1060*, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

*Response:*

Yes, we are supportive of the AASB education initiatives regarding this topic, and the AASB staff were helpful when certain queries arose which needed further explanation.

Because AASB 1 featured so heavily in transition and it had been a long time since AASB 1 was regularly applied in Australia – some re-education on this topic as it applied to AASB 1060 and the removal of SPFS would have been helpful.

## SECTION 1: POST-IMPLEMENTATION REVIEW

**Topic 6 – Disclosure of individually material items**

8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?
9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

*Response:*

No, we do not consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in preparing or using Tier 2 general purpose financial statements. The broader requirement in the standard in paragraph 91(c) is generally sufficient to encourage clients to provide more disclosure in this area.

No, we do not think the AASB should add an explicit disclosure requirement to AASB 1060 in this regard, particularly if the AASB is going ahead to incorporate AASB 18 into AASB 1060, including the classification, presentation, aggregation and disaggregation principles.

We can appreciate that some may prefer to see an explicit requirement, however we would not want to see a disclosure in AASB 1060 that was over and above the Tier 1 disclosure requirements.

## SECTION 1: POST-IMPLEMENTATION REVIEW

## Topic 7 – Adequacy of disclosure requirements

10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?

Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:

- Table 2.1.1 – Substantive amendments to the *IFRS for SMEs Accounting Standard* – recommendations for amending AASB 1060.
- Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060.
- Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.

*Response:*

There are some disclosures within AASB 1060 that owners of private companies consider sensitive in nature and therefore they consider that the costs outweigh any benefits – such as key management personnel disclosures where there is a small number of KMP, related party disclosures for proprietary companies and business combination disclosures involving a family company acquiring another family company.

Further, we fail to see the relevance of the future lease commitments disclosure, when the lease liability is already recognised in the statement of financial position and this is not a disclosure requirement for Tier 1 general purpose financial statements.

Our overall view of the proposed amendments to AASB 1060 as outlined in Section 2 of the ITC is that the disclosures arising from the updated *IFRS for SMEs Accounting Standard* seem excessive and move AASB 1060 closer to Tier 1 general purpose financial statements. In our view, they do not represent a significant benefit for users over and above the compliance costs involved in their adoption, so we request the AASB to carefully consider the cost/benefit of each amendment. Such additional proposed disclosures only add to our concerns raised above. See further our comments in Section 2 on these proposals.

However, we support the proposal to amend AASB 1060 to align with certain requirements of AASB 18, and we have commented specifically in Section 2 about these proposals.

## SECTION 1: POST-IMPLEMENTATION REVIEW

**Topic 8 – Maintaining AASB 1060**

11. Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?

Please explain the reasons for your view.

*Response:*

Yes, we support the AASB's current approach to maintaining AASB 1060. Whilst we appreciate this means frequent updating of AASB 1060 – generally these updates are quite narrow and applicable in limited circumstances.

**Topic 9 – Other Matters**

12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?
13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?
14. Are the requirements in the best interests of the Australian economy?
15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

*Response:*

We have no further matters to be considered as it relates to the post-implementation review of AASB 1060 and AASB 2020-5.

## SECTION 2: AASB 1060 UPDATE

<b>Topic 1 – Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard</b>
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<p>1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the <i>IFRS for SMEs Accounting Standard</i>?</p>
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<p>If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?</p>
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**Response:**

Yes, we agree the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the *IFRS for SMEs Accounting Standard*.

<p>1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1?</p>
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<p>If you disagree, with which recommendations do you disagree and what would you suggest instead?</p>
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**Response:**

Our overall view of the proposed amendments to AASB 1060 as outlined in Section 2 of the ITC is that the disclosures arising from the updated *IFRS for SMEs Accounting Standard* seem excessive and move AASB 1060 closer to Tier 1 general purpose financial statements. In our view, they do not represent a significant benefit for users over and above the compliance costs involved in their adoption, so we request the AASB to carefully consider the cost/benefit of each amendment.

Of main concern to us are the proposals to include requirements to disclose:

- (a) changes in liabilities arising from financing activities (*IFRS for SMEs* paragraph 7.19A);
- (b) analysis of the age, by reference to due date, of trade receivables and other financial assets measured at amortised cost (*IFRS for SMEs* paragraph 11.43);
- (c) details of fair value measurements (*IFRS for SMEs* paragraphs 12.28 to 12.32);
- (d) contingent consideration arrangements for business combinations (*IFRS for SMEs* paragraphs 19.38(e)(i) to (iii) and 19.41); and
- (e) information regarding revenue from contracts with customers (*IFRS for SMEs* paragraphs 23.83 to 85 and 88 to 90).

In our view, the above proposed disclosure requirements go beyond the original objective and positioning of (the AASB 1060) Tier 2 requirements in the Australian financial reporting environment.

In addition, having previously concluded that it is unnecessary for AASB 1060 to include requirements to disclose the information specified by paragraph 9.23B (gain or loss relating to a retained interest in a former subsidiary) and paragraph 11.43A (maturity analysis of financial liabilities) of the *IFRS for SMEs Accounting Standard*, we question the basis on which the AASB has now changed its position. In our view, the AASB should limit its assessment to amendments made to the *IFRS for SMEs Accounting Standard*, and not reopen decisions previously made in relation to existing *IFRS for SMEs* disclosure requirements.

## SECTION 2: AASB 1060 UPDATE

1.3 Do you agree with the AASB's recommendations **not** to amend AASB 1060 for the changes presented in Table 2.1.2?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

**Response:**

Yes, we agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2.

**Topic 2 - Potential effects of AASB 18 on AASB 1060**

2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the *IFRS for SMEs* Accounting Standard?

If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.

If you think the AASB should wait for the IASB's next edition of the *IFRS for SMEs* Accounting Standard, please explain your reasons.

**Response:**

We encourage the AASB to consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the *IFRS for SMEs* Accounting Standard.

In our view the presentation and classification requirements applicable to Tier 2 entities should align with Tier 1 / full IFRS Accounting Standards.

2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

If you disagree, with which aspects do you disagree and what would you suggest instead?

**Response:**

Yes, we agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities.

## SECTION 2: AASB 1060 UPDATE

**Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)**

2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?

Option A:

Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

Option B:

Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

Please provide the reasons for your preference.

**Response:**

We support Option A.

Although the adoption of Option A will significantly increase the volume of requirements contained within AASB 1060 (when compared to Option B), we believe it is important to maintain the 'stand-alone standard' approach for the presentation, classification and disclosure requirements applicable to Tier 2 entities.

## SECTION 2: AASB 1060 UPDATE

## Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

- a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and
- b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

Please provide the reasons for your view.

**Response:**

In our view, AASB 1060 should not include a requirement to disclose the information specified by paragraphs 83 to 85 of AASB 18. We believe the existing disclosure requirements of AASB 1060 are sufficient to satisfy the information needs of users of financial statements of Tier 2 entities, which include, for example, the disclosure of:

- (a) impairment losses recognised or reversed in accordance with AASB 102 (AASB 1060.123(d));
- (b) for each class of property, plant and equipment, a reconciliation of the carrying amount at the beginning and end of the reporting period, showing separately impairment losses recognised or reversed and depreciation (AASB 1060.134(e));
- (c) for each class of intangible assets, a reconciliation of the carrying amount at the beginning and end of the reporting period, showing separately impairment losses recognised or reversed and amortisation (AASB 1060.137(e));
- (d) the total share-based payment expense (AASB 1060.168); and
- (e) impairment losses by class of asset (AASB 1060.169 and 170).

We do however note that AASB 1060 does not require the disclosure of total employee benefits expense and, instead, requires the disclosure of the total share-based payment expense (AASB 1060.168) and the expense recognised for defined contribution plans (AASB 1060.172). In order to provide more useful information to users of financial statements of Tier 2 entities and to streamline the disclosure requirements of AASB 1060, we would support replacing paragraphs 168 and 172 with a single requirement to disclose the total employee benefits expense recognised for the reporting period.

In relation to the disclosure of the information specified by paragraph 82(b) of AASB 18, in our view, it would be appropriate for AASB 1060 to be amended to include this disclosure requirement.

## SECTION 2: AASB 1060 UPDATE

## Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)

2.5 For management-defined performance measures (MPMs), should AASB 1060 include:

- a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);
- b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);
- c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- d) no disclosure requirements for MPMs?

Please provide the reasons for your view.

If you support only some disclosure requirements, please identify which disclosures should be required and why.

**Response:**

In our view, AASB 1060 should not include a requirement to disclose information relating to MPMs (as defined by AASB 18). In our experience it is not common practice for Tier 2 entities to use MPMs (as defined by AASB 18) and, accordingly, it is not necessary for AASB 1060 to include disclosure requirements relating to MPMs.

2.6 Should AASB 1060 require disclosure of further information regarding:

- a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Please provide the reasons for your view.

**Response:**

As outlined in our response to Question 2.2 (above), in our view, AASB 1060 should be amended to include the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities. Consistent with this position, in our view, AASB 1060 should be amended to include additional requirements and guidance in relation to the aggregation and disaggregation of information to align with the requirements and guidance specified by paragraphs 41 to 43 and B16 to B26 of AASB 18.

However, we believe it would be excessive in the context of Tier 2 reporting to require disclosure of the line item(s) in which amounts are included when amounts disclosed in the notes are included in one or more line items in the primary financial statements (paragraph 114 of AASB 18). In our view, AASB 1060 should not include this disclosure requirement.

## SECTION 2: AASB 1060 UPDATE

Questions regarding NFP private sector entities preparing Tier 2 GPFS**Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)**

- 2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:
- a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
  - b) disclosure requirements regarding MPMs; and
  - c) aggregation and disaggregation principles.

**Response:**

In our view, amendments made to AASB 1060 to align with the presentation, classification and disclosure requirements of AASB 18 should apply equally to both for-profit entities and not-for-profit private sector entities.

Accordingly, in our view, requirements for classifying income and expenses in five categories, and their presentation in the statement of profit or loss are suitable for application to Tier 2 general purpose financial statements of not-for-profit private sector entities.

Our views on whether to amend AASB 1060 to include additional disclosures for operating expenses classified by function, disclosure requirements regarding MPMs, and aggregation and disaggregation principles are outlined in our responses to the earlier questions. The views expressed in relation to these matters apply equally to Tier 2 general purpose financial statements of not-for-profit private sector entities.

- 2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):
- a) dividends and interest received – investing cash flows; and
  - b) dividends and interest paid – financing cash flows.

**Response:**

In our view, amendments made to AASB 1060 to align with the presentation, classification and disclosure requirements of AASB 18 should apply equally to both for-profit entities and not-for-profit private sector entities.

Accordingly, in our view, requirements for classifying dividends and interest cash flows (in the statement of cash flows, consistent with the revised AASB 107) are suitable for application to Tier 2 general purpose financial statements of not-for-profit private sector entities.

## SECTION 2: AASB 1060 UPDATE

Questions regarding NFP private sector entities preparing Tier 2 GPFS (continued)

2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

**Response:**

We have not identified any not-for-profit specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for not-for-profit private sector entities preparing Tier 2 general purpose financial statements.

However, we encourage the AASB to include additional guidance to assist not-for-profit private sector entities to classify income and expenses into the operating, investing and financing categories.

For example, many entities operating in this sector are recipients of government funding, which is accounted for in accordance with the requirements of AASB 15 and/or AASB 1058 as appropriate. The accounting treatment and financial statements presentation of the receipt of government funding (including operating grants and capital grants) can be a sensitive matter for some entities. In our view, practical guidance on the appropriate classification of government funding in the presentation of the statement of profit or loss would be welcome.

**Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)**

2.10 [summarised]: A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose certain reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements.

If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs? Please provide the reasons for your view.

**Response:**

In our view, there should be consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities.

Accordingly, if not-for-profit public sector entities preparing Tier 1 general purpose financial statements are granted certain reliefs related to the new classification and presentation requirements for primary financial statements, in our view, not-for-profit public sector entities preparing Tier 2 general purpose financial statements should be provided with the same reliefs.

## SECTION 2: AASB 1060 UPDATE

Questions regarding NFP private sector entities preparing Tier 2 GPFS (continued)

2.11 [summarised]: The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief? Please provide the reasons for your view.

**Response:**

Consistent with the reasons for our response to Question 2.10 (above), in our view, not-for-profit public sector entities preparing Tier 2 general purpose financial statements should be provided with the same relief.

2.12 [summarised]: The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief? Please provide the reasons for your view.

**Response:**

Consistent with the reasons for our response to Question 2.10 (above), in our view, not-for-profit public sector entities preparing Tier 2 general purpose financial statements should be provided with the same relief.

**Topic 2 - Potential effects of AASB 18 on AASB 1060 (continued)**

2.13 [summarised]: The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification.

Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?

**Response:**

Consistent with the reasons for our response to Question 2.10 (above), in our view, the aggregation and disaggregation requirements specified by AASB 18 should also apply to not-for-profit public sector entities preparing Tier 2 general purpose financial statements.

## SECTION 2: AASB 1060 UPDATE

## Topic 3 - Disclosure requirements in IFRS 19

3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?  
Please explain your view.

**Response:**

Given Australia's long standing, accepted and understood practice of preparing special purpose financial statements and Tier 2 general purpose financial statements (under both the 'reduced disclosure requirements' regime and 'simplified disclosures' regime), neither of which complied with IFRS Accounting Standards (or the *IFRS for SMEs* Accounting Standard), in our view, it is not important for Tier 2 entities to state compliance with IFRS 19.

3.2 Which of the following options would you prefer:

- a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
- b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
- c) retain AASB 1060 and do not adopt IFRS 19 at all;
- d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or
- e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

Please provide the reasons for your preference.

**Response:**

In our view, AASB 1060 should be retained and IFRS 19 should not be adopted in Australia (option (c) above)

Our position is based on the following:

- 1 The disclosures required by AASB 1060 are primarily based on the disclosures required by *IFRS for SMEs*. By using *IFRS for SMEs* as a base for AASB 1060, the AASB wanted to ensure that users are not overburdened with unnecessary information that would clutter the financial statements and make them less understandable.

We support this principle. When considered in the Australian context, in our view, the disclosure requirements of IFRS 19 exceed what is reasonable and appropriate for Tier 2 entities. Accordingly, we do not support the replacement of AASB 1060 with IFRS 19 (option (a) above), nor the amendment of AASB 1060 to include the additional disclosures of IFRS 19 (option (b) above).

- 2 In our view, there should be consistency in the presentation and disclosure of items in Tier 2 general purpose financial statements for all entities without public accountability, irrespective of whether the entity is a subsidiary. Accordingly, we do not support the adoption of IFRS 19 as an optional or mandatory alternative framework for subsidiaries without public accountability (options (d) and (e) above).

## SECTION 2: AASB 1060 UPDATE

## Topic 3 - Disclosure requirements in IFRS 19 (continued)

- 3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.

**Response:**

We support the AASB's 'bottom-up' approach to the development of AASB 1060, primarily based on the disclosures required by *IFRS for SMEs*, and the AASB's current approach to the maintenance of AASB 1060.

Accordingly, as a matter of principle, we do not believe parts of IFRS 19 should be adopted in Australia (by way of amendment to AASB 1060).

Further, when considered in the Australian context, in our view, there are no parts of IFRS 19 that we consider to be necessary for AASB 1060 to continue to meet the intended objectives of the Tier 2 reporting framework.

AASB general matters for comment

In addition to the specific matters for comment on each of the three topics in this section, the AASB would also value comments on the following:

1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
  - a. not-for-profit entities; and
  - b. public sector entities, including GAAP/GFS implications?
2. Would the proposals create any auditing or assurance challenges?
3. Overall, would the proposals result in financial statements that would be useful to users?
4. Are the proposals in the best interests of the Australian economy?
5. Unless already provided in response to the AASB specific matters for comment 1.1–3.3 above and/or general matters for comment 1–4 above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

**Response:**

We have no further matters to be considered as it relates to the proposals.

12 January 2026

Dr Keith Kendall  
Chair, Australian Accounting Standards Board  
PO Box 204  
Collins Street West, VIC 8007

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Re: Invitation to Comment: Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2 – ITC 56

Dear Dr Kendall,

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to respond to the Invitation to Comment *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2 – ITC 56* (ITC 56).

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises senior accounting policy representatives from all Australian states and territories and the Australian Government.

HoTARAC wishes to thank the Board and staff for the considerable effort in preparing ITC 56, and in particular the detailed information to compare various requirements, which were most useful in our consideration of the matters raised.

There is extensive use of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* by public sector entities, which HoTARAC will separately provide information to the AASB about.

HoTARAC considers that AASB 1060 has provided benefit through relief from preparing full disclosures required by Tier 1 Australian Accounting Standards. However, HoTARAC concludes that AASB 1060 has only partially met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS. Disclosures required by AASB 1060 are in parts too onerous, particularly in the absence of a Tier 3 for smaller entities.

As a result, HoTARAC does not agree with proposals to amend AASB 1060 for various disclosures now required by IFRS for SMEs. Presentation and disclosure requirements in IFRS for SMEs are designed to support its non-IFRS recognition and measurement principles, and therefore should not always be taken as a fit-for-purpose starting point for presentation and disclosure requirements for an Australian Tier 2 reporting framework.

HoTARAC notes IFRS 19 was designed to meet the needs of a different cohort of users than AASB 1060 and therefore does not consider it should form a replacement to, or the basis of amendment to AASB 1060.

Attached is HoTARAC's response to ITC 56.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andy Hobbs', with a long horizontal stroke extending to the left.

Andy Hobbs

Chair, Heads of Treasuries Accounting and Reporting Advisory Committee

Executive Director, Financial Stewardship and Public Reporting, NSW Treasury

## **Section 1: Post-implementation review**

### **Topic 1 – Overall objective and assessment of AASB 2020-2**

HoTARAC provides no response.

### **Topic 2 – Overall objective and assessment of AASB 1060**

**2. Regarding AASB 1060, please provide your views on the following matters:**

**(a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?**

HoTARAC considers that overall, AASB 1060 has partially met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS. Benefits have been realised in that entities have had relief from some disclosures. However, disclosures are generally excessive, and particularly in the absence of a third tier of reporting requirements, AASB 1060 does not provide a sufficient balance in meeting user needs and minimising costs in relation to smaller entities.

For AASB 1060 to meet this objective, HoTARAC considers that there should be a third tier of reporting available to public sector entities. Development of a Tier 3 should include evaluation of the needs of users of both Tier 2 and Tier 3 financial statements. However, improvements to AASB 1060 from this current post-implementation review need not be delayed pending introduction of any Tier 3 framework.

**(b) Were the costs of applying the Standard for the first time broadly in line with expectations?**

Australian governments have mixed experience – some introduced Tier 2 reporting with AASB 1060, and others introduced Tier 2 reporting under the previous Reduced Disclosure Requirements. Some also do not permit application of Tier 2 at this stage.

Costs of applying the Standard for the first time were broadly in line with expectations.

**(c) Are the ongoing costs of applying the Standard broadly in line with expectations?**

The ongoing costs of applying the Standard are broadly in line with expectations. This may include periodic reassessment of the distinction between Tier 1 and Tier 2. For some governments, this includes maintenance of separate model financial statements for Tier 2 purposes – under the Reduced Disclosure Requirements, this was not necessary as an approach of highlighting disclosures not required under Tier 2 was able to be adopted.

Some entities that apply AASB 1060 have a very limited quantum of transactions and balances. HoTARAC is providing information to AASB staff separately on the use of AASB 1060 by Australian governments.

### **Topic 3 – Transition relief for FP private sector entities transitioning from SPFS to AASB 1060**

HoTARAC provides no response.

### **Topic 4 - Transition relief for entities transitioning from GPFS to AASB 1060**

**4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:**

**(a) Was the optional transition relief used?**

HoTARAC does not have experience in applying the optional transition relief.

***(b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?***

HoTARAC has no suggestions as to alternative transition relief.

## **Topic 5 – Educational materials**

***5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?***

HoTARAC provides no comment.

***6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?***

Some HoTARAC members were not aware of such educational materials – those that were found them to be helpful in adopting AASB 1060.

***7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?***

It would be helpful to cross-reference Tier 1 requirements to the relevant sections of AASB 1060. This would assist in preparation of model financial statements, and for consideration by preparers of both Tier 1 and Tier 2 financial statements.

## **Topic 6 – Disclosure of individually material items**

***8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?***

HoTARAC has not identified any such issues and notes that overriding considerations of materiality should be sufficient.

***9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?***

HoTARAC members do not consider such a requirement necessary.

## **Topic 7 – Adequacy of disclosure requirements**

***10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?***

***Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.***

***Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have.***

HoTARAC has not identified any areas where increased disclosure requirements should be incorporated into AASB 1060.

Tier 2 financial statements in some jurisdictions must include disclosures that would otherwise only be applicable for Tier 1 financial statements. There is no consistency between jurisdictions as to

these additional requirements, which indicates such policy matters are sufficiently managed government-by-government. HoTARAC is providing information to AASB staff separately on variations to the Tier 2 framework with further information.

As noted above, HoTARAC considers that AASB 1060 is only partially effective in achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 financial statements. HoTARAC suggests that consideration of whether reliance on IFRS for SMEs adequately informs the AASB's Tier 2 framework.

## **Topic 8 – Maintaining AASB 1060**

***11. Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?***

***Please explain the reasons for your view.***

Some jurisdictions consider that maintenance of AASB 1060 in conjunction with consideration of amendments to Tier 1 standards is helpful. In particular, some entities within governments prepare financial statements for multiple reporting entities, some of which might be applying different tiers. Further, clarity about Tier 2 disclosures following new or amended Tier 1 standards allows for the timely redesign of information systems, to ensure sufficient data collection for Tier 1 and Tier 2 concurrently. Some minor variability in timing, such as an annual update approach, would be acceptable.

One jurisdiction identified that, consistent with the general principle that AASB standards should be based on IFRS accounting standards, AASB 1060 updates should be based on updates to the IASB's IFRS for SMEs accounting standard. The previous RDR Framework approach, where Tier 2 disclosures remained in topic-based standards, would have avoided inconsistent Tier 1 and 2 disclosure requirements due to infrequent updates of the IFRS for SMEs accounting standard.

## **Topic 9 – Other matters**

***12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?***

HoTARAC has not identified any such issues.

***13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?***

HoTARAC is not aware of any such challenges.

***14. Are the requirements in the best interests of the Australian economy?***

Provision of AASB 1060, in a form which supports IFRS recognition and measurement principles, is in the best interest of the Australian economy.

***15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?***

*If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.*

HoTARAC considers that the AASB should explicitly consider whether very small entities required to prepare general purpose financial statements are adequately served by AASB 1060, particularly in sectors where the forthcoming Tier 3 will not be available.

## **Section 2: AASB 1060 update**

### **Topic 1 – Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard**

**1.1 Do you agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)? If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?**

It is unclear whether disclosures required by IFRS for SMEs are an appropriate base for the AASB’s consideration, given that IFRS for SMEs provides for alternative recognition and measurement principles. Although ITC 56 demonstrates that disclosures particular to the alternative recognition and measurement principles can be removed, it may not follow that the quantum of disclosures more generally necessary for an alternative recognition and measurement framework are required for the IFRS-based framework adopted in Australia. HoTARAC considers that the AASB should more fundamentally consider what disclosures are fit-for-purpose for users of the intended applicants of Tier 2 in Australia. With this, the degree of usage of IFRS for SMEs as a base could be determined.

We suggest that the alignment of AASB 1060 with the IFRS for SMEs is limited to the changes that do not result in additional disclosures in AASB 1060. Demand for disclosures in addition to the existing AASB 1060 are not apparent, despite there being numerous years since introduction of the IFRS standards the third edition of IFRS for SMEs now reflects.

**1.2 Do you agree with the AASB’s recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)? If you disagree, with which recommendations do you disagree and what would you suggest instead?**

HoTARAC does not consider the recommendations for amendments to AASB 1060, as listed in Table 2.1.1, are sufficiently founded in analysis of the needs of users in conjunction with the costs for entities preparing Tier 2 financial statements. Proposed amendments for increased disclosure for fair value and financial liabilities in particular would not add to the usefulness of financial statements.

Instead, HoTARAC suggests the AASB performs further analysis of the needs of users in an Australian context, and critically reviews whether a baseline approach of IFRS for SMEs is appropriate, particularly given the different recognition and measurement principles applied.

**1.3 Do you agree with the AASB’s recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?**

**If you disagree, with which recommendations do you disagree and what would you suggest instead?**

HoTARAC agrees that AASB 1060 should not be amended for the changes presented in Table 2.1.2.

### **Topic 2 – Potential effects of AASB 18 on AASB 1060**

**2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard? If you think the**

**AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2. If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.**

HoTARAC considers that there are merits in both options and HoTARAC members have mixed views as to which option is preferable.

In a letter dated 11 April 2025, HoTARAC provided high level views on the application of AASB 18 to the whole-of-government and entity financial statements in the public sector. HoTARAC notes the consultation the AASB is conducting through ED 338 on the application of AASB 18 and AASB 107 to superannuation and not-for-profit entities. Further consideration of the matters raised in ED 338 is necessary to inform the answer to this question.

Setting aside specific application to the public sector, there is significant adoption of AASB 1060 and it may be difficult for users of multiple financial statements to easily interpret mixed financial statement preparation, particularly if this is over an extended period. Early analysis by the AASB of the needs of users of Tier 2 financial statements in relation to AASB 18-style presentation may also inform the IASB in its consideration of IFRS for SMEs.

There is also merit in the AASB waiting until the IASB concludes on the potential incorporation of IFRS 18-style presentation into IFRS for SMEs. Should the IASB later conclude IFRS 18 presentation is not necessary to include in IFRS for SMEs, this could be informative as to what Australian users may need from financial statements.

**2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities? If you disagree, with which aspects do you disagree and what would you suggest instead?**

HoTARAC wishes to consider this matter further in conjunction with consideration of ED 338.

**2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?**

**Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).**

**Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.**

**Please provide the reasons for your preference.**

Should the AASB conclude that amended classification and presentation of items in the primary financial statements should be consistent for Tier 1 and Tier 2 entities, HoTARAC prefers Option A. As noted above, some consider a resource to cross-reference AASB 1060 requirements to other AASB standard requirements would be useful support in applying AASB 1060.

**2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:**

**(a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and**

**(b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?**

*Please provide the reasons for your view.*

HoTARAC mainly has experience in financial statements being presented by nature and does not provide a view.

**2.5 For management-defined performance measures (MPMs), should AASB 1060 include:**

**(a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);**

**(b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);**

**(c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or**

**(d) no disclosure requirements for MPMs?**

*Please provide the reasons for your view.*

*If you support only some disclosure requirements, please identify which disclosures should be required and why.*

HoTARAC members had mixed views that either option (c) or (d) is preferable. HoTARAC will consider application in a public sector context further through ED 338.

**2.6 Should AASB 1060 require disclosure of further information regarding:**

**(a) the aggregation and disaggregation of line items in the financial statements and/or notes; and**

**(b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

*Please provide the reasons for your view.*

HoTARAC has mixed views as to whether increased disclosure should be supported. This question implies that Tier 2 entities should have disclosure requirements over and above those in AASB 18. It is not clear what those additional disclosures would be or why Tier 2 entities should have disclosure requirements that do not apply to Tier 1.

**Questions regarding NFP private sector entities preparing Tier 2 GPFS**

HoTARAC provides no response to questions 2.7, 2.8 and 2.9.

**Questions regarding NFP public sector entities preparing Tier 2 GPFS**

For questions 2.10 – 2.13, HoTARAC will consider these matters in conjunction with ED 338.

## Topic 3 – Disclosure requirements in IFRS 19

### 3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?

*Please explain your view.*

HoTARAC does not consider this important for the public sector. For entities within Australian governments, the ability to be able to claim compliance with IFRS 19 is largely not relevant, as Australian governments as parent entities do not comply with IFRS.

### 3.2 Which of the following options would you prefer:

*(a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;*

*(b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;*

*(c) retain AASB 1060 and do not adopt IFRS 19 at all;*

*(d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or*

*(e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.*

*Please provide the reasons for your preference.*

HoTARAC does not support options (a), (b), as IFRS 19 was designed to meet the needs of a different users to users of financial statements prepared in accordance with AASB 1060, as described in the IFRS 19 Basis for Conclusions.

HoTARAC members have mixed views as to whether IFRS 19 should not be adopted, or be adopted as an option, or as a requirement for subsidiaries without public accountability. Some consider that the availability of IFRS 19 would impose additional complexity. Other consider that the option to apply IFRS 19 may be of value to some multi-national private sector entities.

On the basis that HoTARAC does not anticipate application of IFRS 19 would be possible for entities within Australian governments, HoTARAC prefers option (d), but considers that views that consider multi-national private sector entities would best inform the choice between options (c), (d) or (e).

### 3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.

HoTARAC does not provide a view in light of the position noted at 3.2.

## AASB general matters for comment

*In addition to the specific matters for comment on each of the three topics in this section, the AASB would also value comments on the following:*

- 1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to: (a) not-for-profit entities; and (b) public sector entities, including GAAP/GFS implications?*

None noted.

**2. Would the proposals create any auditing or assurance challenges?**

HoTARAC does not provide a view.

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

Proposals to align AASB 1060 to IFRS for SMEs would likely not result in financial statements having increased utility to users.

**4. Are the proposals in the best interests of the Australian economy?**

The increased costs of AASB 1060 in light of IFRS for SMEs without demonstrable benefits are of questionable benefit to the Australian economy.

**5. Unless already provided in response to the AASB specific matters for comment 1.1–3.3 above and/or general matters for comment 1–4 above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or nonfinancial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

The costs of the proposals would include:

- Increased costs to preparers in gathering information for and drafting disclosures, and audit
- Preparing alternative policies as to which entities may apply Tier 2 that take into account the reduced benefits of applying AASB 1060, including potential unwinding of application of AASB 1060.



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19 January 2026

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

Dear Keith

## **ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2**

Thank-you for the opportunity to provide feedback on ITC 56. Moore Australia is a network of independent accounting firms with 13 offices and 600+ staff across Australia's capital cities and regional centres. We have a large portfolio of both SME and Not-for-profit clients and understand the challenges these organisations face when preparing Tier 2 General Purpose Financial Statements.

We believe that AASB 1060 and AASB 2020-2 have successfully met the needs of users and preparers, with appropriate disclosure requirements and are supporters of these standards. For future updates to AASB 1060 we recommend:

- *No need for consistency with IFRS for SMEs.* As the Board would have completed appropriate due diligence for disclosure changes made concurrently with updates to the Tier 1 standards, further changes to those disclosures for consistency with a standard that is not fully applied in Australia, is an unnecessary burden on Tier 2 entities, introducing unnecessary change and complexity to their reporting process.
- *Incorporate most of AASB 18 requirements.* Consistency in primary financial statement presentation is important to us across all reporting entities, though elements like MPMs are not necessary for Tier 2 entities.
- *Do not Broadly adopt IFRS 19 Subsidiaries without Public Accountability: Disclosure.* Its disclosure requirements are too extensive and not suitable to replace AASB 1060 in the Australian context.

Please see our detailed responses to the question in the ITC in the attached Appendix.

For further discussion on our responses, please contact me via email ([kristen.haines@moore-australia.com.au](mailto:kristen.haines@moore-australia.com.au)) or mobile (+61409 215 397).

Yours faithfully

Kristen Haines

National Head of Technical Accounting and Sustainability Reporting



Moore Australia

## **Section 1: Post Implementation Review**

### **Topic 1: Overall objective and assessment of AASB 2020-2**

**Question 1: Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:**

- (a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?**
- (b) Were the costs of preparing GPFS for the first time broadly in line with expectations?**
- (c) Are the ongoing costs of preparing GPFS broadly in line with expectations?**

Yes, we consider that AASB 2020-2 has generally improved the consistency, comparability, transparency, and enforcement of financial statements for the affected entities. More entities are now included in the General Purpose Financial Reporting framework, which has reduced the number of conversations and judgements about which entities are in scope. As noted in Question 13, there have been some challenges regarding the application of Aus 1.1(b) and identifying appropriate 'other documents'. For further information, please refer to Question 13.

Both the initial and ongoing costs associated with GPFS are broadly in line with expectations and are not unreasonably burdensome for those entities now required to prepare GPFS. While some entities experienced higher costs when preparing GPFS for the first time, particularly when applying the deferred tax requirements under AASB 112 *Income Taxes* and recognising leases on the balance sheet in accordance with AASB 16 *Leases*, these costs were in line with expectations. On an ongoing basis, the cost is not overly burdensome for these entities.

### **Topic 2: Overall objective and assessment of AASB 1060**

**Question 2: Regarding AASB 1060, please provide your views on the following matters:**

- (a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?**
- (b) Were the costs of applying the Standard for the first time broadly in line with expectations?**
- (c) Are the ongoing costs of applying the Standard broadly in line with expectations?**

Yes, we consider that AASB 1060 has met its objectives of meeting the needs of users and minimising the costs for entities preparing Tier 2 GPFS. Compared to its predecessor RDR reporting, AASB 1060 applies a more appropriate level of disclosures and is easier to apply with all disclosures located in a single standard. Preparers have a much better understanding of what disclosures they are required to provide.

The costs associated with initial transition and ongoing application are in line with expectation and not an unreasonable burden for these entities.

### **Topic 3: Transition relief for FP private sector entities transitioning from SPFS to AASB 1060**

**Question 3: In respect of FP private sector entities that transitioned from SPFS to AASB 1060:**

- (a) Was any of the optional transition relief used?**
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

The transitional relief relating to not having to distinguish between changes in accounting policies and correction of errors on transition to AASB 1060, was a welcome relief used by a number of entities, and it was beneficial in ensuring that entities did start with high quality financial statements that were compliant with the recognition and measurement requirements of Australian Accounting Standards. Our Auditors found it was much easier to have the conversation with the clients and get entities to update the financial statements to the most accurate accounting, when they knew that it was not going to be called out as an error in the financial statements.

However, we did not find the transitional relief available for early adoption – specifically the exemption from restating comparative information, was a particularly beneficial relief and did not encourage early adoption. This relief didn't reduce the years which you had to restate (30 June 2021 always had to be restated), but it just meant that those 30 June 2021 accounts needed to be restated a year earlier, than if you didn't provide that relief and adopted it on the mandatory application date.

### **Topic 4: Transition relief for entities transitioning from GPFS to AASB 1060**

**Question 4: In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:**

- (a) Was the optional transition relief used?**
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

The main optional transitional relief that our clients utilised was the option to not to provide comparative information that had not been previously disclosed in the financial statements. This simplified the transition process as it allowed them to focus on the current year and new information that they required rather than trying to rework older data.

**Topic 5: Educational materials**

**Question 5: In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?**

**Question 6: In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?**

**Question 7: Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?**

We consider the education materials provided by the AASB incredibly useful in the implementation of both AASB 2020-2 and AASB 1060. They were extremely beneficial not only to preparers but also to the smaller firms of auditors and advisors that do not have the technical capacity to do this analysis themselves.

In particular the guidance material on AASB 2020-2 and how to interpret the accounting requirements in documents including the distinction between Australian Accounting Standards and accounting standards were incredibly helpful.

However it should be noted that the guidance material included in AASB 2020-2.BC93 (table of which entities are in scope of the standard) was ultimately heavily relied upon to apply the standard. As a result, we would suggest that consideration should be given as to whether this should have been included in the mandatory body of the standard itself rather than just in non-mandatory guidance documents. We believe that this would assist in making it clearer and easier to apply the requirements in the standard.

**Topic 6: Disclosure of individually material items**

**Question 8: Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?**

**Question 9: Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?**

We have experienced some challenges when dealing with audit clients due to the lack of an explicit disclosure requirement for individually material items. Where it is a matter that they do not want to call out, they have relied on the fact that there is no explicit requirements as justification as to why it doesn't need to be disclosed, even though we have pointed to the general concept of materiality and the requirements in the Conceptual Framework. We would be strongly supportive of adding a requirement to AASB 1060 to require the explicit disclosure of individually material items of income and expense, as it would assist in making the audit process smoother and make the requirements clear to preparers.



## **Topic 7: Adequacy of disclosure requirements**

### **Question 10: Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?**

We generally consider that the disclosure requirements in AASB 1060 are at an adequate level and does not require significant adjustment. A few minor changes that we would consider the Board to potentially consider are:

- Whether the requirements in AASB 1060.157(b) regarding the disaggregation of revenue is a meaningful disclosure. Usually, entities applying this standard only have a single revenue stream or the disaggregation is so contrived to be able to present that disclosures and irrelevant that it really isn't meaningful to users.
- It always has appeared unusual that AASB 1060.134 specifically states that entities do not have to provide comparative figures for the reconciliation of the movement in the Property, Plant and Equipment balances across the year, where all other disclosures require comparative figures to be provided. Similarly, this applies to intangible assets (AASB 1060.137) and investment properties (AASB 1060.132) as well.

## **Topic 8: Maintaining AASB 1060**

### **Question 11: Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?**

We agree with the current approach of updating AASB 1060 every time an amendment is made to another AASB Standard. We consider that it is more practical for the changes to be made concurrently, to ensure that the disclosure requirements are consistent with the underlying recognition and measurement requirements and encourage the Board to continue this approach going forward. See section 2, question 1.1 for further comments.

## **Topic 9: Other matters**

### **Question 12: Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?**

No, we are not aware of any other regulatory issues that arise directly from the application of these two standards.

Associated issues relate to the interaction with the minimum requirements and best practice disclosures required by the ACNC for all entities including those preparing SPFS. However, we acknowledge that as AASB 2020-2 only applies to for-profit entities, this issue is not the focus of this PIR and is more relevant for consideration in the separate NFP Tier 3 project.

**Question 13: Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?**

We do not believe that the application of AASB 1060 has had any significant auditing or assurance challenges. However, the application of AASB 2020-2 has provided some challenges. The requirement in Aus 1.1(b) for entities required by their constituting document or another document to prepare financial statements that comply with the Australian Accounting Standards does pose some challenges to Auditors. It is very challenging for Auditors to understand what the complete population of other documents are that even exist to determine whether the company is correctly concluding whether they need to prepare GPFS or SPFS. Whilst we acknowledge that it should be the company's responsibility to determine the correct accounting framework to apply, the reality is that most of the entities that are considering whether to prepare Tier 2 financial statements or SPFS, do not have the technical expertise to understand how to make that distinction and therefore are often rely on the auditors to help them in determining that assessment.

Consideration should be given as to whether the consideration to consider 'another document' can either be ring fenced to a particular type of document e.g. financing agreements, association membership agreements etc, to provide some boundary in what needs to be considered. (NB Association membership agreements have been noted there as we are aware that the International Air Transport Association (IATA) requires Travel agents to prepare financial statements in accordance with Australian Accounting Standards).

**Question 14: Are the requirements in the best interests of the Australian economy?**

Yes, we consider that AASB 1060 and AASB 2020-2 are in the best interest of the Australian economy and a significant improvement in the previous Reduced Disclosure Regime (RDR). The volume of disclosures in AASB 1060 is more appropriate and their location in the single standard has increased the usability. Overall AASB 2020-2 has been beneficial as it has reduced the subjectivity relating to who has to prepare GPFS and resulted in improved comparability between entities.

**Question 15: Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?**

No, we have no further comments for consideration as part of the PIR.

## Section 2: AASB 1060 Update

### Topic 1: Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard

#### Question 1.1: Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard?

We do not entirely agree with the Board's approach for considering how IFRS for SMEs should be reflected within AASB 1060. Whilst we understand the principles that were applied when AASB 1060 was first created, and the principle that the disclosure requirements in IFRS for SMEs should be used when the recognition and measurement requirements were the same or similar we do not think this is an appropriate approach for the ongoing maintenance of AASB 1060.

Where the Board has already made amendments to AASB 1060 for disclosures relating to new standards or amendments (e.g. AASB 15 *Revenue from Contracts with Customers*), the Board should not default to now amending AASB 1060 to be consistent with IFRS for SMEs which has been subsequently issued. This approach adds unnecessary change and complexity that we do not consider to be necessary. As the Board would have already carried out appropriate due diligence when making the initial changes to AASB 1060, unless there is strong evidence that an error was made in those original deliberations, we do not see the value in making the additional changes.

AASB 1060 and IFRS for SMEs are not the same standard, and whilst the IFRS for SMEs disclosures may be appropriate, if there is nothing to suggest that the AASB 1060 disclosures are also not sufficient, but just different from what is in the IFRS for SMEs, change for consistency with a standard we don't even apply in full seems to be an unnecessary burden on SME entities. No other standard would the Board have a second attempt at stating what the required disclosures are. There would need to be a fundamental argument to the deficiency of requirements to amend another standard. The same rationale should apply to AASB 1060

On a similar note, going forward, when the Board considers updates to AASB 1060 as a result of new standards or amendments to other standards, it will have available to it the amendments that the IASB have made to IFRS 19. We do not consider that the board should use those IFRS 19 amendments as the basis for amendments to AASB 1060. We note that the disclosure requirements included in IFRS 19 are much more extensive than what is currently contained in AASB 1060. Accordingly, whilst they should be considered as an absolute maximum level of possible disclosures that should be considered for inclusion in AASB 1060, the AASB should ensure that they consider the necessary disclosures in the Australian context, and what would best meet the needs of our users. Otherwise, there will be unnecessary disclosure creep and AASB 1060 will no longer be fit for purpose in Australia.

#### Question 1.2: Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1?

We are not aware of any users requesting further additional disclosures, as proposed in table 2.1.1. Therefore, we consider that it would be unlikely that these additional disclosures would be significantly beneficial to those users to justify the additional cost and effort of the disclosures for preparers.

In addition, our comments in Section 1, Topic 6 regarding the requirement to disclose individually material items, may be sufficient, whilst still allowing for judgement, for entities to disclose some of the additional items suggested below, without the need for specific additional disclosure requirements.

Considering our response to question 1.1 above, in relation to the individual amendments we note the following:

- *Financial Statement Presentation*  
We have no issues with this high-level principle being included in the standard and would find it useful to have that specifically addressed in the standard to be able to direct preparers to, when discussing the disclosures that they have/ have not made. However, per the discussion

below in topic 2 – we would encourage the board to consider the adoption of the similar AASB 18 requirements rather than these changes based on AASB 101.

- ***Statement of Changes in Equity and Statement of Income and Retained Earnings***  
Whilst we consider this a simple disclosure to include and it would not be overly burdensome to Tier 2 entities, consistent with the principles in question 1.1 above as the Board previously concluded that these disclosures were not required when initially creating AASB 1060, if the Board cannot identify a change in circumstances that now makes this disclosure relevant in the Australian environment, we do not see the rationale for including these disclosures now.
- ***Statement of Cash Flows***  
If the Board has previously concluded that the disclosures around changes in financing liabilities was not a required disclosure when they initially created AASB 1060, and there has been no change to the Tier 1 requirements in that time, we do not consider that there has been any change in circumstances that would now suggest that these disclosures are relevant to warrant their inclusion now.
- ***Consolidated and Separate Financial Statements***  
Given that under the Australian Reporting regime, the gain or loss on disposal has always been calculated in the manner that IFRS for SMEs now requires, and the Board has previously concluded under both the AASB 1060 and the previous RDR model that this disclosure was not required, we do not consider that there has been any change in circumstances that would now suggest that these disclosures are relevant to warrant their inclusion now.
- ***Financial Instruments***  
Whilst we have no concerns with relocating the fair value disclosures into the separate section (See further comments below). However with the other proposed changes, unless the Board can demonstrate how there has been a change in circumstances since the issuance of AASB 1060 when it was concluded that the maturity analysis of liabilities and the aging of debtors were not required disclosures for Tier 2 reporters, we do not support now including these requirements. We do not consider that there has been any change in circumstances.
- ***Fair Value Measurement***  
The introduction of the fair value hierarchy into Tier 2 reporting is a significant increase in the reporting burden for Tier 2 reporters. We do not see the additional benefits to be gained from Tier 2 reporters having to report this information and are not supportive of this inclusion. As AASB 13 and the fair value hierarchy existed at the time that AASB 1060 was created, we would want to understand what change in circumstances has arisen in the Australian market to warrant this disclosure at this time.
- ***Business Combinations and Goodwill***  
Whilst we can see some benefits in requiring the new additional disclosures around contingent consideration, which were not previously included in the AASB 1060 disclosures, consistent with our other comments, we would want to understand what evidence the Board has that such disclosures are required for Tier 2 reporters in Australia given that they were not previously required. Similar comments would also apply to the other proposed disclosure requirements in relation to the Business combinations.
- ***Revenue from Contracts with Customers***  
The minor amendments proposed to align wording with IFRS for SMEs appears an unnecessary change that could create confusion for no additional benefit to users. However, for the additional disclosures that are proposed (paragraph 23.88 and 23.99, and the other amendments that expand on existing requirements in AASB 1060), we do not consider it is appropriate that these disclosures are updated again. When the Board adopted AASB 15 in Australia, at the same time they undertook an assessment of those disclosures that were required for users of Tier 2 financial statements. We consider that those disclosures are sufficient, or excessive as noted in section 1, question 10, and we do not consider that circumstances have changed such that the adequacy of disclosures concluded then is no longer relevant. As such we would not be supportive of these changes.
- ***Employee Benefits***  
Whilst these disclosures would be unlikely to be burdensome for Tier 2 entities due to the limited number of defined benefit plans in Australia, as these are not new requirements that have been introduced into AASB 119 since AASB 1060 was created, there does not appear to be any change in circumstances in the Australian environment that would now support including these

requirements, if anything as time passes and defined benefit schemes become less prevalent, arguably there is less need for these disclosures than there was previously.

- *Foreign Currency Translation*  
If the Board has concluded as recently as October 2023 that these disclosures were not relevant for Tier 2 entities, especially given that AASB 2023-5 has only just become effective for years ended 30 June 2025 for the first time, we do not understand why it is now appropriate to include these requirements, if you have no further evidence to refute the fact that they are not relevant for Tier 2 entities
- *Related Party Disclosures*  
As there have been no changes to these equivalent requirements in AASB 124 since AASB 1060 was issued, we do not think that there is any change in circumstances that would suggest that the disclosures that the Board already concluded were adequate in the Australian environment are no longer adequate for Tier 2 entities and therefore would not be supportive of these additional disclosures being added.
- *Specialised Activities (Exploration and evaluation assets)*  
As this does not add any new disclosure requirement and just notes existing presentation requirements, whilst we do not see any additional value from this being added, we have no objection to its inclusion.

### **Question 1.3: Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2?**

Yes, we agree with the recommendation not to amend AASB 1060 for the changes proposed in table 2.1.2 as they all appear to relate to situations where the recognition and measurement requirements are different in IFRS for SMEs compared to AASB 1060.

**Topic 2: Potential effects of AASB 18 on AASB 1060****Question 2.1: Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?**

Yes. We consider it is always important that Tier 1 & Tier 2 financial statements are aligned where possible and whenever amendments are made to the requirements for Tier 1 financial statements, at the same time consideration should be given to the requirements in AASB 1060. This applies not only to AASB 18 but all requirements, as has been the approach of the Board to date. We see this approach is important for two reasons

1. For users – it increases comparability. Whilst we acknowledge that there are differences in disclosures between tier 1 and tier 2 financials, ensuring that underlying recognition and measurement is consistent and presentation of primary statements to allow for comparisons to be able to be made between entities
2. For Advisors (preparers) and Auditors – more efficient and higher quality if updated concurrently. Many SMEs use advisors to assist in preparing financial statements, for those advisors and auditors who are working across multiple different clients who are both tier 1 and tier 2 reporters, to have consistency in when requirements change, makes it easier for them to stay current, know what rules are currently applicable. It will lead to higher quality reporting, it also makes training and upskilling more efficient if it is all being done at the same time.

The only caveat on these observations, would be one reason to not update for AASB 18 immediately, would be to consider the implications for those NFPs who ultimately may have the opportunity to move into Tier 3 reporting when it becomes effective. It would seem to be an unreasonable burden on these entities to have to deal with significant changes to the income statement as a result of the AASB 18 requirements being integrated into AASB 1060 but then shortly afterwards transitioning to Tier 3 financial reporting. However, this burden could potentially be addressed by permitting early adoption of Tier 3 reporting or permitting NFPs to continue to apply AASB 101 for an additional year before they transition to Tier 3.

**Question 2.2: Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?**

Yes, we consider the consistency of presentation in the primary financial statements between Tier 1 and Tier 2 GPFS to extremely important, therefore we are supportive of the classification and presentation requirements of AASB 18 being incorporated into AASB 1060. Having consistent presentation and classification on the primary statements will ensure that the comparability between entities of that primary information, even if the supporting note disclosures are different. The views expressed in question 2.1 are also relevant to our response to this question.

**Question 2.3: If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities, which of the following approaches do you prefer? (Option A or Option B)**

Due to our views on questions 2.4 & 2.5 and our belief that not all elements of AASB 18 are relevant for Tier 2 entities, we would support Option A. That is only bring the sections of AASB 18 that are considered relevant for Tier 2 entities into the requirements of AASB 1060. Whilst we acknowledge this approach may not be as clean as approach B, we feel that it is an easier approach to follow when not all requirements of AASB 18 are to be applicable for Tier 2 reporters.

However, if the AASB were to adopt all the requirements in AASB 18 wholesale for Tier 2 reporters, it would make sense to require Tier 2 reporters to apply AASB 18 similar to the recognition and measurement requirements of other standards, so that tier 2 reporters would follow the recognition, measurement and presentation requirements of other standards and AASB 1060 would be merely disclosure requirements – consistent with the way the IASB has made IFRS 19 operable.

**Question 2.4: When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:**

- (a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and**
- (b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?**

No, we do not consider that these disclosures are required to be included in a Tier 2 GPFS.

For the specified expenses by nature in a single note, as this is consistent with AASB 101.104 – the current equivalent paragraph requiring expenses by nature to be disclosed in the notes when an entity classifies expenses by function in the income statement, which is already excluded from AASB 1060. We have not seen this to be a deficiency in the current disclosures and therefore see no reason why this requirement would need to now be introduced into AASB 1060.

With regards to the qualitative description of the nature of expenses, we do not consider that these will be valuable disclosures as they are likely to become generic boilerplate disclosures that do not provide any real additional detail that couldn't be assumed from the name of the expense. We expect that disclosures would end up being along the lines of:

*Selling expenses: Expenses related to the selling operations of the business including sales staff expenses and marketing costs.*

*Administration expenses: Expenses relating the general administration of the business including head office costs and administrative staff expenses.*

As we feel that these descriptions do not add value, we do not support requiring them to be included in AASB 1060.



**Question 2.5: For management-defined performance measures (MPMs), should AASB 1060 include:**

- (a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs;**
- (b) the full text of paragraphs 117–125 of AASB 18;**
- (c) only some disclosure requirements about its MPMs; or**
- (d) no disclosure requirements for MPMs?**

MPMs should not be included in AASB 1060. We do not consider that MPMs would be relevant for the majority of Tier 2 reporters. It would appear to be unusual that you would have an entity that doesn't have public accountability and is hence preparing Tier 2 financial statements, yet is putting out measures of managements view of an aspect of the entities performance in public communications at the same time. For the simplification of the requirements, we would prefer to just exclude them for all Tier 2 reporters given rather than including it for a small number, as it makes the requirements simpler to follow, and as these are meant to be simplified disclosures, it should be addressing the needs of the majority of entities and not dealing with specific niche areas.

However, as we do not consider that they are relevant for the majority of reporters, if it can be justified that there is a specific use case where disclosing this information is imperative for a type of entity that prepares tier 2 financial statements, we conceded that it is not ultimately that much of a burden for entities to have the requirements included, as they would just be ignored anyway.

**Question 2.6: Should AASB 1060 require disclosure of further information regarding:**

- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and**
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items?**

Yes. We consider the aggregation and disaggregation requirements are fundamental building blocks of financial statement presentation and therefore it is important that this guidance be included in Tier 2 for consistency with the Tier 1 requirements. We consider that the only disclosure requirements should be different between tier 1 and tier 2 and the aggregation and disaggregation requirements are not disclosure requirements.

**Questions regarding NFP private sector entities preparing Tier 2 GPFS****Question 2.7: Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including classification and disclosure requirements.**

Yes, we think that the classification and presentation requirements in AASB 18 would be useful to NFP private sector entities. Whilst we acknowledge that many NFPs are unlikely to have amounts classified as financing in the income statement, the value of being able to split out the income and expense relating to their main business and the income (and expense) relating from investment activities relating to endowments and other investments supporting their main business activities should not be overlooked. Some NFPs do have significant investment portfolios, and providing information separately on the performance of the investment portfolios to the core business operations can be useful to users to understand how the NFP is performing at both managing that investment portfolio and performing their underlying core operations.

Whilst we do acknowledge introducing these requirements will result in additional costs to these entities, we consider that this is adequately offset by the proposed introduction of Tier 3 reporting requirements for some NFPs, such that it would presumably only be applicable to larger NFPs. In addition, most of the additional cost would be in the first year of adoption as new reporting systems etc are established, we do not see that this would have significant ongoing costs that would make it prohibitive for NFPs.

**Question 2.8: Please provide comments on the suitability of requiring NFP private sector entities to classify dividend and interest cash flows as investing or financing activities.**

Consistent with our response to question 2.7 above, we think it is appropriate for NFP private sector entities to classify dividends and interest amounts in investing and financing activities in the cash flow statement. This is again potentially valuable information as it helps users to understand where the cash is being generated in the NFP and helps users to assess their underlying core business performance versus their ongoing investment performance.

**Question 2.9: Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS?**

We have not been able to identify any specific reason why the requirements for NFP private sector entities should have different requirements for Tier 2 GPFS compared to private sector for profit entities. Given that this is the fundamentals of primary statement presentation, we consider it is appropriate that there is consistency across sectors. We also consider that this would also be inconsistent with the concept of sector neutrality.

**Questions regarding NFP public sector entities preparing Tier 2 GPFS**

**Question 2.10: Should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs as Tier 1 GPFS for classification and presentation requirements?**

**Question 2.11: Should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief regarding disclosure of MPMs?**

**Question 2.12: Should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief regarding the indirect method of reporting cash flows?**

**Question 2.13: Should NFP public sector entities preparing Tier 2 GPFS be aligned with Tier 1 GPFS in relation to aggregation and disaggregation requirements?**

Whilst we have not yet given consideration to each of the specific proposals noted in questions 2.10 – 2.13 and will consider whether to make a submission on ED338, in the context of Tier 2 GPFS for NFP public sector entities, we consider that it is important that the presentation is consistent between Tier 1 and Tier 2 NFP public sector entities. Accordingly, if it is concluded that relief will be provided to Tier 1 public sector entities similar relief should also be provided to Tier 2 public sector entities.

On the same rationale that comparability is important, we do not believe that relief should be given to Tier 2 public sector entities even if it is not given to the tier 1 public sector entities, even though Tier 2 financial statements should be simpler, but because it would reduce comparability between those Tier 2 public sector entities and all other entities. The views we expressed in question 2.1 are also relevant considerations in considering this question as well.

**Topic 3: Disclosure requirements in IFRS 19**

**Question 3.1: Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?**

No in general, we do not think that it is important for Australian entities to be able to claim compliance with IFRS 19. For many entities they are local operations with no foreign operations or ownership so compliance with IFRS Accounting Standards is not at all important for them – this would be the majority of the entities that we see applying AASB 1060. Where we have clients that do have to provide reporting up to a foreign parent, the foreign parent is generally not interested in what the Subsidiary has to do to meet their local statutory reporting requirement, they just want their 'reporting pack', with the IFRS compliant recognition and measurement.

Therefore, for most entities applying Tier 2 reporting IFRS 19 compliance is not necessary and extent of the additional disclosures required by IFRS 19 would not be beneficial to the users of the Tier 2 financial reports, and they would merely be a burden for preparers.



**Question 3.2: Which of the options would you prefer regarding adoption of IFRS 19? Please provide the reasons for your preference.**

Our preferred approach is option e (adopt IFRS 19 only for those entities which are subsidiaries without public accountability – and make it optional). If IFRS 19 is going to be available in Australia we would want it to be made very narrowly applicable to only those entities that meet the IFRS 19 definition and not be more widely applicable.

What we do not want to end up with is a situation where there ends up being effectively an additional tier of reporting – Tier 1, IFRS 19 and then Tier 2, and then banks and other users start demanding that entities prepare IFRS 19 compliant financial statements rather than AASB 1060. We feel there is a risk of this occurring and a general increase in the expectation of this more detailed level of disclosures where we can't see users would get significant additional benefit, it would come at significant costs for preparers. We are concerned that it would result in bracket creep in the extent of disclosures that are being provided. The level of disclosures provided in a Tier 2 set of financial statements appears to be sufficient for users, and shifting reporters to IFRS 19 does not appear to be warranted.

**Question 3.3: If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.**

N/A – per above we do not consider that it should be adopted at all in Australia for tier 2 entities and are comfortable with the level of detail for the disclosures already required in AASB 1060.

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

20 January 2026

Dear Keith,

**Invitation to Comment (ITC) 56 *Post-Implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2***

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.

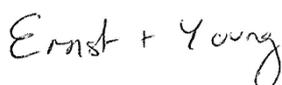
We support the Board's efforts to enhance Tier 2 reporting by entities in Australia. We agree with the continued consistency of recognition and measurement requirements between Tier 1 and Tier 2 entities, with Tier 2 having reduced disclosures.

With respect to the adoption of IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in Australia, we believe it may appeal to a subset of entities that are part of global groups where there may be benefits in consistent reporting globally. However, whether IFRS 19 should be adopted locally is ultimately a matter of public policy. While the standard could offer advantages such as streamlined disclosures and alignment with international practices, it also presents challenges, including implementation complexity. These considerations suggest that any decision will require careful evaluation of both benefits and implications for stakeholders.

Our detailed responses to the specific questions raised in the Invitation to Comment are provided in Appendix A to this letter.

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

## Appendix A

### Section 1: Post Implementation Review

#### Topic 1 - Overall objectives and assessment of AASB 2020-2

##### Questions for respondents

1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:
  - (a) Has the *overall* objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?
  - (b) Were the costs of preparing GPFS for the *first time* broadly in line with expectations?
  - (c) Are the *ongoing* costs of preparing GPFS broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

We agree the overall objective has been met for the affected entities. Feedback received suggests the costs of preparing were broadly in line with expectations, both up front and ongoing. We are aware of feedback from some preparers (small, individual AFSL holders) where initial and ongoing costs are considered punitive, but we consider this a question of scoping of specific legislative requirements and not a matter of scoping for the AASB.

#### Topic 2 - Overall objective and assessment of AASB 1060

##### Questions for respondents

2. Regarding AASB 1060, please provide your views on the following matters:
  - (a) *Overall*, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?
  - (b) Were the costs of applying the Standard for the *first time* broadly in line with expectations?
  - (c) Are the *ongoing* costs of applying the Standard broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

We agree that overall, the objective of achieving balance has been met in most situations. However, we note that sometimes it can be challenging to require disclosure of information on material transactions beyond that required specifically in AASB 1060, although we believe it would be of benefit to users. For example, disclosures about impairment under AASB 1060 are quite limited and the additional disclosures in IFRS 19 on impairment would provide useful information on such non-cash adjustments. Further guidance on the application of paragraph 9(a) when additional disclosures are considered necessary to achieve fair presentation would be useful to preparers.

Feedback suggests the initial and ongoing costs of compliance with the disclosure requirements of AASB 1060 are broadly in line with expectations.

### **Topic 3 – Transition relief for FP private sector transitioning from SPFS to AASB 1060**

#### **Questions for respondents**

3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:
- (a) Was any of the optional transition relief used?
  - (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

Very few entities early adopted AASB 1060 which is in line with general practice in Australia for any new standards. Generally, companies prefer to have aligned comparative information and as such this relief was only applied where comparatives were difficult to obtain.

One challenge that did arise was the relief from distinguishing errors from changes in accounting policy. Section 311 of the Corporations Act 2001 requires auditors to notify ASIC in writing if they become aware of circumstances that may indicate a contravention of the Corporations Act during an audit. The AASB relief did not override this requirement.

### **Topic 4 – Transition relief for entities transitioning from GPFS to AASB 1060**

#### **Questions for respondents**

4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:
- (a) Was the optional transition relief used?
  - (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

Nothing further to add compared to Topic 3.

### **Topic 5 – Education materials**

#### **Questions for respondents**

- 5. In relation to the *removal of SPFS for certain FP private sector entities*, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
- 6. In relation to *AASB 1060*, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
- 7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

We appreciated the educational initiatives in relation to the removal of SPFS for certain FP private sector entities and in relation to AASB 1060.

We are regularly asked for an analysis of the specific disclosure differences between Tier 1 and Tier 2, such an analysis would have been/would be helpful.

#### **Topic 6 - Disclosure of individually material items**

##### **Questions for respondents**

8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?
9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

The lack of a specific reference to individually material items of income and expense can make it challenging to convince entities of need for disclosure. We believe it is worth the AASB considering the requirements of AASB 18 with respect to aggregation and disaggregation.

#### **Topic 7 - Adequacy of disclosure requirements**

##### **Question for respondents**

10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?

Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:

- Table 2.1.1 – Substantive amendments to the *IFRS for SMEs* Accounting Standard – recommendations for amending AASB 1060
- Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060
- Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.

Refer comments in Topic 2 above and comments on section 2 below.

#### **Topic 8 - Maintaining AASB 1060**

##### **Question for respondents**

11. Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?

Please explain the reasons for your view.

Subject to comments in section 2 below, we agree with the current approach. We think this maintains comparability of recognition and measurement within the Australian environment, between Tier 1 and Tier 2 reporters, and incremental disclosure changes are often considered easier to process than more substantial changes every few years.

## Topic 9 – Other Matters

### Questions for respondents

12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?
13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?
14. Are the requirements in the best interests of the Australian economy?
15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

For entities with a non-legislative requirement to comply with AAS, the Board introduced 'grandfathering' provisions when SPFS were removed largely. The Board acknowledged changing constitutional documents to remove the requirement to comply with AAS was possible, but noted it can be onerous and if not done correctly can have tax consequences. An entity however loses their 'grandfathering' where entities subsequently amend their constitutions, but do not also remove the requirement to prepare financial statements in accordance with AAS.

Therefore, the loss of grandfathering could be triggered by just a minor editorial change. This presents a challenge for auditors and those charged with governance to monitor and track if, and when, such an amendment occurs, and as a result a requirement to transition to GPFS.

## Section 2 – AASB 1060 Update

### Topic 1 – Potential amendments to AASB 1060 based on the third edition of IFRS for SMEs Accounting Standard

#### Questions for respondents

- 1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the *IFRS for SMEs* Accounting Standard (see page 36)?  
  
If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?
- 1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)?  
  
If you disagree, with which recommendations do you disagree and what would you suggest instead?
- 1.3 Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?  
  
If you disagree, with which recommendations do you disagree and what would you suggest instead?

We largely agree with the overall approach for assessing whether to amend AASB 1060 in relation to amendments to *IFRS for SMEs*. As we have previously indicated we disagree with presentation differences between Tier 1 entities and Tier 2 entities. Our preference is where AASB 1060 continues to combine presentation and disclosure requirements, that presentation guidance is included in AASB 1060. Otherwise, we believe there is a risk that presentations may diverge unintentionally from that of Tier 1 entities, and guidance applying to Tier 1 entities will not be enforceable for Tier 2 entities.

The challenge we find in assessing the *IFRS for SMEs* amendments against AASB 1060 is the fact that the *IFRS for SMEs* and IFRS 19 have both been written using the same underlying principles for developing the disclosures, however the IASB has ultimately, in many cases, arrived at different disclosure outcomes. It would be useful to understand the basis for such differences and therefore which objective we see as more relevant in the Australian environment.

## **Topic 2 - Potential effects of AASB 18 on AASB 1060**

2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?

If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.

If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.

Consistent with our earlier comments around comparability in the Australian environment, we believe the impact of AASB 18 on AASB 1060 should be considered now, or as early as possible. Many entities have assumed this has already been done with the issuance of AASB 18 for Tier 1 entities.

2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

If you disagree, with which aspects do you disagree and what would you suggest instead?

We support this view.

2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?

Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

Please provide the reasons for your preference.

We previously supported AASB 1060 only including disclosure requirements related to AASB 101 *Presentation of Financial Statements* and AASB 107 *Statement of Cash Flows*. However, we understand the benefits of a "one stop shop" for all presentation and disclosure requirements. Our view is therefore AASB 1060 should include all presentation and disclosure requirements.

2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

- a) specified expenses by nature in a single note (as required by paragraphs 83-85 of AASB 18 for Tier 1 entities); and
- b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

Please provide the reasons for your view.

We note that IFRS 19 includes the disclosures required by (a) but not (b). To the extent such disclosures in (a) are material we agree that such disclosures, generally non-cash expenses and

employee benefits, are relevant to users of the Tier 2 financial statements. However, we question the benefits of the disclosure of (b).

2.5 For management-defined performance measures (MPMs), should AASB 1060 include:

- a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);
- b) the full text of paragraphs 117-125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);
- c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- d) no disclosure requirements for MPMs?

Please provide the reasons for your view. If you support only some disclosure requirements, please identify which disclosures should be required and why.

MPMs are not as relevant/prevalent for Tier 2 entities, however where they have been used there is a need to understand how these have been calculated.

We support the inclusion of such disclosures in AASB 1060. The IFRS 19 disclosures have not provided any relief compared to AASB 18 - and given the same principles used to develop IFRS 19 and AASB 1060 we find it difficult to suggest reduced disclosure requirements.

2.6 Should AASB 1060 require disclosure of further information regarding:

- a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Please provide the reasons for your view.

(a) We support the guidance in AASB 18 on aggregation and disaggregation.

(b) We note the equivalent of AASB 18.114 has not been included in IFRS 19 and therefore question the benefit of such disclosure.

#### Questions regarding NFP private sector entities preparing Tier 2 GPFS

2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:

- a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- b) disclosure requirements regarding MPMs; and
- c) aggregation and disaggregation principles.

2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):

- a) dividends and interest received - investing cash flows; and
- b) dividends and interest paid - financing cash flows.

2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

No comments being provided.

## Questions regarding NFP public sector entities preparing Tier 2 GPFS

2.10 A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:

- a) for the statement of profit or loss, these entities would not be required to:
  - i) apply paragraphs 47(a)-(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;
  - ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or
  - iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and
- b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.

If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?

Please provide the reasons for your view.

2.11 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMS under paragraph 122 of AASB 18.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?

Please provide the reasons for your view.

2.12 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?

Please provide the reasons for your view.

2.13 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:

- a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24-B26 of AASB 18); and
- b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?

Please provide the reasons for your view.

No comments being provided.

### ***Topic 3 - Disclosure requirements in IFRS 19***

3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19? Please explain your view.

Active endorsement processes have commenced in the UK and EU with respect to IFRS 19. Issues arose when Australia first adopted IFRS in 2005 because subsequent amendments were needed to ensure the world understood us as being IFRS compliant. To prevent a repeat of these complications we believe consideration for the ability for an Australian entity to state IFRS 19 compliance be made. We understand that this results in a number of challenges given the:

- the limited scope of IFRS 19; and
- the recognition and measurement differences that arise in moving in and out of IFRS 19 and full IFRS - this would not result in application of IFRS 1, however currently moving between AASB 1060 and Tier 1 AAS results in the application of AASB 1.

We believe alignment of the requirements of IFRS 1 and AASB 1 application would be difficult to achieve whilst the scope of AASB 1060 is broader than IFRS 19. That being said, we would prefer to avoid another tier of reporting due to the cost and confusion this would create.

Ideally we believe Australian entities should be able to claim IFRS 19 compliance if they so desire but believe corporates are in a better place to respond to this issue.

3.2 Which of the following options would you prefer:

- a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
- b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
- c) retain AASB 1060 and do not adopt IFRS 19 at all;
- d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or
- e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

Please provide the reasons for your preference.

Following on from our earlier responses, the challenge in this question is the fact the principles for determining the disclosures in *IFRS for SMEs*, AASB 1060 and IFRS 19 were all consistent, with any differences only related to changes in recognition and measurement requirements in *IFRS for SMEs*. Ultimately, IFRS 19 and *IFRS for SMEs* disclosures do not align even when there are no recognition and measurement differences. Introducing an alternative tier 2 framework would result in additional costs through compliance, training and implementation of IT systems, however the ability to claim IFRS compliance has benefits.

As noted earlier, it would be useful to understand the basis for differences between IFRS 19 and *IFRS for SMEs* and therefore which objective is seen as more relevant in the Australian environment, which will determine which of the above options is most appropriate.

3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.

We do not support only partial adoption of IFRS 19.



21 January 2026

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins St West Victoria 8007  
AUSTRALIA

Dear Dr Kendall

**RE: AASB Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2***

On behalf of the Australasian Council of Auditors-General (ACAG), thank you for the opportunity to comment on AASB Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*. The views expressed in this submission represent those of all Australian members of ACAG, unless otherwise specified.

The public sector is characterised by unique user needs, a diverse range of organisational structures, and a distinct operating environment in which stewardship and accountability are fundamental. In this context, changes to public sector financial reporting requirements must be carefully assessed to ensure they respond to those needs and do not impose additional requirements where the benefits for public sector users are unclear. Amendments developed primarily for 'for-profit entities' or driven by international developments rather than demonstrable changes in public sector user needs, risk diminishing the effectiveness of Tier 2 reporting and undermining its simplifying intent.

With this context in mind, our response is presented in two sections: an overarching recommendation, followed by specific comments should the AASB proceed with amending AASB 1060 for public sector entities.

**Section 1: Overarching recommendation:**

To achieve a well-grounded and sustainable approach to public sector financial reporting, ACAG recommends that the AASB prioritise progression of the broader [public sector financial reporting framework project](#)<sup>1</sup>, rather than pursuing incremental amendments to AASB 1060 in isolation, particularly in the absence of clear evidence that public sector user needs have changed.

This is particularly relevant given that AASB 1060 was introduced as an interim measure<sup>2</sup> for NFP public sector entities, with the understanding that more targeted reforms to the public sector financial reporting framework were intended to follow. While the Standard addressed the practical issue of avoiding parallel Tier 2 frameworks (Reduced Disclosure Requirements and Simplified disclosures)<sup>3</sup>, it was not designed to represent a final or comprehensive solution for public sector financial reporting. In this context, ACAG cautions against incremental amendments to AASB 1060 in advance of broader reforms. ACAG notes that a number of the proposed additional disclosures were reduced in the change from RDR to SDR and we are not aware of, nor does the ITC provide any suggestion or evidence that these need to be reinstated to meet user needs.

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<sup>1</sup> In line with our letter to the AASB in February 2024 on the 'Timing of the AASB's Projects Relevant to the Public Sector'

<sup>2</sup> As mentioned in BC9 of AASB 1060 and BC 51 of AASB 1060

<sup>3</sup> Agenda paper 3.5 AASB March Board meeting 2019 M 174 Board Meeting



The application of AASB 1060 varies across jurisdictions. Some have mandated additional disclosures over and above AASB 1060, some have limited the application of AASB 1060 to a very small number of entities, while others have adopted Tier 2 without any modification and/or to a larger range of entities which vary in size and complexity. Each jurisdiction's approach reflects its own priorities and circumstances, highlighting the need for a coordinated, AASB-led public sector financial reporting framework project. Such a central project would provide a consistent basis for considering user needs, assessing the effectiveness of Tier 2 reporting, and informing any potential amendments to AASB 1060 taking also into consideration any decisions made regarding additional tiers of reporting as are currently being finalised for the private sector.

ACAG emphasises that it is not opposed to improving the Standard where new requirements or research support additional disclosures. Given that the public sector financial reporting framework project may take some time, (ACAG notes), AASB 1060 could continue to serve as an interim measure; however, it does not fully reflect public sector user needs. In this context, ACAG considers that any interim amendments should be made only where there is a clear and demonstrable benefit to users. ACAG suggests that the AASB provide a clear timeframe for progressing the broader framework, noting that AASB 1060 has been effective since 1 July 2021. Interim standards are intended to be short-term solutions, and using them for an extended period may reduce their effectiveness.

## **Section 2: Specific comments should the AASB proceed with amending AASB 1060 for public sector entities**

### **a. Adopting amendments arising from IFRS for SMEs (third edition)**

While ACAG has reviewed the amendments at a high level and provided comments in the Attachment, these observations are informed by jurisdictional context. For example, disclosures that may be appropriate for larger Tier 2 entities with complex financial statements could impose a disproportionate burden on smaller entities, (unless the disclosures are material for such small entities). Given the varied jurisdictional contexts in the public sector, ACAG considers that any incremental changes to AASB 1060 should be clearly grounded in identified user needs, rather than driven solely by alignment considerations.

### **b. Amendments arising from AASB 18**

Most jurisdictions support timely consideration of AASB 18 to maintain consistency between Tier 1 and Tier 2. ACAG will address AASB 18 matters separately in its submission on ED 338. However, any requirements arising from ED 338 should be assessed for Tier 2 entities in light of user needs and supporting research.

### **c. Amendments arising from IFRS 19**

ACAG does not consider maintaining IFRS compliance to be a significant concern for public sector Tier 2 entities. Therefore, ACAG does not support the automatic adoption of IFRS 19 for public sector entities, nor does it favour expanding AASB 1060 solely to achieve alignment with IFRS 19.

ACAG appreciates the opportunity to comment and trusts you find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Vagg', is written over a light blue horizontal line.

Rachel Vagg  
**Chair**  
**ACAG Financial Reporting and Accounting Committee**

## QUESTIONS FOR RESPONDENTS

### Section 1

#### Topic 1 Overall objective and assessment of AASB 2020-2

**Question 1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:**

- (a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?**
- (b) Were the costs of preparing GPFS for the first time broadly in line with expectations?**
- (c) Are the ongoing costs of preparing GPFS broadly in line with expectations?**

**In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

AASB 2020-2 was applicable to for-profit private sector entities that previously prepared special purpose financial statements. Given this question is not relevant to public sector entities, ACAG has not responded to this question.

#### Topic 2 Overall objective and assessment of AASB 1060

**Question 2. Regarding AASB 1060, please provide your views on the following matters:**

- (a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?**
- (b) Were the costs of applying the Standard for the first time broadly in line with expectations?**
- (c) Are the ongoing costs of applying the Standard broadly in line with expectations?**

**In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

**(a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?**

Whilst most jurisdictions consider that AASB 1060 has been generally effective and broadly meets its objective, the response to this question should be read in conjunction with the jurisdictional context below:

- a. In particular, jurisdictions have implemented AASB 1060 in varied ways and therefore, it is important to recognise that different adoption models and reporting frameworks exist. In this regard,
  - some jurisdictions have adopted a “Tier 2 plus” model, where additional mandated disclosures apply over and above AASB 1060, reflecting jurisdiction specific requirements and expectations



- Some jurisdictions advised that Tier 2 is used only minimally (for example, two jurisdictions only apply Tier 2 to a very small number of entities).
  - One jurisdiction has adopted AASB 1060 for a broader range of entities of varying size and complexity without any modifications.
  - Jurisdictions that previously applied Reduced Disclosure Requirements (RDR), are of the view, the transition resulted in very little change in practice, as disclosures under AASB 1060 were largely consistent with RDR requirements. Materiality had been applied to a reasonable extent in determining what disclosures were necessary previously and given there are broad overarching requirements in the standard. Having said that, the main issues they encounter relate to application of sections of the standard equivalent to AASB 101 around fair presentation, disclosure of accounting policy information, judgements and key sources of estimation uncertainty.
- b. For jurisdictions that transitioned from special purpose reporting:
- some are of the view that AASB 1060 provided a clearer and more consistent basis for compiling disclosures as for them recognition and measurement requirements remained largely unchanged
  - others noted that for Tier 2 entities, the greatest implementation effort related to adopting full recognition and measurement requirements rather than presentation. They also observed that many Tier 1 disclosures removed under AASB 1060 would not have been required in practice because they were not material to users. However, despite the introduction of Tier 2, given some of these jurisdictions apply Tier 2 plus framework or work is nevertheless required to prepare consolidation-related information for Whole-of-Government reporting purposes, the practical simplification achieved is limited.

The jurisdictional context outlined above highlights the diversity in the models adopted by each jurisdiction to determine which entities are required to apply Tier 2, as determined by each jurisdiction's Treasury.

Most jurisdictions consider that, within their respective jurisdictional contexts, AASB 1060 is meeting its objectives and should continue in operation.

**(b) Were the costs of applying the Standard for the first time broadly in line with expectations?**

All jurisdictions, agreed that the first-time application costs were broadly in line with expectations and observed no significant change in audit costs following the adoption of Tier 2.

For jurisdictions transitioning from RDR, the impact was modest, as disclosure requirements remained generally similar to prior practice.

In some cases, first-year costs increased slightly due to the additional time required for auditors and preparers to work through transitional and other changes, particularly where entities were adopting Tier 2 for the first time. However, jurisdictions consistently noted that these impacts were anticipated and generally aligned with expectations.

**(c) Are the ongoing costs of applying the Standard broadly in line with expectations?**

All jurisdictions agreed that ongoing costs are broadly in line with expectations. No significant issues have been raised regarding the ongoing effort required to apply the Standard.

However, some jurisdictions noted that ongoing costs may increase if certain disclosure requirements from the 2025 IFRS for SMEs are adopted into AASB 1060—for example, the potential introduction of additional disclosures for revenue, fair value and financial instruments.



### Topic 3 Transition relief for FP private sector entities transitioning from SPFS to AASB 1060

**Question 3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:**

- (a) Was any of the optional transition relief used?**
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

### Topic 4 Transition relief for entities transitioning from GPFS to AASB 1060

**Question 4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:**

- (a) Was the optional transition relief used?**
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

#### **(a) Was the optional transition relief used?**

Across jurisdictions, use of the optional transition relief was limited. In one jurisdiction, NFP public sector entities applied the transitional relief related to providing comparative information in a small number of cases where additional disclosures were required when transitioning from RDR to SDR or from SPFS to SDR. Other forms of transition relief were not relevant to the public-sector context.

One jurisdiction introduced an additional overlay for the first year of adoption by requiring entities to adjust the relevant comparative period disclosures, where necessary, to ensure consistency between the current and comparative periods, unless such adjustment was impracticable. In these cases, entities were required to seek written approval from the regulator if they decided not to adjust the comparative disclosures.

#### **(b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

Some jurisdictions indicated that, where applicable, the transition relief did help reduce transition effort; however, this applied only to a small number of entities.



## Topic 5 Educational material

**Question 5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?**

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

**Question 6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?**

All jurisdictions agreed that the educational initiatives provided by the AASB were helpful and valuable in supporting the implementation of AASB 1060.

**Question 7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?**

**Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.**

Jurisdictions that moved from RDR to AASB 1060 consider a full reconciliation between RDR and AASB 1060 would have been particularly helpful. While an outline was included in the exposure draft, it was not updated for the final version of the Standard. A more complete and finalised reconciliation may have assisted preparers in more efficiently identifying disclosure differences when transitioning from RDR to simplified disclosures.

## Topic 6 Disclosure of individually material items

**Question 8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?**

ACAG jurisdictions did not identify any current issues arising from the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060. Jurisdictions generally considered the existing disclosure framework including materiality considerations sufficient for Tier 2 purposes.

However, some jurisdictions noted a potential future risk when preparers refer directly to the Standard without a strong understanding of its intent. For example, there may be differing interpretations of paragraph 91(c) of AASB 1060, which requires an entity to *“provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.”*

**Question 9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

ACAG jurisdictions were broadly of the view that introducing such a requirement could help improve consistency across Tier 2 entities and provide clearer expectations for preparers. However, they also considered other perspectives like:

- a. the disclosure of material items is already addressed through existing materiality principles.
- b. the additional benefit of an explicit requirement may be limited, as preparers typically exercise judgement in deciding whether items should be presented separately or aggregated
- c. if the requirements of AASB 18 are incorporated into AASB 1060 then this specific disclosure would be covered by the requirements on the role of the primary financial statements to provide a useful structured summary.

## Topic 7 Adequacy of disclosure requirements

**Question 10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?**

**Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

**Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:**

- **Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060**
- **Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060**
- **Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.**

Some jurisdictions have shared areas they recommend strengthening subject to our overarching comments in the cover letter and question 2 on user needs.

- a. **KMP compensation disclosures:** Only one jurisdiction observed that key management personnel compensation disclosures attract significant interest from users of public sector entities' financial statements, and therefore, consideration may be given to providing some additional detail by person, rather than aggregated amounts. However, most ACAG jurisdictions do not support such expansion in disclosures beyond what is required for Tier 1 entities.
- b. **Inconsistencies in the requirements of the AASB 1060 with other standards**



- a. **AASB 101 disclosure of contract assets and contract liabilities:** It has been observed that paragraph 44 of AASB 1060 may inadvertently suggest that contract assets and contract liabilities should be grouped with financial instruments on the face of the financial statements. This is as AASB 1060.44(b) states: “trade and other receivables **showing separately** amounts due from related parties, amounts due from other parties and contract assets from contracts with customers” [emphasis added]. This wording could be interpreted as indicating that contract assets are a subset of trade and other receivables, albeit required to be disclosed separately. This differs from the approach in AASB 101 and can create challenges due to the differing nature and disclosure requirements of these balances. It is suggested that this presentation guidance should be revisited for clarity and consistency.
- b. **AASB 16 Lessee disclosures and internal inconsistencies:** It is unclear whether the requirement in AASB 1060.144(b) to disclose total future lease payments relates only to amounts recognised as lease liabilities (per AASB 16.58/AASB 7.39), as opposed to lease payments that will be expensed given there is no reference to this relating to lease liabilities only similar to the requirements in para 119A of IFRS 19. It is also unclear whether payments for leases not yet commenced are intended to be captured. Greater clarification would help ensure consistent application across entities.
- c. **AASB 16 Terminology differences:** It is noted that the term “business unit” in paragraph 74 of AASB 1060 is rarely used elsewhere in Australian Accounting Standards and appears only in AASB 16 guidance. Amending or aligning this terminology with existing standard-set terminology would improve clarity.
- d. **Structure of the AASB 1060:** It is noted that, although the Standard is organised by topic, usability would improve if all disclosure requirements for each topic are contained within the relevant section rather than cross-referencing to other paragraphs. Current cross-references (for example, paragraph 130 of AASB 1060 referring to paragraph 127 of AASB 1060, and paragraph 145 of AASB 1060 referring to paragraphs 134 and 136 of AASB 1060) can make navigation less efficient.

## Topic 8 Maintaining AASB 1060

**Question 11. Do you have any comments about the AASB’s current approach to maintaining AASB 1060, including the frequency and timing of updates?**

**Please explain the reasons for your view.**

We agree with the current approach for updating AASB 1060 (including the frequency and timing of updates) and that AASB 1060 should be updated when a new Australian Accounting Standard or Interpretation is issued or amended rather than waiting until the IFRS for SMEs standard is updated.

Having said that, similar to our overarching comments in the cover letter, from a public sector perspective, ACAG notes, given that AASB 1060 is an interim standard and the broader public sector reporting framework project needs to be revisited, frequent or ad hoc updates could increase complexity, cost and workload without improving usefulness. For example, we note that the current proposals would result in two updates (the transition from RDR to SDS and now updating for the revised IFRS for SMEs) within a short period of time which has resulted in the removal and then subsequent proposed addition of some disclosures required under RDR despite extensive consultation being undertaken when AASB 1060 was issued.



## Topic 9 Other matters

**Question 12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?**

ACAG did not identify any regulatory issues or other issues in the Australian environment that adversely affect the application of AASB 1060.

**Question 13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?**

Most jurisdictions reported that the application of AASB 1060 has not resulted in major auditing or assurance challenges with auditors generally able to apply the requirements without undue difficulty.

**Question 14. Are the requirements in the best interests of the Australian economy?**

ACAG does not have any specific comments.

**Question 15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

Please refer to our response to Question 2 and our overarching comments in the cover letter.



## AASB specific matters for comment

### Section 2

#### Topic 1 Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard

**Question 1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)?**

**If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?**

Similar to our responses to Question 11 and the cover letter, while ACAG agrees in principle with the AASB's proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard, ACAG recommends the AASB prioritise the public sector financial reporting framework project. This will help to ensure the applicability of AASB 1060 to public sector entities remain relevant and informed by the public sector user needs and cost-benefit considerations.

Consistent with this and recognising the varied jurisdictional contexts in the public sector, ACAG considers that any incremental changes to AASB 1060 should be clearly grounded in identified user needs, rather than driven solely by alignment considerations.

**Question 1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)?**

**If you disagree, with which recommendations do you disagree and what would you suggest instead?**

ACAG has considered the amendments at a high level and provided comments below, subject to our recommendations in the cover letter that the AASB undertake research on the appropriateness of these amendments for public sector entities.

ACAG acknowledges, while some disclosures may be appropriate for larger Tier 2 entities with more complex financial statements, they may impose a disproportionate burden on smaller public sector entities. The associated costs may outweigh the benefits unless such disclosures are material for such small entities as well. Given public sector reports only currently have two tiers available this will continue to be the case in the future.

#### *Financial Statement Presentation*

ACAG generally agrees with adding the overarching presentation principles, noting that these do not introduce additional substantive requirements.

#### *Statement of Changes in Equity and Statement of Income and Retained Earnings*

ACAG considers that the proposed amendment is unlikely to have a significant impact on Tier 2 public sector entities. As such, ACAG neither specifically agrees nor disagrees with this proposal.

#### *Statement of Cash Flows*

In ACAG's view the additional disclosures (Changes in liabilities arising from financing activities) are unlikely to provide useful information to users of Tier 2 financial statements and were not required under the former RDR framework. ACAG is not aware of any evidence indicating that this represents an information gap for users, and therefore does not see a strong basis for introducing this requirement for Tier 2 entities.



#### *Consolidated and Separate Financial Statements*

ACAG considers that this proposed amendment is unlikely to materially affect Tier 2 public sector entities and therefore does not take a position for or against the change.

#### *Financial Instruments*

Consistent with its overarching comments, ACAG notes that the appropriateness of the proposed disclosures depends on the jurisdictional context, including the nature and size of entities to which Tier 2 is applied in each jurisdiction.

ACAG acknowledges that liquidity information is important and has previously recommended in the response to ED 295, to include a maturity analysis requirement in Tier 2 to enhance users' understanding of short-term cash flows and obligations. ACAG therefore supports the inclusion of a maturity analysis for financial liabilities, noting this should not impose significant burden on entities with only short-term obligations. However, ACAG considers that examples and detailed time bands are possibly unnecessary and that overly prescriptive guidance should be avoided.

ACAG also notes for entities with significant financial asset balances where recoverability may be a challenge, disclosure on ageing analysis and related disclosures on impairment and collectability may be relevant. However, one jurisdiction notes the entities approved for Tier 2 in their jurisdiction would not have significant financial asset balances where recoverability is an issue, and as such they would not support this being included in AASB 1060. They also question whether an entity should be Tier 2 if it has balances of this nature and risk.

#### *Fair Value Measurement*

Similar to our comments above, ACAG notes that the appropriateness of the proposed fair value measurement disclosures depends on the jurisdictional context. While these disclosures may be appropriate for larger Tier 2 entities with significant or complex asset bases and more complex valuation techniques (as these disclosures can provide useful insight into the level of judgement applied and the degree of estimation uncertainty), they may impose an unnecessary burden on smaller public sector entities with assets subject to less complex valuations. Furthermore, without assessing whether users have additional information needs regarding these disclosures, it is difficult to provide a definitive view—particularly given that these requirements were not included in RDR.

ACAG supports ensuring that relevant existing disclosures—such as identifying whether valuations are performed by an independent valuer for investment property and PPE—are retained. If additional fair value hierarchy disclosures are adopted, ACAG recommends ensuring consistency with the Australian-specific requirements in AASB 13.

#### *Business Combinations and Goodwill*

ACAG notes that not many public sector entities are required to apply AASB 3 as they are largely covered under AASB 1004. However, there may be some public sector entities that occasionally apply AASB 3. ACAG holds mixed views on the proposed disclosures. While some jurisdictions support the proposed disclosures, others do not have a definitive view. ACAG therefore considers that any decision to include these disclosures should be informed by an assessment of user needs and the relevance of these requirements to public sector Tier 2 entities.

#### *Revenue*

ACAG holds mixed views on the proposed revenue disclosures. Some consider that most of the requirements are already covered by the overarching disclosure principles in AASB 1060, with the only substantive addition being paragraph 23.84(b) (revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period). These disclosures were not required under RDR, and there is no clear evidence of a user information gap that would justify expanding Tier 2 requirements.

Others note that the proposals largely represent refinements to what is already expected under the overarching disclosure requirement in AASB 1060. For some Tier 2 public sector entities, revenue and income are significant to their operations, and providing clearer or more structured disclosures may



assist users. On this basis, some support including the proposals to illustrate how the overarching requirement may be applied in practice.

#### *Employee Benefits*

ACAG holds mixed views on the proposed disclosures. While some jurisdictions support additional disclosures, others do not support as they are not aware of any specific user needs for additional disclosures proposed for public sector entities. ACAG therefore considers that any decision to include these disclosures should be informed by an assessment of user needs and the relevance of these requirements to public sector Tier 2 entities

#### *Foreign Currency Translation*

ACAG generally agrees with the proposed disclosures, which appear to provide useful information for users. However, these requirements are expected to have minimal impact on most public sector Tier 2 entities, given the limited relevance of foreign currency activities in this context.

#### *Related Party Disclosures*

ACAG jurisdictions shared mixed views regarding the proposed related party disclosure amendments. Some consider that the additional disclosures would add little value for public sector Tier 2 entities, as the transactions of greatest interest in the public sector are generally not those occurring between government entities. Others view enhanced related party disclosures as important for smaller entities, given the range of relationships that may exist.

ACAG also considers that any proposed changes should first be assessed against the existing public sector-specific guidance in AASB 124 to ensure that amendments to AASB 1060 are appropriately aligned and do not duplicate or conflict with current requirements.

#### *Specialised Activities*

ACAG does not express a particular view on the proposed disclosures for specialised activities, as these requirements have limited applicability to public sector Tier 2 entities.

**Question 1.3 Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?**

**If you disagree, with which recommendations do you disagree and what would you suggest instead?**

ACAG agrees with the AASB's recommendations to not amend AASB 1060 as outlined in Table 2.1.2.



## Topic 2 Potential effects of AASB 18 on AASB 1060

**Question 2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?**

**If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.**

**If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.**

Most ACAG jurisdictions consider that the AASB should assess the impact of AASB 18 on AASB 1060 now, rather than waiting for the IASB to complete its work on the next edition of the IFRS for SMEs Accounting Standard, that is expected to be many years away.

Jurisdictions noted that timely consideration would:

- support the prompt updating of AASB 1060;
- align with the AASB's existing approach, where impacts on domestic standards are assessed when new or amended IFRS Standards are issued;
- reduce the risk of AASB 1060 becoming outdated or inconsistent with the broader Australian reporting framework
- provide a consistent disclosure framework between Tier 1 and Tier 2 entities

**Question 2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?**

**If you disagree, with which aspects do you disagree and what would you suggest instead?**

ACAG generally agrees with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements to promote consistency between Tier 1 and Tier 2 entities on the following basis:

- aligning Tier 1 and Tier 2 classification and presentation requirements will help ensure financial statements are presented consistently across both tiers;
- consistent primary financial statements will assist users in comparing entities and will support consolidation processes where group members prepare a mix of Tier 1 and Tier 2 reports;

Having said that, the impact of AASB 18 on the NFP public sector is not yet fully assessed and whether any areas may need any application guidance. As such, our comments are subject to the finalisation of the proposals in ED 338.

**Question 2.3** If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?

**Option A:** Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

**Option B:** Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

Please provide the reasons for your preference.

ACAG agrees that **Option A** provides the most appropriate and practical approach for structuring the AASB 18 requirements within AASB 1060.

This approach avoids the need for users of the standards to cross-reference multiple standards and ensures that AASB 1060 operates as a standalone standard.

One jurisdiction recommends that relevant application guidance from AASB 18 be included in AASB 1060 to make it easier for users of Tier 2 to apply the requirements, including in areas such as those mentioned below. Under the AASB's proposals users of AASB 1060 would need to refer to the separate standard AASB 18 for relevant application paragraphs:

- AASB 18.B2-B5 to support existing AASB1060.22 on materiality. These paragraphs are already included in AASB 1060 (definition of material) and should not be removed (by not being carried over) as proposed on page 73 of ITC56.
- AASB 18.B111 (list of balance sheet items) to support requirements in paragraph AASB1060.44. These paragraphs are already included in AASB 1060 (paragraph 44) and should not be removed as proposed on page 73 of ITC56
- AASB 18.B112 guidance on systematic format to support proposed AASB 18 paragraph 114. These paragraphs are already included in AASB 1060 (paragraph 93) and should not be removed (by not being carried over) as proposed on page 88 of ITC56.
- AASB18.B109 to B111 of AAAB 18 to support proposed AASB 18 paragraph 105.

While others agree this would be useful, if adopting this principle, this should be extended to other standards.

**Question 2.4** When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

- (a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and
- (b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

**Please provide the reasons for your view**

ACAG has decided to address matters relating to the application of AASB 18 separately through its submission on Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025).

ACAG recommends that any requirements the AASB may mandate for Tier 1 entities arising from ED 338 be considered in light of user needs and the accompanying research to determine their suitability for Tier 2 entities.

While most public sector entities report expenses by nature and therefore this is unlikely to be relevant, one jurisdiction disagrees with the proposal addressed in question 2.4(a). Such detailed disclosure is likely to be excessive for Tier 2 entities.

**Question 2.5 For management-defined performance measures (MPMs), should AASB 1060 include:**

- (a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);
- (b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);
- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- (d) no disclosure requirements for MPMs?

**Please provide the reasons for your view.**

**If you support only some disclosure requirements, please identify which disclosures should be required and why.**

ACAG has decided to address matters relating to the application of AASB 18 separately through its submission on Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025). That said, ACAG recommends that any requirements the AASB may mandate for Tier 1 entities arising from ED 338 be considered in light of user needs and the accompanying research to determine their suitability for Tier 2 entities.

**Question 2.6 Should AASB 1060 require disclosure of further information regarding:**

- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

**Please provide the reasons for your view.**



ACAG has decided to address matters relating to the application of AASB 18 separately through its submission on Exposure Draft ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025). That said, ACAG recommends that any requirements the AASB may mandate for Tier 1 entities arising from ED 338 be considered in light of user needs and the accompanying research to determine their suitability for Tier 2 entities.



## Questions regarding NFP private sector entities preparing Tier 2 GPFS

**Question 2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:**

- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- (b) disclosure requirements regarding MPMs; and
- (c) aggregation and disaggregation principles

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

**Question 2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):**

- (a) dividends and interest received – investing cash flows; and
- (b) dividends and interest paid – financing cash flows.

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

**Question 2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.**

Given this question is not relevant to public sector entities, ACAG has not responded to this question.

## Questions regarding NFP public sector entities preparing Tier 2 GPFS

**Question 2.10 A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:**

- (a) for the statement of profit or loss, these entities would not be required to:
  - (i) apply paragraphs 47(a)–(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;
  - (ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or
  - (iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and



**(b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.**

**If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?**

**Please provide the reasons for your view.**

ACAG considers that if relief from the new AASB 18 classification and presentation requirements are granted to NFP public sector entities preparing Tier 1 financial statements, the same relief should also be provided to NFP public sector entities preparing Tier 2 financial statements.

The reasons for granting the relief at the Tier 1 level equally apply at the Tier 2 level. Consistent presentation and classification requirements across Tier 1 and Tier 2 support comparability for users and assist with consolidation processes when a reporting group contains a mix of Tier 1 and Tier 2 entities. In addition, ACAG sees no basis for imposing requirements on Tier 2 entities that are not required for Tier 1 entities, as this would create an unnecessary reporting burden and undermine the principle that Tier 2 should be a simplified framework.

For these reasons, ACAG supports extending the proposed reliefs to NFP public sector entities preparing Tier 2 GPFS.

**Question 2.11 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMS under paragraph 122 of AASB 18.**

**If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?**

**Please provide the reasons for your view.**

ACAG considers that NFP public sector entities preparing Tier 2 GPFS should receive the same relief, for the same reasons noted in our response to question 2.10 above.

**Question 2.12 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.**

**If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?**

**Please provide the reasons for your view.**

ACAG considers that NFP public sector entities preparing Tier 2 GPFS should receive the same relief, for the same reasons noted in our response to question 2.10 above.

**Question 2.13 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB**



**18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:**

- (a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24–B26 of AASB 18); and**
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

**Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?**

**Please provide the reasons for your view**

ACAG considers that NFP public sector entities preparing Tier 2 GPFS should be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements. However, our response is subject to our consideration of these requirements for Tier 1 NFP public sector entities as part of our submission on ED 338.

### **Topic 3 Disclosure requirements in IFRS 19**

**Question 3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19? Please explain your view.**

ACAG does not consider maintaining IFRS compliance to be a significant concern for public sector Tier 2 entities. Therefore, ACAG does not support the automatic adoption of IFRS 19 for public sector Tier 2 entities, nor does it favour expanding AASB 1060 solely to achieve alignment with IFRS 19.

**Question 3.2 Which of the following options would you prefer:**

- (a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;**
- (b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;**
- (c) retain AASB 1060 and do not adopt IFRS 19 at all;**
- (d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or**
- (e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.**

**Please provide the reasons for your preference**

ACAG does not support either of the options and recommends that the AASB consider introducing IFRS 19 as a separate standard, specifically for subsidiaries without public accountability that wish to maintain IFRS compliance. These requirements should not be referenced as an alternative Tier 2 framework or incorporated into AASB 1060 unless further research, such as that recommended above on public sector user needs, demonstrates a clear necessity.

**Question 3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.**

Please see our comments above



## AASB general matters for comment

**Question 1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

- (a) not-for-profit entities; and**
- (b) public sector entities, including GAAP/GFS implications?**

ACAG members did not identify any regulatory issues or other Australian environmental factors that would affect the implementation of the proposals. No specific concerns were raised in relation to not-for-profit entities, public sector entities or GAAP/GFS implications. Accordingly, ACAG does not have further comments on this matter.

**Question 2. Would the proposals create any auditing or assurance challenges?**

Most jurisdictions indicated that the proposals are not likely to create significant auditing or assurance challenges.

**Question 3. Overall, would the proposals result in financial statements that would be useful to users?**

Please see our response to question 2 and our overarching comments in the cover letter.

**Question 4. Are the proposals in the best interests of the Australian economy?**

ACAG does not have any specific comments.

**Question 5. Unless already provided in response to the AASB specific matters for comment 1.1–3.3 above and/or general matters for comment 1–4 above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or nonfinancial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

Please see our response to question 2 and our overarching comments in the cover letter.

One jurisdiction raised the following editorial comments on AASB 1060:

- Some of the “*IFRS for SMEs* Standard paragraph x.xx” and “Based on *IFRS for SMEs* Standard paragraph x.xx” references will need to be updated, e.g. AASB 1060 paragraph 121 that will need to be updated from IFRS for SMEs paragraph 12.28 to 11.74.



- While the heading “Impairment of Assets” and footnote 25 refers to AASB 102 Inventories, paragraphs 170 does not refer to inventories – seemingly because AASB 1060 paragraph 123 already has inventories impairment disclosures. It is not clear whether footnote 25 should refer to AASB 102.



22 January 2026

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

Submitted via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Dr Kendall

***Invitation to Comment (ITC) 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2***

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on ITC 56.

**General Comment**

Overall, IPA's views are:

**For: Section 1 Post-Implementation Review of AASB 1060 and AASB 2020-2**

- **AASB 2020-2 and the removal of SPFS** for certain for-profit private sectors have achieved the overall objectives of improving the consistency, comparability, transparency and enforceability of the financial statements of the relevant entities. **AASB 1060** has also achieved its overall objectives of an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS. This is despite the significant costs to the entity for preparing the simplified GPFS for the first time.
- The **optional transitional relief** was useful for an entity that applied **AASB 1060** early. However, our members in the SME sector did not early adopt AASB 1060 and avail themselves of the transitional relief. This is due to our SME members having limited resources to consider the myriad of Accounting Standards in conjunction with AASB 1060 to assess if they meet the criteria for preparing simplified GPFS under AASB 1060 before the Standard's application date.
- The **AASB education materials** were somewhat useful, particularly the webinars, as they provided examples and important areas for consideration when implementing the requirements. However, the educational publications were not sufficiently comprehensive nor particularly useful in assisting an entity in determining which reporting framework an entity must report under, ie Tier 1 or Tier 2 reporting. To assist our members, IPA produced our own documents, which included numerous decision trees to simplify the burden of the task and ensure correct and consistent application of the Standards. Other accounting bodies and accounting firms also produced similar variations of the document with differing degrees of detail and usefulness.

- If AASB 1060 expects the **disclosure of individually material items of income and expense**, then an explicit requirement to that effect needs to be included in the Standard. We think, where possible, disclosure requirements should not have ambiguity. This is especially given the aim of AASB 1060 is to be a simplified, standalone accounting standard designed specifically for the GPFS of Tier 2 entities that do not have public accountability.
- The **disclosure requirements of AASB 1060** are adequate and practicable in their application.
- **AASB 1060 should be updated for changes as they arise**, ie whenever a new Standard/Interpretation or amendments are made to existing Standards/Interpretations or when *IFRS for SMEs Accounting Standard* is updated.

**For: Section 2 AASB 1060 Update**

- The AASB's proposed **approach for assessing whether to amend AASB1060** for the IASB amendments to the *IFRS for SMEs Accounting Standard* is appropriate. We also agree with the **amendments in Tables 2.1.1. and 2.1.2.** Given the extensive amendments proposed, we recommend the AASB develop educational materials to assist users of the updated AASB 1060 in understanding and applying the changes.
- Assessing the **impact of AASB 18 on AASB 1060** in advance of the IASB considering the suitability of the IFRS 18 requirements for the *IFRS for SMEs Accounting Standard* is a better approach. This would be consistent with the principles for establishing the initial AASB 1060 and determining when to amend the Standard. It also ensures consistency between the presentation of the primary financial statements of Tier 1 and Tier 2 entities when AASB 18 is operative.
- **AASB 1060 should replace the AASB 101** requirements.
- **Option A of including** all the relevant classification and presentation requirements that are in the main body of **AASB 18 into AASB 1060** is our preferred approach, as it is consistent with the objective of AASB 1060 being a standalone Standard designed specifically Tier 2 GPFS.
- Where a Tier 2 entity elects to use **management-defined performance measures (MPMs)** (as defined in AASB 18), the same requirements for a Tier 1 entity should also apply.
- We prefer the pragmatic approach of **adopting IFRS 19 as an alternative framework** for subsidiaries without public accountability so that an entity can have the option to prepare GPFS under either AASB 1060 or a standard incorporating IFRS 19.

Further details of our comments on the above are contained in the related questions in Attachment 1.

**SPECIFIC COMMENT**

Our responses to the specific questions in the ITC are in Attachment 1.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at [vicki.stylianou@publicaccountants.org.au](mailto:vicki.stylianou@publicaccountants.org.au).

Yours sincerely

Vicki Stylianou  
Group Executive, Advocacy & Professional Standards  
Institute of Public Accountants

## Attachment 1 – IPA’s responses to ITC 56 specific questions

### SECTION 1: POST-IMPLEMENTATION REVIEW OF AASB 1060 AND AASB 2020-2

#### Topic 1 Overall objective and assessment of AASB 2020-2

##### Questions for respondents

1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:

- (a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?
- (b) Were the costs of preparing GPFS for the first time broadly in line with expectations?
- (c) Are the ongoing costs of preparing GPFS broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

IPA thinks AASB 2020-2 and the removal of SPFS for certain FP private sectors have achieved the overall objectives of improving the consistency, comparability, transparency and enforceability of the financial statements of affected entities. This is despite the significant costs of preparing the GPFS for the first time for our members.

IPA members largely operate in the small-to-medium enterprise (SME) sector and generally have limited resources to invest in understanding, interpreting and applying the new reporting requirements. For our members to assess whether to prepare GPFS as a Tier 1 or Tier 2 entity and not a SPFS, they need to consider 2020-2 in conjunction with the following related standards:

- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- AASB 1 *First-time Adoption of Australian Accounting Standards*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*.

This is a considerable number of Standards for an SME that previously prepared SPFS to assess and apply. This is in addition to the transition costs to those outlined in ITC 56 of:

- increased in disclosures for most entities transitioning from SPFS
- additional costs to comply with the recognition and measurement requirements of Australian Accounting Standards for the first time
- changes to the entity’s internal systems and processes to capture the required information and
- prepare consolidated financial statements and/or equity account interests in associates and joint ventures for the first time.

We concur with the AASB’s observation that the ongoing costs of preparing GPFS are broadly in line with expectations.

## **Topic 2 Overall objective and assessment of AASB 1060**

### **Questions for respondents**

2. Regarding AASB 1060, please provide your views on the following matters:
- (a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?
  - (b) Were the costs of applying the Standard for the first time broadly in line with expectations?
  - (c) Are the ongoing costs of applying the Standard broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

IPA thinks AASB 1060 has achieved the overall objectives of an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS. This is despite the significant costs of preparing the simplified GPFS for the first time for our members. The costs are similar to those detailed in our comments for Q1.

We also think the ongoing costs of preparing simplified GPFS are broadly in line with expectations.

## **Topic 3 Transition relief for FP private sector entities transitioning from SPFS to AASB 1060**

### **Questions for respondents**

3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:
- (a) Was any of the optional transition relief used?
  - (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

The optional transitional relief was useful for an SPFS entity that applied AASB 1060 before the application date commencing 1 July 2021. IPA members largely operate in the SME sector and generally have limited resources to consider the myriad of Accounting Standards needed to assess if they meet the criteria for preparing simplified GPFS under AASB 1060 before the Standard's operative date. Consequently, many of our members did not early adopt AASB 1060 and avail themselves of the optional transitional relief.

#### **Topic 4 Transition relief for entities transitioning from GPFS to AASB 1060**

##### **Questions for respondents**

4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:

- (a) Was the optional transition relief used?
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

Consistent with our comments in Q3 above, the transition relief for entities transitioning from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060 was useful for entities that early adopt AASB 1060. However, many of IPA members did not apply AASB 1060 before the Standard's operative date.

#### **Topic 5 Educational materials**

##### **Questions for respondents**

5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?
7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

IPA found some of the AASB education materials useful, particularly the webinars, as they provided examples and important areas for consideration when implementing the requirements. However, we found that the AASB educational publications were written as documents that address only the relevant standard, ie a set of documents comprising of key facts, summaries and Frequently Asked Questions specifically for AASB 1060 and another set specifically for the removal of SPFS. However, determining which reporting framework an entity must report under, ie Tier 1 or Tier 2 reporting, requires an entity to assess a suite of related standards as listed in Q1 above<sup>1</sup>. As such, for the educational material to be truly useful, a document that incorporates the reporting consideration of all the applicable standards, including the key implementation issues and decisions to consider. In the absence of such a document by the AASB, each entity needed to develop its own document and decision trees to determine the applicable reporting framework. To assist our members, IPA produced our own documents, which included numerous decision trees to simplify the burden of the task and ensure correct and consistent application of the Standards. IPA also noted that each of the other accounting bodies and accounting firms produced similar variations of these documents with differing degrees of detail and usefulness.

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<sup>1</sup> The applicable standards for consideration are AASB 1053, AASB 1060, AASB 1, AASB 108 and AASB 2021-1.

IPA is of the view, the success of a Standard depends on the successful implementation of the requirements, especially if it's a new reporting framework. To achieve this, it is important that the AASB issues educational materials that are truly useful. That is the educational materials must be comprehensive, consider the inter-related Standards and implementation issues and presented in a manner that reduces the burden of understanding the content, ie inclusion of flow charts and decision trees. This is especially important, given the Standard applies to the SME sector, which generally with limited resources. Such AASB educational materials would assist in interpreting and applying the reporting requirements in an accurate and consistent manner and reduce the duplication by each reporting entity and/or other entities in the accounting profession.

## **Topic 6 Disclosure of individually material items**

### **Questions for respondents**

- 8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?**
- 9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

The absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has not led to significant problems in either preparing or using Tier 2 financial statements. This is consistent with the AASB's review of sample financial statements that showed:

“... financial statements prepared by large proprietary companies in compliance with AASB 1060, covering the financial years 2021/22 and 2022/23, noted that the disclosure of expenses generally demonstrated a consistent and adequate level of disaggregation, comparable to that in Tier 1 financial statements of listed and other entities. While a small number of mostly non-operating entities – around 2% of the sample – showed limited disaggregation, the overall findings of the review suggest that Tier 2 entities are providing sufficient disclosure of individually material items of expenses in their financial statements.” (ITC 56, page 22).

However, we do not agree with the AASB's conclusion that the overall findings of the review means the AASB need not take any further action. Instead, we think that if AASB 1060 expects the disclosure of individually material items of income and expense, then an explicit requirement to that effect needs to be included in the Standard. We think, where possible, there should not be ambiguity in the disclosure requirements. This is especially given the aim of AASB 1060 is to be a simplified, standalone accounting standard designed specifically for Tier 2 GPFS.

## **Topic 7 Adequacy of disclosure requirements**

### **Question for respondents**

**10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?**

**Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

**Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:**

- **Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060**
- **Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060**
- **Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.**

Overall, IPA thinks the disclosure requirements of AASB 1060 are adequate and practicable in their application. This is due to the approach of developing the standard through a bottom-up approach of using the *IFRS for SMEs* Accounting Standard as a base and retaining the recognition and measurement requirements of those of Tier 1 GPFS with simplified disclosures.

Our comments for the potential amendments to AASB 1060 are contained in the relevant areas in Section 2 below.

## **Topic 8 Maintaining AASB 1060**

### **Question for respondents**

**11. Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?**

**Please explain the reasons for your view.**

IPA thinks AASB 1060 should be updated for changes as they arise, ie whenever:

- (a) a new Australian Accounting Standard or Interpretation is issued
- (b) amendments are made to existing Australian Accounting Standards or Interpretations or
- (c) the *IFRS for SMEs* Accounting Standard is updated by the IASB.

We note this would mean more frequent amendments to AASB 1060. However, we think this approach would ensure that the Tier 2 recognition and measurements, and where appropriate, the disclosures align with those of Tier 1 requirements. It is also consistent with the existing approach in updating AASB 1060.

## Topic 9 Other matters

### Questions for respondents

**12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?**

IPA is not aware of any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2.

**13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?**

IPA is not aware of applying the requirements in AASB 1060 and AASB 2020-2 resulting in major auditing or assurance challenges.

**14. Are the requirements in the best interests of the Australian economy?**

IPA is of the view that the requirements of AASB 1060 and AASB 2020-2 are in the best interests of the Australian economy, as both standards achieve their overall objectives of improving the consistency, comparability, transparency and enforceability of the financial statements of the affected entities.

**15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

IPA has no further comment that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2.

## SECTION 2: AASB 1060 UPDATE

### Topic 1 Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard

#### Question for respondents

**1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)?**

**If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?**

IPA agrees with the AASB's proposed approach for assessing whether to amend AASB 1060 for the IASB amendments to the *IFRS for SMEs Accounting Standard* of:

- No action to amend AASB 1060 if the IASB amendments:
  - relate to R&M requirements that do not affect disclosures or
  - introduce or modify disclosure requirements relating to R&M options or treatments in the *IFRS for SMEs Accounting Standard* that are not available or are significantly different from the full IFRS Accounting Standards (and therefore AAS).
- Amending AASB 1060 to align with *IFRS for SMEs Accounting Standard* where the amendments relate to guidance that explains the application of presentation or disclosure requirements for topics from Standards that have been replaced by AASB 1060, such as AASB 7, AASB 12, AASB 101, AASB 107 and AASB 124.
- Assessing, on a case-by-case basis, amendments concerning guidance from Standards that have not been replaced by AASB 1060 in their entirety.
- Amending AASB 1060 to align with the *IFRS for SMEs Accounting Standard*, unless equivalent amendments have already been made based on previous amendments to the full IFRS Accounting Standards and AAS.
- Assessing whether to add disclosures to address matters of public policy or to reflect Australian-specific issues.

**1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)?**

**If you disagree, with which recommendations do you disagree and what would you suggest instead?**

IPA agrees with amending AASB 1060 to incorporate the substantive changes made by the IASB to the *IFRS for SMEs Accounting Standard* listed in Table 2.1.1. Our support for the amendments is consistent with the reasons provided in Table 2.1.1. Given the extensive amendments proposed for AASB 1060, we recommend the AASB develop educational materials to assist the users of the updated AASB 1060 in understanding and applying the changes. The educational materials could be key facts documents that summarise the key changes and comparison tables along with webinars.

**1.3 Do you agree with the AASB’s recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?**

**If you disagree, with which recommendations do you disagree and what would you suggest instead?**

IPA agrees with the proposals to not amend AASB 1060 for changes presented in Table 2.1.2 for similar reasons as those provided in the table. We note that Table 2.1.2 contains substantive changes made by the IASB to the *IFRS for SMEs Accounting Standard* that the AASB proposals not to incorporate into AASB 1060. However, the table also includes the proposals to add paragraphs to AASB 1060 relating to related party disclosures and specialised activities to align with the 2025 *IFRS for SMEs Accounting Standard*.

<b>Topic 2 Potential effects of AASB 18 on AASB 1060</b>
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**Question for respondents**

**2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the *IFRS for SMEs Accounting Standard*?**

**If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.**

**If you think the AASB should wait for the IASB’s next edition of the *IFRS for SMEs Accounting Standard*, please explain your reasons.**

The principles for establishing the initial AASB 1060 is to apply a bottom-up approach to simplifying disclosures by starting with the *IFRS for SMEs Accounting Standard* disclosure requirements and tailoring them to fit the Australian context while ensuring consistency with Tier 1 recognition and measurement requirements. AASB 1060 sets out all the disclosure requirements applicable for Tier 2 entities, which are not required to comply with the disclosure requirements in other AAS.

Additionally, the principles for determining when to amend AASB 1060 state that a review of AASB 1060 should occur when *IFRS SMEs Accounting Standard* is updated by the IASB, a new Standard or Interpretation, or amendments to an existing AAS or Interpretation is issued.

IPA is of the view that ideally, the impact of AASB 18 on AASB 1060 should occur after the IASB has considered the suitability of the IFRS 18 requirements on *IFRS SMEs Accounting Standard*. However, the IASB is not expected to review the next edition of *IFRS SMEs Accounting Standard* for at least five years. In the interim, AASB 18 is set to replace AASB 101 and introduces new classification and presentation and new disclosure requirements. AASB 18 is effective:

- generally for Tier 1 for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*) from 1 January 2027 and
- for not-for-profit entities (in the private and public sector) and superannuation entities from 1 January 2028.

The implication when AASB 18 is operative is that, the presentation of the primary financial statements of Tier 1 and Tier 2 entities will be inconsistent for a number of years until the IASB’s next review of the *IFRS SMEs Accounting Standard*.

Therefore, IPA thinks that a better approach would be to consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the *IFRS for SMEs Accounting Standard*. This approach would be consistent with the principles for establishing the initial AASB 1060 and for when to amend AASB 1060. This would also ensure

consistency between the presentation of the primary financial statements of Tier 1 and Tier 2 entities.

**2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?**

**If you disagree, with which aspects do you disagree and what would you suggest instead?**

IPA agrees with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities.

**2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?**

**Option A:** Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

**Option B:** Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

**Please provide the reasons for your preference.**

IPA prefers the approach in Option A, as this ensures that all the applicable AASB 18 requirements are incorporated into AASB 1060. This would reduce the potential arbitrary decisions on which guidance should be included in AASB 1060 and which could be omitted in Option B. Option A is also consistent with AASB 1060 being a standalone accounting standard designed specifically for GPFS for SMEs that do not have public accountability, ie Tier 2 entities will not need to refer to AASB 18 (except for guidance included in Appendix B of AASB 18). This is despite, under Option A, AASB 1060 will be more voluminous.

**2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:**

- **specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and**
- **a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?**

**Please provide the reasons for your view.**

IPA is of the view that when operating expenses are presented by function in the statement of profit or loss, AASB 1060 should include a requirement to disclose:

- specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities) and
- a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18).

This is to ensure the consistent presentation of the primary financial statements between Tier 1 and Tier 2 entities.

**2.5 For management-defined performance measures (MPMs), should AASB 1060 include:**

- a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);**
- the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);**
- only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or**
- no disclosure requirements for MPMs?**

**Please provide the reasons for your view.**

**If you support only some disclosure requirements, please identify which disclosures should be required and why.**

IPA is of the view that, for simplicity, there should be no disclosure requirements for MPMs for Tier 2 entities. However, entities (in Tier 1 and Tier 2) are likely to use public communications outside the financial statements to express management's view on the financial performance of the entity. Given the likelihood of entities disclosing MPMs, we think it is important that there are consistent disclosure requirements between Tier 1 and Tier 2 entities. The AASB 18 MPMs disclosure requirements aim to ensure that entities that elect to use MPMs must label and describe each of the MPMs clearly and understandably so that they do not mislead the users of financial statements. It is for these reasons that we think, where a Tier 2 entity elects to use MPMs (as defined in AASB 18), the same requirements for a Tier 1 entity should also apply. Consequently, the full text of paragraphs 117-125 of AASB 18 should be included in AASB 1060.

- 2.6 Should AASB 1060 require disclosure of further information regarding:**
- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and**
  - (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**
- Please provide the reasons for your view.**

IPA is of the view that AASB 1060 should require disclosure of further information as outlined in Q2.6 above, as the labels and/or descriptions used in financial statements are not always complete. The inclusion of the AASB 18 guidance and disclosure requirements in AASB 1060 would enhance the users' understanding of the financial statements.

**Questions regarding NFP private sector entities preparing Tier 2 GPFS**

- 2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:**
- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;**
  - (b) disclosure requirements regarding MPMs; and**
  - (c) aggregation and disaggregation principles.**

IPA is of the view that AASB 18 should also be applied to NFP private sector entities. This would be consistent with the application of AASB 1060 to both the FP and NFP Tier 2 private sector entities. This is despite AASB 1060 being based on *IFRS SMEs* Accounting Standard, which was developed by the IASB to apply to FP private sector entities. We concur with the AASB's view that:

“Although the *IFRS for SMEs* Standard has been developed by the IASB to apply to for-profit private sector entities, broadly the AASB considers that it is reasonable to rely on the judgements made in developing the *IFRS for SMEs* Standard in respect of both for-profit and NFP (including public sector) entities in Australia, given that IFRS Standards are generally applied to all types of Australian entities. The AASB considers that the IASB's principles also reflect matters of particular interest to users of the financial statements of NFP entities.” (ITC 56, page 59)

Accordingly, we support the inclusion of the classification and disclosure requirements in Q2.7(a) to (c) above.

- 2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):**
- (a) dividends and interest received – investing cash flows; and**
  - (b) dividends and interest paid – financing cash flows.**

IPA supports the inclusion of the requirements for NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows (consistent with the revised AASB 107) for the areas outlined in Q2.8(a) and (b) above. Our support is for similar reasons as those outlined in Q2.7 above.

**2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.**

IPA is of the view that, where possible, an accounting standard should be transaction-neutral. That is, “like transactions and events are accounted for in a like manner by all types of entities, reflecting their economic substance, unless there is a justifiable reason not to do so. This Framework sets out circumstances where it may be appropriate to use a different approach for NFP entities versus for-profit entities” (*AASB Not-for-Profit Entity Standard-Setting Framework*, paragraph 23). Accordingly, modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS should only be made where there are compelling reasons to do so and in accordance with the *AASB Not-for-Profit Entity Standard-Setting Framework*.

<b>Topic 3 Disclosure requirements in IFRS 19</b>
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**3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19? Please explain your view.**

IPA is of the view that, ideally, Tier 2 entities should be able to claim compliance with IFRS 19. This would make it easier for the parent entity of the subsidiary that applied IFRS 19 to prepare consolidated financial statements to also make a similar claim of their compliance with IFRS Accounting Standards. However, we do not think the ability to claim compliance with IFRS 19 should be the determining factor for the approach to deal with IFRS 19 and AASB 1060 – refer to our comments in Q3.2 below for more detail.

**3.2 Which of the following options would you prefer:**

- (a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
- (b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
- (c) retain AASB 1060 and do not adopt IFRS 19 at all;
- (d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or
- (e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

**Please provide the reasons for your preference.**

IPA would prefer option (d) of adopting IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19.

We acknowledge that the optimal and comprehensive approach would be to have AASB 1060 as a one-stop-shop Standard containing simplified disclosures of Tier 2 entities that includes the requirements of IFRS 19, as well as enabling a Tier 2 entity to claim compliance with IFRS 19 and IFRS Accounting Standards in general.

However, this comprehensive approach is likely to take time for the AASB to examine whether all or what components of the IFRS 19 requirements should be incorporated into or replace AASB 1060. This could potentially make the resulting AASB 1060 equivalent Standard considerably voluminous and more complex to apply, especially for those entities where IFRS 19 is not relevant. This is in addition to the substantive proposed changes to AASB 1060 arising from amendments from the third edition of *IFRS SMEs Accounting Standard*, AASB 18 and AASB 107 requirements. To incorporate IFRS 19 into AASB 1060 may undermine the objective of AASB 1060 of reducing the burden of reporting by providing a reporting framework that simplifies the GPFS for Tier 2 entities. Accordingly, we think, the pragmatic approach is to keep IFRS 19 as an alternative framework for subsidiaries without public accountability.

**3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.**

IPA has not considered this question, as our preference is for option (d) in Q3.2.



Thursday, 22 January 2026

Keith Kendall  
Chair, Australian Accounting Standards Board  
PO Box 204  
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Via website: [standard@aasb.gov.au](mailto:standard@aasb.gov.au)

Dear Keith

**Invitation to Comment 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2 (ITC 56)**

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the AASB on the post-implementation review of the AASB's special purpose reporting reforms for certain for-profit entities in ITC 56. We make this submission on behalf of our members and in the public interest.

Given the significance of these reforms on the for-profit private sector and their impact on our members, we appreciate the opportunity to engage regularly with the AASB throughout the development phase of these proposals and during their subsequent implementation. To support the current "implementation phase" engagement, we have continued to consult widely with our members and other stakeholders. These interactions included direct member feedback, involvement with the AASB at roundtables both before and after the issue of ITC 56 and several member surveys and they have informed the views expressed in this submission. Notwithstanding, the AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) includes the not-for-profit (NFP) sector, our views on the post-implementation review of tier 2 focus on the for-profit impact as this sector is where the most significant change has taken place.

**Section 1 – Post-implementation review of AASB 1060 and AASB 2020-2**

Overall, our feedback is that the reforms to special purpose reporting introduced by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (AASB 2020-2) were targeted sufficiently well to result in a significant overall improvement in the consistency and comparability of financial reporting in the for-profit sector that outweighed the costs of this additional reporting burden. Supported by both a significant uplift in the reporting thresholds for large proprietary companies and a tailored simplified disclosure standard, AASB 1060,

our feedback is that the reforms have been broadly successful in achieving their primary objective for many of the impacted entities, including large proprietary companies.

We also commend the AASB on the quality and quantity of educational materials it produced to support the reforms and the transition provisions. Overall, our members found the educational materials useful in supporting and producing the broadly positive outcome which can now be reported.

Appendix A, Section 1 provides our detailed responses to the questions raised in ITC 56 on various aspects of the implementations of these reforms. While these responses are generally positive, it is important to note that there remains some of our members who believe that the reforms have not appropriately balanced costs and benefits for *some* entities that are within the scope of AASB 2020-2 and AASB 1060.

In their view, the fragmented and complex nature of Australia's financial reporting framework means the scope captured a range of entities where thresholds have not been recently updated, or the reporting requirements reviewed in light of these reforms. As a result, the reforms now require the production of financial statements that must comply with the full IFRS recognition and measurement requirements that are more onerous and inappropriate for the size of these entities, especially in the areas of leases, revenue, impairment and financial instruments (see page 16 of our [2022 IFRS Survey](#) and page 13 of our [2025 IFRS Survey](#)). They also include unnecessary disclosures, notwithstanding the fact that the disclosures in AASB 1060 represented a significant reduction from those imposed under the predecessor Reduced Disclosure Regime (RDR) (implemented through AASB 1053 *Application of Tiers of Australian Accounting Standards*).

Therefore, we reiterate the comment we made in our [submission](#) to the AASB's discussion paper on the proposed Tier 3 NFP standard that we believe there remains a place for a Tier 3 standard for similar sized entities in the for-profit sector. Such a standard would provide proportionate relief from the full recognition and measurement requirements of IFRS Accounting Standards on a cost-benefit basis in this sector. We therefore continue to recommend that the AASB considers commencing a project following the publication of the Tier 3 standard for the NFP sector, to explore how it could be repurposed to apply to similar sized entities in the for-profit sector for which it may be more appropriate while legislative requirements remain unchanged.

## Section 2 – AASB 1060 update

Given the significance of a simplified disclosure regime to the reporting cost-benefit equation for Tier 2 entities, we welcome the opportunity to comment on the future maintenance of AASB 1060.

### Alignment with IFRS 18

We support a tailored implementation of AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18) to ensure that the costs of these reforms do not outweigh the benefits. Our members value consistency in the requirements and guidance for the presentation of information between Tier 1 and Tier 2 entities, therefore we encourage the AASB to issue an Exposure Draft aligning the presentation requirements of AASB 18 and AASB 1060 as soon as possible.

However, AASB 18 contains a range of additional disclosures and complexities which, while suitable for a Tier 1 entity with public accountability, have much less value to preparers and users of a Tier 2 entity financial statements, therefore these requirements should be made more proportionate. In particular, the management-defined performance measures (MPM) requirements should not be included and the additional disclosures associated with a functional presentation should be streamlined.

### Ongoing update of AASB 1060

We also support the current maintenance approach of AASB 1060, which is mostly driven by changes to Tier 1 disclosures, as being the most effective means of ensuring that consistency between Tier 1 and Tier 2 is maintained. We also support the AASB's planned approach and outcomes outlined in ITC 56, to align AASB 1060 with the third edition of the *IFRS for SMEs*<sup>®</sup> Accounting Standard which will address important improvements not included when AASB 1060 was developed. However, we have also heard some concerns that the IFRS for SMEs does not necessarily provide a useful benchmark for the public sector entities applying AASB 1060. We, therefore, recommend further outreach to better understand the public sector perspectives on this topic.

### Role of IFRS 19

Feedback has indicated generally that AASB 1060 adequately services the simplified disclosure needs of most Tier 2 entities, who have no need to claim IFRS compliance for their financial statements. Therefore, there is limited stakeholder interest for the implementation of IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (IFRS 19), the IASB's voluntary reduced disclosure standard into the Australian accounting standards framework (Option (c) in ITC 56). Formally including IFRS 19 into the AASB would involve the AASB in maintaining yet another standard that may only be applied by a small number of entities, diverting scarce standard setter resources away from ensuring the existing Tier 2 disclosure regime continues to serve user needs. However, we do appreciate that there is a broader strategic imperative to adopt international standards that needs to be considered.

Appendix A, Section 2 provides more detail on our responses to the specific questions in the ITC on the above maintenance issues associated with AASB 1060.

### **Appendices**

Appendix A provides our detailed responses to the specific questions raised in ITC 56. Appendix B contains more information about CA ANZ. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Amir Ghandar, Reporting and Assurance Leader by email; [amir.ghandar@charteredaccountantsanz.com](mailto:amir.ghandar@charteredaccountantsanz.com).

Yours sincerely

**Geraldine Magarey FCA**  
Group Executive, Advocacy and International

**Amir Ghandar FCA**  
Reporting and Assurance Leader

# Appendix A

## Responses to specific questions in ITC 56

### Section 1: Post-implementation review of AASB 1060 and AASB 2020-2

#### Introduction

The Australian Accounting Standards Board (AASB) is undertaking a post-implementation review (PIR) of the following standards:

1. AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
2. AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

#### Topic 1: Overall objective and assessment of AASB 2020-2

1. **Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:**

- (a) **Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?**
- (b) **Were the costs of preparing GPFS for the first time broadly in line with expectations?**
- (c) **Are the ongoing costs of preparing GPFS broadly in line with expectations?**

**In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

- (a) Overall, the feedback from our members is that the implementation of AASB 2020-2, necessitating the transition from SPFS to GPFS for many entities has been beneficial. While implementing the reforms did take some time, and was not without some significant challenges, our feedback is that users of financial statements appreciate the consistency and comparability of the reports they now receive, while preparers are generally finding the requirements workable.

These views are consistent with the results of our [2022 IFRS Survey](#), taken when the reforms were in the early stages of implementation. It records that a majority of respondents (57%) agreed that the application of AASB 2020-2 led to incremental improvements in the consistency, comparability, transparency and enforceability of financial statements. More recently, anecdotal evidence from outreach activities suggests that more stakeholders are satisfied with the application of AASB 2020-2.

- (b) For most affected entities, the costs of preparing GPFS initially were the most substantial and will remain higher than the costs of preparing SPFS on an ongoing basis. The results of our [2022 IFRS Survey](#), taken as initial implementation of these reforms concluded, revealed that the increased costs were generally in line with expectations. It also revealed that both preparers and advisors had the internal capability and resources to implement the reforms or required only minimal external support (page 18). Identifying the necessary recognition, measurement, or accounting policy changes was the most complex aspect of the transition process from preparing SPFS to GPFS, which again was a situation that was not unexpected (page 17). While, as noted in our response to (a) above, many stakeholders do believe that the benefits are outweighing the costs but there is still a group of our members that are concerned that the right balance is yet to be achieved. When asked about this issue in our [2022 IFRS Survey](#), only 45% agreed that the balance between the costs and benefits of the reporting reform were achieved (page 14). 72% believed that the AASB needs to revisit the types of entities that were scoped into these changes (page 19).

This assessment reflects the fact that the reform was applied to a variety of entities, beyond large proprietary companies who were able to benefit from a realignment of their reporting thresholds before the reforms came into force. A number of these other smaller entities continue to find that the cost of the requirements to prepare a Tier 2 GPFS, with its complex recognition and measurement requirements are in excess of their users' needs. In some instances, regulators, such as the Queensland Building and Construction Commission (QBCC), delayed implementation and amended requirements in response to advocacy from the Joint Accounting Bodies in order to resolve issues, but other regulators have made no changes.

- (c) These reforms, when placed on top of the fragmented nature of reporting legislation, with its complex wording and out of date thresholds will continue to pose challenges for a variety of smaller for-profit entities. Our recently published [2025 IFRS survey](#) results point to these concerns, highlighting the complexity of applying IFRS Accounting Standards (page 13), the challenges applying the leasing requirements in the SME sector (page 18) and ongoing support for the IASB's IFRS for SMEs Accounting Standard across all sector and stakeholder groups (pages 7 and 38). These views reiterate the messages from our [2022 IFRS Survey](#) discussed above.

We are continuing to advocate with government for regulatory reform but reiterate the comment we made in our [submission](#) to the AASB's discussion paper on the proposed Tier 3 NFP standard that we believe there remains a place for a Tier 3 general purpose financial reporting standard for similar-sized entities in the for-profit sector. Such a standard would provide proportionate relief from the full recognition and measurement requirements of IFRS Accounting Standards on a cost-benefit basis in this sector and so better balance the benefits of the special purpose reforms with their cost, while legislative reform continues. Once the Tier 3 NFP project is complete we encourage the AASB to

explore how it could be repurposed to apply to similar sized entities in the for-profit sector for whom it could be appropriate.

## **Topic 2: Overall objective and assessment of AASB 1060**

### **2. Regarding AASB 1060, please provide your views on the following matters:**

- (a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?**
- (b) Were the costs of applying the Standard for the first time broadly in line with expectations?**
- (c) Are the ongoing costs of applying the Standard broadly in line with expectations?**

**In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

- (a) Overall, the feedback from our members is that the implementation of AASB 1060 has been beneficial. 60% of the respondents to our [2022 IFRS Survey](#) agreed that AASB 1060 has reduced the reporting burden. A similar percentage agree that it has improved the consistency and comparability of financial statements overall.
- (b) In responding to this survey, 46% of respondents said that needing to identify the disclosure changes was a significant problem area during transition and only half of these entities found the transition process complex. Similarly, 41% responded that restructuring the financial statements and revising disclosures was a significant problem area during transition and approximately half of these entities found that collecting required data was challenging. Consistent with our response to Question 1(b) both preparers and advisors had the internal capability and resources to implement the changes or required only minimal external support.
- (c) However, consistent with our response to Question 1(c), stakeholder feedback shows that concern still remains about the cost-benefit of these reforms for some entity types. 75% of respondents to our [2022 IFRS Survey](#) (page 19), the majority of which were corporate entities and practitioners (page 21), agreed that further simplifications of the Tier 2 model is required, a situation that could be addressed via a Tier 3 general purpose financial reporting standard for the for-profit sector (see our response to Question 1).

## **Topic 3: Transition relief for FP private sector entities transitioning from SPFS to AASB 1060**

### **3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:**

- (a) Was any of the optional transition relief used?**
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition?**

**If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

Based on the feedback we have received, the optional transition relief was well received and applied by some entities during transition. However, we have also heard that most entities transitioning from SPFS were not in a position to early adopt the reforms therefore the incentive to early adopt was of limited value, as the early adoption relief sunset by the operative date.

Auditors also expressed concern during implementation that some relief which allowed the conflation of errors and changes of accounting policies on transition contributed to the presentation of financial information that was not fairly stated. Therefore, we heard that some auditors encouraged preparers to account for these errors retrospectively, rather than treat them as transitional balances.

#### **Topic 4: Transition relief for entities transitioning from GPFS to AASB 1060**

##### **4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:**

**(a) Was the optional transition relief used?**

**(b) Did the optional transition relief achieve its objective of reducing the effort required during the transition?**

**If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

Feedback from our members indicated that the optional transition relief around comparatives was welcomed but that many entities were not in a position to early adopt the reforms. Therefore, the sunset provision which was intended to incentivise early adoption was of limited value.

We recommend that, in future, such relief should be available whenever an entity chooses to implement or adopt the relevant standards as it does provide much needed assistance and consistency for the transition process.

## Topic 5: Educational materials

### 5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

The AASB educational materials were generally well received and provided important sources of reference for these reforms, which were complex to understand and apply. Webinars were useful, as were the fact sheets and the drafting guidance for constituting documents, all of which addressed specific challenges associated with these reforms.

Despite CA ANZ assisting with the dissemination of these resources, feedback indicated that some stakeholders remained unaware of the additional resources that were available to assist.

Our outreach experience also identified gaps in these implementation resources, especially as our members began dealing with the variety of entity types and specific regulators that were impacted. As a result, CA ANZ was involved in the publication and distribution of support resources, including [entity specific fact sheets](#) and the well-received guide; [Can I still prepare special purpose financial statements?](#)

We therefore recommend that, when considering future reforms of this nature (including the Tier 3 NFP reforms), the AASB actively engages with the regulators impacted by its reforms to identify and resolve regulatory issues around the wording or use of the term “accounting standards”. It is important that regulators clearly understand the impact of the changes and have the resources available to adequately educate their respective regulated populations on the impact of the AASB decisions before mandatory implementation begins.

### 6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

Please see our response to Question 5.

### 7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

**Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.**

As noted in our response to Question 5, the implementation of the reforms would have benefitted from better liaison with regulators to ensure they were clear on messaging and the amended requirements arising from the AASB’s decisions. We note that several regulators needed to defer implementation or provide additional transitional relief in order for their staff and their regulatory populations to manage the transition (e.g. QBCC). The professional accounting bodies also needed to step in to advocate for issues of concern

and produce tailored resources to address member queries, which resulted in the production of our guide referred to above.

### **Topic 6: Disclosure of individually material items**

#### **8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?**

Feedback from our members is that not having a specific disclosure requirement for material items of income and expense in AASB 1060 is not leading to significant problems in preparing or using Tier 2 financial statements. Materiality is applied to determine the inclusion or omission of specific disclosures based on professional judgement as an overriding principle.

However, there is some feedback that the inclusion of a list of “usually material” expenses would make it easier for auditors to resolve differences of professional judgement with audited entities.

#### **9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

Despite some concerns (see our response to Question 8), we do not believe AASB 1060 needs a disclosure requirement to explicitly require the disclosure of individually material items. We believe professional judgement and the variety of guidance available on this topic is sufficient to guide preparers and auditors in the current circumstances.

### **Topic 7: Adequacy of disclosure requirements**

#### **10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?**

**Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

**Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have.**

**In particular, you may wish to look at the following tables in Section 2:**

- **Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060**

- **Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060**
- **Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.**

Feedback from our stakeholders indicates that a substantial number of entities have found the disclosures introduced by AASB 1060 to be a significant improvement over the previous RDR, providing consistent and comparable disclosures that adequately meet the needs of their users.

However, as identified in our response to Question 2, a number of stakeholders still believe that the level of disclosures contained in AASB 1060 is excessive for a proportion of the entities that are currently required to comply with it. This issue will not be effectively resolved without a rethink of the scope of the special purpose reforms to more effectively cater for smaller entities that would consider themselves falling into a Tier 3 based on their user needs.

We continue to support the use of the IASB's IFRS for SMEs Accounting Standard as a basis for developing the disclosures in AASB 1060. We therefore support the AASB's proposals to amend AASB 1060 to accommodate the substantive revisions included in the third edition of the IFRS for SMEs Accounting Standard that have not already been considered when AASB 1060 was developed.

Further discussion on this topic is included in our responses to the Topic 1 questions in Section 2.

## **Topic 8: Maintaining AASB 1060**

### **11. Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?**

**Please explain the reasons for your view.**

Feedback from our stakeholders indicates that some consistency between the Tier 1 and Tier 2 disclosure requirements, particularly on emerging issues, is valuable and needs to be timely. We therefore support the AASB's current "as required by changes to Tier 1 standards" approach to amending AASB 1060 to continue to maintain this alignment.

While this approach does involve a subsequent reconsideration of disclosures when the IFRS for SMEs Accounting Standard is updated, we consider that this provides a useful opportunity to reconsider the content of AASB 1060 as a whole at that time.

Further discussion on this topic is included in our responses to the Topic 2 questions in Section 2.

## Topic 9: Other matters

### 12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?

As noted in our cover letter, and in our responses to questions 1, 2, 10 and 14, Australia's inconsistent regulatory framework and out-of-date reporting thresholds continues to pose challenges to the smaller end of the for-profit sector. We will continue to advocate with Treasury for regulatory reform, but also consider that the AASB can perform an important role by developing a Tier 3 general purpose financial reporting standard for these entities.

### 13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?

Understanding how the wording of the reforms applied to the myriad of regulatory requirements and entity types that these reforms impacted was a significant challenge for auditors, with many struggling to explain to audited entities why the changes, and the associated costs, were necessary. The AASB resources and our special purpose guide referred to in question 5 were of considerable assistance in this regard. However, while concerns still exist about the scope of the reforms and the scale of the requirements, our feedback is that application issues between auditors, audited entities and regulators have largely been resolved.

### 14. Are the requirements in the best interests of the Australian economy?

Based on feedback and observations, the application of the requirements in AASB 1060 and AASB 2020-2 provides an efficient financial reporting framework for Tier 2 entities, as discussed in our responses to Questions 1 and 2.

However, as discussed in these responses, without a clear national legislative consensus on what constitutes a "Tier 2 entity" the removal of special purpose financial statements has imposed on many smaller non-corporate for-profit entities the need to use the full recognition and measurement requirements of IFRS Accounting Standards in their financial statements, that our feedback suggests are still in excess of user needs. This problem was alleviated for large proprietary companies when the government doubled the thresholds ahead of these reforms. However, no similar reconsideration was given to the thresholds that apply to other impacted for-profit entities.

Therefore, our members consider that there remains a case for the creation of a Tier 3 general purpose financial reporting standard for the for-profit sector offering simplified recognition and measurement and further reduced disclosures. We are also continuing to advocate with governments for regulatory reform to address the inconsistent reporting requirements that currently exist in a variety of federal, territory and state-based legislation (see our [submission](#) to the Federal Deregulation task force in 2021 and our

2025 submission to Charities Minister Leigh (as appended to our [submission to AASB ED 334](#)).

**15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

No comment.

## **Section 2: AASB 1060 update**

### **Introduction**

In February 2025, the IASB issued its third edition of the IFRS for SMEs Accounting Standard. Since AASB 1060 was originally developed based on the second edition of the IFRS for SMEs Accounting Standard, the AASB is reviewing the new edition to identify relevant updates to incorporate into AASB 1060. This topic seeks feedback on which substantive amendments to the IFRS for SMEs Accounting Standard should be reflected in AASB 1060.

### **AASB specific matters for comment**

#### **Topic 1: Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard**

##### **1.1 Do you agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)?**

**If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?**

We agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 based on amendments made to the IFRS for SMEs Accounting Standard. We agree that in most circumstances decisions made about disclosure requirements in the IFRS for SMEs Accounting Standard provide a useful global benchmark for high quality disclosures and so they should continue to be the basis of AASB 1060. However, we have heard some concerns expressed in the Australian public sector that the IFRS for SMEs does not necessarily provide a useful benchmark for the public sector entities applying AASB 1060. We, therefore, recommend further outreach to better understand the public sector perspective on this topic.

**1.2 Do you agree with the AASB’s recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)? If you disagree, with which recommendations do you disagree and what would you suggest instead?**

We agree with the recommendations for amendments to AASB 1060 listed in Table 2.1.1.

**1.3 Do you agree with the AASB’s recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)? If you disagree, with which recommendations do you disagree and what would you suggest instead?**

We agree with the recommendations not to amend AASB 1060 for the changes in Table 2.1.2.

**Topic 2: Potential effects of AASB 18 on AASB 1060**

**Introduction**

In June 2024, the AASB issued AASB 18 *Presentation and Disclosure in Financial Statements* to replace AASB 101 *Presentation of Financial Statements* effective 1 January 2027 for many Tier 1 entities. AASB 18 introduces new presentation and disclosure requirements for primary financial statements, particularly the statement of profit or loss. Except for two presentation simplification concessions, AASB 1060 generally aligns with Tier 1 presentation requirements. This topic invites feedback on whether AASB 1060 should be updated to align with AASB 18 requirements and, if so, the approach to incorporating those requirements.

**2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard? If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.**

**If you think the AASB should wait for the IASB’s next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.**

We urge the AASB to consider the impact of AASB 18 on AASB 1060 ahead of the IASB’s consideration of IFRS 18 for the IFRS for SMEs Accounting Standard.

Our members prefer consistency of basic classification and presentation requirements between Tier 1 and Tier 2. We consider it a matter of urgency that the AASB develops proposals to amend AASB 1060 so that the changes for Tier 1 and Tier 2 entities can be implemented in the same financial reporting period.

**2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?**

**If you disagree, with which aspects do you disagree and what would you suggest instead?**

We agree with the AASB's proposal to replace the classification and presentation requirements content in AASB 1060 drawn from AASB 101 with the new requirements in AASB 18.

**2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?**

**Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).**

**Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.**

**Please provide the reasons for your preference.**

We prefer and support Option A because a significant part of the appeal of AASB 1060 is that it operates as a one-stop shop for the disclosure requirements for Tier 2 entities.

**2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:**

- (a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and**
- (b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?**

**Please provide the reasons for your view.**

- (a) When operating expenses are presented by function, certain specific expense items that are relevant to the decisions of users are not clearly disclosed. We agree that depreciation, amortisation, impairment write-downs/reversals, inventory write-downs/reversals and employee benefits are expenses of this nature and so we support

this additional information being presented separately in a single note to enable users to readily ascertain this information by nature.

However, we consider that an overall note, disclosing the total for each of these types of expenses is sufficient for Tier 2. Breaking them up by the functional category they are recorded in would be a costly change that would serve no real user need. If preparers thought such detail was important to a user's understanding, they could choose to include it as part of a qualitative disclosure.

- (b) We also agree with the inclusion of a qualitative description of the nature of expenses classified by function. This is a useful presentation of information where consistency between Tier 1 and Tier 2 should be maintained if a functional classification is to be adopted.

**2.5 For management-defined performance measures (MPMs), should AASB 1060 include:**

- (a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);**
- (b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);**
- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or**
- (d) no disclosure requirements for MPMs?**

**Please provide the reasons for your view. If you support only some disclosure requirements, please identify which disclosures should be required and why.**

We support option (a) because where a Tier 2 entity chooses to operate in a similar manner to a Tier 1 entity, it should apply the same AASB 18 requirements. We would expect most Tier 2 entities will not have MPMs and so including these requirements will not be relevant in most circumstances and would unnecessarily expand the content of AASB 1060.

**2.6 Should AASB 1060 require disclosure of further information regarding:**

- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and**
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

**Please provide the reasons for your view.**

The improved aggregation and disaggregation guidance now contained in AASB 18 is an important presentation improvement that should also be made to guidance contained in AASB 1060.

### **Questions regarding NFP private sector entities preparing Tier 2 GPFS**

#### **2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:**

- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function.**
- (b) disclosure requirements regarding MPMs; and**
- (c) aggregation and disaggregation principles.**

- (a) We support the use of the five categories approach for the presentation of financial statements to maintain consistency between Tier 1 and Tier 2 entities in both the for-profit and NFP sector. We also support the additional disclosures for key expenses where a functional classification is adopted, but consistent with our response to Question 2.4 such disclosures need only be totals for these expenses.
- (b) Our feedback is that MPMs of the kind envisaged by AASB 18 are unlikely to be relevant in the NFP sector.
- (c) Our feedback is that the guidance on aggregation and disaggregation is helpful and would be appropriate in the NFP sector.

#### **2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):**

- (a) dividends and interest received – investing cash flows; and**
- (b) dividends and interest paid – financing cash flows.**

Feedback from our stakeholders is that consistency between Tier 1 and Tier 2 requirements is preferred.

#### **2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.**

We are not aware of any NFP specific reasons that would require Tier 2 NFPs to have different requirements than those applicable to other Tier 2 entities that we have discussed in our earlier responses.

## **Questions regarding NFP public sector entities preparing Tier 2 GPFS**

**2.10 A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:**

- (a) for the statement of profit or loss, these entities would not be required to:**
  - (i) apply paragraphs 47(a)–(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;**
  - (ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or**
  - (iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and**
- (b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.**

**If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs? Please provide the reasons for your view.**

Feedback from our stakeholders is that consistency between Tier 1 and Tier 2 requirements is preferred.

**2.11 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18.**

**If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?**

**Please provide the reasons for your view.**

Feedback from our stakeholders is that Tier 2 NFP public sector entities should be provided with the same reliefs as given to Tier 1 NFP public sector entities in the interests of consistency.

**2.12 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the ‘profit or loss’ total as the starting point for the indirect method of reporting cash flows from operating activities.**

**If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?**

**Please provide the reasons for your view.**

Feedback from our stakeholders is that Tier 2 NFP public sector entities should be provided with the same reliefs as given to Tier 1 NFP public sector entities in the interests of consistency.

**2.13 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:**

- (a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24–B26 of AASB 18); and**
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

**Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?**

**Please provide the reasons for your view.**

- (a) Feedback from our stakeholders is that the aggregation and disaggregation requirements are beneficial and that Tier 2 NFP public sector entities should be required to provide the same information as that required of Tier 1 entities.
- (b) Feedback from our stakeholders is that cross-referencing the note disclosures is helpful and that Tier 2 NFP public sector entities should be required to provide the same information as that required of Tier 1 entities.

**Topic 3: Disclosure requirements in IFRS 19****Introduction**

In May 2024, the IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which allows eligible subsidiaries to comply with reduced disclosure requirements while maintaining IFRS compliance. This topic compares the disclosures in IFRS 19 with those in AASB 1060 and seeks stakeholder views on whether IFRS 19 should be adopted in Australia and, if so, how this might be implemented within the Tier 2 framework.

**3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19? Please explain your view.**

Overall, we have not heard much interest from Tier 2 entities or from our members about a need for IFRS 19. Most Tier 2 entities have no need to claim IFRS compliance in their

financial statements. Plus, the increased level of disclosures IFRS 19 requires when compared to AASB 1060 is significant thereby a less attractive and cost-effective option. Therefore, we are of the view that the costs of introducing and maintaining an alternative set of Tier 2 disclosure requirements will divert scarce standard setting resources away from the effective maintenance of AASB 1060 (and the possible creation of a Tier 3 in the for-profit sector).

### **3.2 Which of the following options would you prefer:**

- (a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;**
- (b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;**
- (c) retain AASB 1060 and do not adopt IFRS 19 at all;**
- (d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or**
- (e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.**

**Please provide the reasons for your preference.**

As explained in our response to Question 3.2 above, the feedback we have received aligns with option (c) – being to retain AASB 1060 and not adopt IFRS 19.

However, we recognise that it is challenging to Australia’s published IFRS harmonisation position to have an IFRS Accounting Standard on issue that is not operative locally. Therefore, should the AASB decide that the strategic imperative of “global harmonisation” requires implementation of IFRS 19, we recommend option (d) – prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19. This approach acknowledges the existence of AASB 19 and provides choice to those Tier 2 entities that do need or want to claim IFRS compliance for their financial statements while maintaining the status quo for all other Tier 2 entities.

### **3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.**

We do not support implementing IFRS 19 in a piecemeal manner for the reasons set out in our response to Question 3.2.

## **AASB general matters for comment**

**In addition to the specific matters for comment on each of the three topics in this section, the AASB would also value comments on the following:**

- 1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:  
(a) not-for-profit entities; and  
(b) public sector entities, including GAAP/GFS implications?**

We are not aware of such regulatory issues.

- 2. Would the proposals create any auditing or assurance challenges?**

We are not aware of any challenges in this regard.

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

We are of the view that the proposals will provide useful financial information.

- 4. Are the proposals in the best interests of the Australian economy?**

We agree that the proposed refinements to AASB 1060 will improve the quality and consistency of the financial statements for Tier 2 entities. However, as noted in our cover letter, and in our responses to Questions 1 and 2 relating to the overall assessment of AASB 2020-2 and AASB 1060, there remains a need to better target the scope of the Tier 2 reporting regime via legislative and other reform and develop a fit-for-purpose Tier 3 general purpose financial reporting standard offering simplified recognition and measurement for the for-profit sector.

- 5. Unless already provided in response to the AASB specific matters for comment 1.1–3.3 above and/or general matters for comment 1–4 above, what are the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative?**

**In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

Please refer to our responses to Questions 1 and 2 relating to the overall assessment of AASB 2020-2 and AASB 1060.

# Appendix B

## About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

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We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

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We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

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Our ref Submission - ITC 56  
Contact Heng, Kim (+61 2 9455 9120)

22 January 2026

Dear Dr Kendall,

**Invitation to Comment - ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2**

KPMG Australia (KPMG) is pleased to have the opportunity to respond to Invitation to Comment - ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2 (ITC)*.

We welcome the AASB's efforts in considering any potential impacts to AASB 1060 for new and/or revised standards namely IFRS for SMEs Accounting Standard, AASB 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

We generally support the proposals in Section 2, Topic 2, but have concerns regarding Topics 1 and 3:

- We disagree with the Board's proposed approach to assessing amendments to AASB 1060 in response to IASB changes to the IFRS for SMEs Accounting Standard. We recommend that the AASB adopt a more nuanced approach when assessing potential amendments to AASB 1060.
- The ITC analysis does not clearly indicate whether the Board has concerns with the current AASB 1060.
- It is unclear why IFRS 19 requires more extensive disclosures than IFRS for SMEs. Should the AASB decide to propose the adoption of IFRS 19, we recommend the Board clarify this apparent disparity. We recommend that the Board retain AASB 1060 and not adopt IFRS 19.

We have set out our detailed comments to select questions in Section 1, Section 2 and Section 3 in the Appendix to this letter. Where we have no response to specific questions they have not been reproduced in the Appendix.



**Australian Accounting Standards Board**  
*Invitation to Comment - ITC 56 Post-implementation Review of Tier 2  
and the Removal of Special Purpose Financial Statements for Certain  
For-Profit Private Sector Entities and Further Update of Tier 2  
22 January 2026*

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Julie Locke on (02) 6248 1190, or myself on (02) 9455 9120.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Heng', written in a cursive style.

**Kim Heng**  
Partner  
KPMG Australia

## Appendix

### **Section 1 Post Implementation Review**

We observed that many for-profit (FP) private sector entities transitioning from Special Purpose Financial Statements (SPFS) to General Purpose Financial Statements (GPFS) - Tier 2, i.e. to AASB 1060, used the optional transitional relief. In particular, to reduce the effort required during transition, FP private sector entities leveraged this relief to avoid presenting comparative information not previously disclosed in the notes, and from restating comparative information – particularly where consolidated financial statements were presented for the first time.

We note the AASB proposes similar optional relief for entities adopting the GPFS -Tier 3 NFP Accounting Standard (ED 335). Whilst not the objective of this ITC, given extensive use of the transition reliefs by FP private sector entities, we wanted to take this opportunity to note that we are supportive of providing similar optional relief for the GPFS-Tier 3 NFP standard and note that recent Board decisions have agreed to extend the reliefs to not only those that adopt prior to the effective date, but also to those that adopt from the effective date.

We have not provided specific comments on Topic 6 regarding disclosure of individually material items, as our detailed feedback on proposed amendments to AASB 1060 is outlined in Section 2 below.

For all other topics within Section 1 we have no response to the specific questions raised.

### **Section 2 Topic 1: Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard**

- 1.1 Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard? If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?
- 1.2 Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1? If you disagree, with which recommendations do you disagree and what would you suggest instead?
- 1.3 Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2? If you disagree, with which recommendations do you disagree and what would you suggest instead?

We disagree with the Board's proposed approach to assessing amendments to AASB 1060 in response to IASB changes to the IFRS for SMEs Accounting Standard. AASB 1060 was developed to minimise differences with IFRS for SMEs unless justified by user relevance, consistency with Australian Accounting Standards (AAS), or cost-benefit considerations. Based on this principle, the AASB has previously exercised significant judgement when modifying disclosures to align with Australian requirements. The approach outlined in this ITC does not appear to apply similar judgement when

considering additional disclosures introduced by the revised IFRS for SMEs Accounting Standard. For example, the revised IFRS for SMEs Accounting Standard introduces:

- Maturity analysis disclosures for financial liabilities. The AASB previously considered this requirement and determined that the general disclosure provisions in paragraph 114 of AASB 1060 were adequate.
- Enhanced fair value measurement disclosures under paragraph 12, which were not included in the previous IFRS for SMEs or AASB 1060.

Although IFRS for SMEs and AASB 1060 both apply to entities without public accountability and share the same definition of public accountability, the ITC fails to justify (apart from the fact that the amendments were made to the updated IFRS for SMEs) why the AASB is revisiting decisions made when developing AASB 1060. It is also unclear whether the Board has identified any concerns with the current standard.

We recommend that the AASB adopt a nuanced approach by evaluating the appropriateness and relevance of the proposed updates in the Australian context, noting that AASB 1060 applies to both FP and NFP entities, unlike the IFRS for SMEs. In addition, the Board should undertake a cost-benefit analysis of including the proposed additional disclosures.

For example, some requirements of paragraph 12 of the updated IFRS for SMEs could be relevant to users in today's complex economic environment. Companies are regularly entering into more complex transactions such as power purchase agreements which may result in level 3 financial instruments. In those instances, disclosures on level 3 fair value measurements are likely material for users to understand significant fluctuations. In contrast, disclosures on changes in liabilities from financing activities are, in our experience, likely to be less useful to users given experience in the usefulness of these disclosures provided by entities preparing GPFS-Tier 1.

Full alignment with IFRS for SMEs should not occur without this nuanced assessment, as it would provide no additional benefit to users and also risks undermining the intent of AASB 1060 as a reduced-disclosure framework.

### **Section 2 Topic 2: Potential effects of AASB 18 on AASB 1060**

2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?

We recommend the Board assess the impact of AASB 18 on AASB 1060 before the IASB reviews IFRS 18 for the IFRS for SMEs Accounting Standard, as IASB updates are infrequent and we support an early assessment by the AASB. 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.

2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

We support the Board's recommendation to replace AASB 101 presentation requirements in AASB 1060 with AASB 18 classification and presentation requirements, ensuring consistent classification and presentation in primary financial statements for both Tier 1 and Tier 2 entities.

2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which approach do you prefer?

We recommend that the Board adopt Option A, incorporating all relevant classification and presentation requirements from AASB 18 into AASB 1060. This approach will:

- Ensure AASB 1060 operates as a self-contained standard by embedding all necessary presentation guidance.
- Promote consistency in the presentation of primary financial statements across Tier 1 and Tier 2 entities.

2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

(a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and

(b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

We strongly support the Board's recommendation in 2.4(a). As AASB 101 forms the foundation of AASB 1060, the corresponding requirements in AASB 18 should apply. Furthermore, we urge the Board to critically evaluate the relevance of paragraph 82(b) of AASB 18 for Tier 2 financial statement users and conduct a thorough cost-benefit analysis.

2.5 For management-defined performance measures (MPMs), should AASB 1060 include:

(a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);

(b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);

- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- (d) no disclosure requirements for MPMs?

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.

- 2.6 Should AASB 1060 require disclosure of further information regarding:
- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

We support the Board's recommendation in 2.6, as AASB 101 underpins AASB 1060 therefore, the related AASB 18 requirements should apply.

- 2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:
- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- (b) disclosure requirements regarding MPMs; and
- (c) aggregation and disaggregation principles.
- 2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):
- (a) dividends and interest received – investing cash flows; and
- (b) dividends and interest paid – financing cash flows.
- 2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

We are not aware of any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS.

Accordingly, we recommend the AASB maintain alignment with for-profit entities. For instance, management performance measures are generally not applicable to NFP private sector entities and therefore the related disclosure requirements should not apply.

Some NFP entities operate in the same industry as FP entities, so ensuring comparability benefits both preparers and users of financial statements (e.g. aged care, social service providers).

ED 338 seeks feedback on applying AASB 18 to NFP private sector entities preparing Tier 1 general purpose financial statements and on the inclusion of Australia-specific paragraphs. While we will provide separate comments to the AASB on ED 338, the Board should also consider inclusion of these Australia-specific paragraphs for NFP private sector entities preparing GPFS-Tier 2, i.e. whether the paragraphs should also be included in AASB 1060.

2.10, 2.11, 2.13 & 2.13 If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?

We recommend granting NFP public sector entities preparing Tier 2 GPFS the same reliefs to ensure consistency to NFP public sector entities preparing Tier 1 GPFS.

### **Section 2 Topic 3: Disclosure requirements in IFRS 19**

#### **Overview of AASB 1060 and the IASB's Subsidiaries Standard (IFRS 19)**

3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19? Please explain your view.

3.2 Which of the options would you prefer with respect to AASB 1060 and IFRS 19 for Tier 2 entities?

Under AASB 1060, entities are not required to claim IFRS compliance. Therefore, we do not believe Tier 2 entities need to assert compliance with IFRS 19.

We also question the relevance of certain IFRS 19 disclosure requirements in the Australian context, for example:

- Para 66: Requires reconciliation of loss allowance balances. AASB 1060 does not generally require disclosure of changes in all loss allowances.
- Para 104: Requires disclosure linking disaggregated revenue to reportable segments. AASB 1060 has no such requirement.

AASB 1060 was designed as a simplified disclosure regime to reduce complexity and compliance costs for entities without public accountability.

Under AASB 1060, entities may voluntarily disclose additional information deemed relevant to users. Therefore, mandating amendments to include IFRS 19 disclosure requirements from the IFRS for SMEs review (Table 2.3.3) appears excessive and unjustified.



Further, the example disclosures noted above are not required under IFRS for SMEs. It is unclear why IFRS 19 imposes more extensive requirements given the IASB used IFRS for SMEs as a starting point in developing IFRS 19 and applied the same principles for reducing disclosures as it used when developing the IFRS for SMEs Accounting Standard.

By retaining only AASB 1060, the AASB will be required to maintain a single standard for Tier 2 entities.

On this basis, we support option (c) to retain AASB 1060 and not adopt IFRS 19.

We recommend reassessing IFRS 19's applicability in Australia alongside the IASB's post-implementation review of IFRS 19. By that stage, we expect to have a clearer view of the extent of IFRS 19 adoption across jurisdictions, including which additional regions have implemented the standard.

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22 January 2026

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Via online submission: [www.aasb.gov.au](http://www.aasb.gov.au)

### **Invitation to comment 56 – Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2 (ITC 56)**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the above consultation (ITC 56) on behalf of our members and in the public interest.

#### Removal of Special Purpose Financial Statements (SPFS) and implementation of AASB 1060 *General Purpose Financial Statements – Simplified Disclosure for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060)*

The feedback on the removal of SPFS and the implementation of AASB 1060 has been positive in general. Improvements in the consistency and comparability of General Purpose Financial Statements (GPFS) prepared by larger entities subject to the financial reporting requirements of the *Corporations Act 2001* were noted. Some entities transitioning from preparing Special Purpose Financial Statements (SPFS) reported challenges in transitioning to the preparation of General Purpose Financial Statements (GPFS) but these issues appear to have been resolved since.

However, we continue to receive feedback of significant challenges faced by affected smaller entities with non-Corporations Act statutory financial reporting obligations that had previously prepared SPFS to fulfil their reporting obligations. A standout example is the Minimum Financial Reporting requirements regulated by the Queensland Building and Construction Commission (QBCC). When the requirements were implemented, reporting thresholds set at a very low level for affected building licensees resulted in an unnecessary and excessive requirement to prepare Tier 2 GPFS by many small for-profit entities. The absence of a simpler reporting framework for such smaller entities other than the Tier 2 framework exacerbated the problem. After years of advocacy by the Joint Accounting Bodies, changes have been made to ease the reporting burden, although some peripheral reporting challenges still remain to be addressed.

The QBCC example and other feedback we have received point to two suggestions for the Australian Accounting Standards Board (AASB) to consider and progress:

- Undertake a more rigorous and robust Impact or Effects Analysis as an essential part of major financial reporting reforms such as those arising from the removal of SPFS and the implementation of AASB 1060.
- Consider a more nuanced and fit-for-purpose reporting regime for the for-profit (FP) private sector that could include a further reporting Standard or framework that involves simplified recognition, measurement and disclosure requirements (a for-profit Tier 3 Standard). A Tier 3 Standard of this nature would have likely addressed

many of the challenges that arose with the QBCC reporting requirements and is likely to serve the broader reporting needs of smaller FP private sector entities for whom the Tier 2 reporting requirements may be excessive.

#### The proposed approach to update AASB 1060

We have received mixed feedback from stakeholders on the proposed approach to update AASB 1060, using the third edition of the IFRS for SMEs Standard as a starting point for any disclosure changes. Whilst most stakeholders representing the FP private sector and the not-for-profit (NFP) private sector have supported this approach, some stakeholders representing the NFP public sector have questioned the user-relevance of continuing with an approach underpinned by the IFRS for SMEs Standard. There is some concern that the potential increase in disclosures arising from the third edition of the IFRS for SMEs Standard could undermine the rationale behind the shift to Tier 2 by many NFP public sector entities. It has also been noted that when AASB 1060 was developed and issued, it was intended as a temporary Standard whilst the AASB undertook its NFP private sector and public sector financial reporting framework projects.

We suggest the AASB undertakes further outreach and research, particularly with public sector stakeholders, to further explore these concerns and find a suitable way forward. We also recommend the AASB revisits the conceptual basis behind the development and ongoing maintenance of AASB 1060, particularly in the context of NFP public sector entities.

#### The effect of AASB 18 *Presentation and Disclosure in Financial Statements (AASB 18)* on AASB 1060

We agree with the proposal to align the classification and presentation requirements in AASB 1060 with the equivalent requirements in AASB 18. We also agree with the proposal that it is justifiable for NFP public sector entities to depart from the new classification and presentation requirements, on the basis there are unlikely to be users relying on the information arising from the new classification and presentation requirements brought in by AASB 18. However, we note the AASB is currently consulting on the application of AASB 18 by Not-for-Profit entities preparing Tier 1 GPFS. We expect the outcomes of this consultation will also be relevant to these proposals.

#### Disclosure requirements in IFRS 19 *Subsidiaries without Public Accountability: Disclosures (IFRS 19)* and its availability for Tier 2

We support the AASB making IFRS 19 available for use in Australia for qualifying subsidiaries without public accountability. Our preference is for the AASB to issue IFRS 19 as a standalone Australian Accounting Standard. Whilst we have not received any specific feedback from preparers who may benefit from the Standard, we believe there is a conceptual basis for the adoption of the Standard in Australia. The AASB Due Process Framework for Setting Standards states that the AASB sets standards that use IFRS Standards (where they exist) for entities without public accountability. Accordingly, we recommend this Standard is made available for use for qualifying entities in Australia.

Further detail on our above comments, including our responses to questions in ITC 56 are included in the attached. If you require further information, please contact Ram Subramanian, Financial Reporting Lead at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

**Ram Subramanian**  
**Financial Reporting Lead**  
**CPA Australia**

# ATTACHMENT – CPA AUSTRALIA’S RESPONSES TO QUESTIONS

## SECTION 1

**1) Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:**

- a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?**
- b) Were the costs of preparing GPFS for the first time broadly in line with expectations?**
- c) Are the ongoing costs of preparing GPFS broadly in line with expectations?**

**In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

CPA Australia believes the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities has largely been achieved. As noted in the cover letter, some entities transitioning from SPFS to GPFS for the first time experienced challenges but these seem to have been resolved since.

However, the removal of Special Purpose Financial Statements (SPFS) for certain for-profit (FP) private sector entities has created challenges when seeking to comply with statutory financial reporting requirements. We provide two examples below:

- The removal of SPFS created significant challenges for building licensees registered with the Queensland Building and Construction Commission (QBCC). This arose as a result of the Minimum Financial Reporting (MFR) Regulations administered by the QBCC that previously required entities with revenue above \$800,000 to lodge annual financial reports that are General Purpose Financial Statements (GPFS). Following significant advocacy efforts by the Joint Accounting Bodies, these annual financial reporting requirements have been relaxed and now only licensees with revenue greater than \$30m are required to lodge GPFS. There however remain some outstanding issues relating to the application of recognition and measurement requirements of applicable accounting standards when SPFS are prepared and lodged.
- The Victorian Building Legislation Amendment (Buyer Protections) Act 2025 is introducing a Minimum Financial Reporting (MFR) regime for building licensees similar to the one currently operational in Queensland. Whilst the regulations that underpin this MFR regime are currently under development, we will be advocating for the ability of smaller licensees to prepare and lodge SPFS once public consultation of the proposals becomes available.

In addition to the above, challenges arose for Special Disability Trusts who are required to comply with the financial reporting requirements in the Social Security (Special Disability Trust – Trust Deed, Reporting and Audit Requirements) Determination 2013, as the removal of SPFS could have resulted in such entities having to prepare GPFS to satisfy the requirements. Following our advocacy efforts, the statutory requirements were amended to allow preparation of SPFS to satisfy the requirements.

Whilst we have not identified any other specific examples of statutory requirements that have created challenges from the removal of SPFS for certain FP private sector entities, we receive feedback from time to time that the application of full recognition and measurement requirements remains challenging for smaller FP private sector entities.

We recommend the AASB continues to monitor emerging reporting requirements such as the Victorian MFR regime noted above to ensure the financial reporting framework remains fit for purpose.

As noted in our [submission](#) to the AASB in response to its Discussion Paper for the development of a Tier 3 Standard for the not-for-profit (NFP) private sector, we remain of the view that there is sufficient justification for the AASB to explore developing a framework that allows for the preparation of GPFS by smaller FP private sector, based on a Standard with simplified recognition, measurement and disclosure requirements. To address this, the AASB could consider developing a Tier 3 Standard that is similar to the Tier 3 Standard currently being developed for smaller NFP private sector entities.

Feedback we have received indicates that whilst the initial costs of preparing GPFS for the first time were high, these were in line with expectations. Subject to our comments above in respect of smaller FP private sector entities for whom ongoing costs of compliance still remain high, we have not received any other feedback to indicate ongoing costs are not in line with expectations.

**2) Regarding AASB 1060, please provide your views on the following matters:**

- a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?**
- b) Were the costs of applying the Standard for the first time broadly in line with expectations?**
- c) Are the ongoing costs of applying the Standard broadly in line with expectations?**

**In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

As noted in our response to Q1 above, there continues to be some demand for a reporting standard for smaller FP private sector entities that includes simplified recognition, measurement and disclosure requirements.

Subject to the above, yes overall, we believe AASB 1060 has met its objective of achieving an appropriate balance between meeting user needs and minimising the costs of entities preparing Tier 2 GPFS.

Feedback we have received suggests that the initial or ongoing costs of applying AASB 1060 were/are broadly in line with expectations although some variability in ease of adoption on initial transition was noted, based on entity size, complexity and reporting infrastructure.

**3) In respect of FP private sector entities that transitioned from SPFS to AASB 1060:**

- a) Was any of the optional transition relief used?**
- b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

We understand some entities availed the optional transitional relief relating to the presentation/restatement of comparative information. We did not receive any feedback whether entities availed the optional transitional relief relating to the correction of errors and changes in accounting policies.

- 4) In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:**
- a) Was the optional transition relief used?**
  - b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

We have not received any feedback in relation to this question.

- 5) In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?  
Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.**

- 6) In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?  
Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.**

The educational initiatives in relation to the removal of SPFS for certain FP private sector entities and AASB 1060 were broadly beneficial. CPA Australia also developed and provided [additional resources](#) to complement the educational resources developed and provided by the AASB. We note there were some gaps in educational material for some specific circumstances such as the impact of the changes on Australian Financial Services Licensees. CPA Australia and Chartered Accountants Australia and New Zealand jointly developed and published a [factsheet](#) to address this gap.

- 7) Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?  
Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.**

As noted in our response to Q1 above, challenges arose with the removal of SPFS in specific circumstances such as the QBCC MFR requirements. It took significant advocacy efforts by the Joint Accounting Bodies over a number of years to address these challenges and arrive at a position that is reasonable. Many of these challenges could have been avoided through better engagement by the AASB with regulators who were impacted by the changes to ensure the changes were fit for purpose for different reporting needs.

In future, we recommend the AASB undertakes an Impact or Effects analysis that comprehensively assesses and discusses the impact of changes from major standard-setting projects such as those brought in with the removal of SPFS for certain FP private sector entities and the introduction of AASB 1060.

For example, such an Impact or Effects Analysis would have considered the impact of the changes on specific circumstances discussed above such as the Queensland building licensees subject to the QBCC MFR regime and Special Disability Trusts. To address different types of entities and different sectors that may be affected, some suggestions for an Impact or Effects analysis would include an analysis of different categories of affected stakeholders such as:

- large corporate entities
- small corporate entities
- other for-profit private sector entities
- NFP private sector entities
- NFP public sector entities

**8) Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

**9) Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?**

**In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.**

We have not received any feedback that identifies problems with how individually material information is disclosed in Tier 2 financial statements. We believe the current requirements in AASB 1060 are adequate to ensure information is suitably disaggregated to ensure disclosure of individually material items.

**10) Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?**

**Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

**Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:**

- **Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060**
- **Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060**
- **Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.**

Overall, the disclosure requirements in AASB 1060 have been adequate and practical to apply. Using the IFRS for SMEs Standard for the disclosure requirements in AASB 1060 as a base, with further modifications based on full Australian Accounting Standards (AAS), is largely working well.

However, some stakeholders have raised concerns about continuing with the bottom-up approach of starting with the disclosures in the IFRS for SMEs standard, as set out in the for-profit and not-for-profit standard-setting frameworks. These concerns have been primarily raised by public sector stakeholders, and we have articulated these concerns and our views, in our responses to the questions under Section 2 below.

**11) Do you have any comments about the AASB’s current approach to maintaining AASB 1060, including the frequency and timing of updates?  
Please explain the reasons for your view.**

Please see our comments in response to Q10 above and the questions in Section 2 below.

**12) Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

In our responses to Q1 above, we have highlighted some of the regulatory issues that have arisen in the past as a result of the application of AASB 1060 and AASB 2020-2. Whilst many of these issues have now been resolved, some remain including outstanding issues with the QBCC MFR regime and the upcoming Victorian MFR Regime, as known examples. There may be future legislative or regulatory frameworks that may require compliance with “Australian Accounting Standards” or “accounting standards” for smaller entities subject to reporting requirements, that may not warrant financial reporting using Tier 2. Therefore, the development of a Tier 3 accounting standards would be of value for such smaller entities. In the absence of a Tier 3 accounting standard, we recommend the AASB continues to monitor the regulatory environment to ensure the available reporting frameworks remain fit-for-purpose.

Additionally, it is essential that the AASB engages with regulators to make them aware of the implications of statutory requirements for the preparation of financial statements that state compliance with Australian Accounting Standards. Regulators may not always appreciate the level of sophistication necessary amongst financial statement preparers when required to apply the full recognition and measurement requirements of AAS, which are primarily designed and developed by the International Accounting Standards Board (IASB) for listed entities and other similar entities with public accountability.

**13) Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

Based on our members’ experience, the introduction of AASB 1060 and AASB 2020-2 did not generally give rise to major auditing or assurance challenges in a technical sense, that is, practitioners did not encounter difficulties in applying the auditing standards when conducting engagements involving reporting using AASB 1060. We frame our response to this question in the context of statutory audit under the *Corporation Act 2001*. Members found,

many of the early issues stemmed from *expectation gaps* and *perception differences* rather than from the reporting standards themselves.

Whilst our feedback from preparers did not identify this particular concern, feedback we have received from some members of the auditor community is that initially some preparers and users may have misinterpreted the term “simplified disclosures” as implying “simplified accounting.” During the transition from SPFS to Tier 2 GPFS, this occasionally led to discussions between preparers and auditors to ensure there was an overall understanding by both preparers, and the users of their financial statements, about Tier 2 and how it differs from Tier 1. This included the need for auditors to reinforce that AASB 1060 simplifies disclosures, not recognition and measurement.

However, these issues appear to have been largely transitional. As preparers, users and auditors have become more familiar with the intent and scope of the simplified disclosure regime, these initial challenges have settled over time. Today, misunderstandings still arise occasionally, but they are far less frequent, and the framework is generally well-understood in practice, at least for the entities reporting under the *Corporation Act 2001*.

**14) Are the requirements in the best interests of the Australian economy?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

Subject to our comments in response to Q1 above, yes we believe the requirements are in the best interests of the Australian economy.

**15) Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?**

**If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.**

We have no further comments.

## SECTION 2

**1.1) Do you agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36 (of ITC 56))? If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?**

We have received mixed feedback on the AASB’s proposed approach to amend AASB 1060. Stakeholders in the private for-profit and not-for-profit sectors are largely supportive of the approach to continue using the IFRS for SME’s Standard as a starting point for the disclosures in AASB 1060. This includes updating AASB 1060 for relevant disclosures in the third edition of the IFRS for SMEs Standard. However, public sector stakeholders have raised concerns about continuing the approach of using the IFRS for SMEs Standard as a starting point for updating disclosures in AASB 1060.

### FP and NFP private sector

In developing the requirements included in the third edition of the IFRS for SMEs Standard, the IASB has obtained feedback globally from a range of stakeholders representing for-profit entities with no public accountability. Aligning the disclosures in AASB 1060 where possible with the third edition of the IFRS for SMEs Standard ensures these disclosures are aligned with global best practice for Australian FP private sector entities.

However, we suggest that in addition to the proposed approach of overall alignment with the latest third edition of the IFRS for SMEs Standard, the AASB should also consider whether the amendments to AASB 1060 arising from the third edition of the IFRS for SMEs Standard continue to meet Australian user needs. In further developing the proposals in ITC 56 to amend AASB 1060, we recommend describing how these amendments will best serve Australian user needs.

### Public sector

Our stakeholders in the public sector have raised concerns about continuing with the current approach of using the IFRS for SMEs Standard as a starting point for the disclosures in AASB 1060. It has been noted that since the adoption of AASB 1060 for Tier 2 disclosures in Australia, a significant number of qualifying public sector entities have moved from Tier 1 to Tier 2 financial reporting. There is an overarching concern that the additional disclosures being proposed in ITC 56 for inclusion in AASB 1060 are not relevant or fit-for-purpose for public sector purposes and that the potential increase in disclosures arising from the third edition of the IFRS for SMEs Standard could undermine the rationale behind the shift to Tier 2 by many NFP public sector entities. Some public sector stakeholders are of the view that the AASB should continue updating AASB 1060 as and when new AAS are issued, rather than ongoing alignment with the IFRS for SMEs Standard.

To address the concerns raised, we recommend the following:

- The need to ensure public sector user needs are appropriately assessed and met. The AASB not-for-profit standard-setting framework sets out the key considerations for the AASB when determining Tier 2 disclosure requirements, including the use of the IFRS for SMEs standard as a starting point. Whilst this may have been appropriate at the time when AASB 1060 was first developed, given the subsequent expansion of qualifying public sector entities preparing Tier 2 GPFS, the AASB should reassess whether the original approach and rationale remain valid.
- Paragraph BC9 of AASB 1060 states that the Standard is an interim measure until more progress is made through further consultation and outreach (in relation to the private sector not-for-profit and public sector reporting framework projects). Whilst there has been progress on the private sector not-for-profit reporting framework project, similar progress needs to be made on the public sector reporting framework project too.

For the reasons stated above, we suggest the AASB revisit the conceptual basis underpinning the development of disclosures in AASB 1060, particularly in the context of the Australian public sector. We also suggest the AASB conduct further outreach with public sector stakeholders to address their concerns and identify a suitable way forward.

**1.2) Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38 (of ITC 56))?  
If you disagree, with which recommendations do you disagree and what would you suggest instead?**

Subject to our comments in response to Q1.1 above, we broadly agree with the recommended amendments in Table 2.1.1, particularly in the context of FP and NFP private sector entities. We have identified a few minor matters for further consideration below:

- *Fair value measurement* – the reference to para 135(c) should read as 136(c)
- *Business combinations and goodwill* – it is not clear whether para 19.38(d) will be included in the amendments
- *Revenue from contracts with customers* – Paras 23.88 and 23.89 are proposed new additions. No rationale has been provided as to why these are being added to the existing disclosures in AASB 1060. Given the AASB has already included relevant disclosures from AASB 15 *Revenue from contracts with customers* in AASB 1060, we suggest providing the rationale for adding new disclosures that are currently not included in AASB 1060
- *Foreign currency translation* – Similar to the above point, if the AASB has previously concluded that these amendments are not expected to be relevant to the Tier 2 entities, it is not clear how it has now become relevant, other than the fact these disclosures are included in the third edition of the IFRS for SMEs Standard. We refer to our comments on user needs in response to Q1.1 above.

**1.3) Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52 (of ITC 56))?  
If you disagree, with which recommendations do you disagree and what would you suggest instead?**

Subject to our comments in response to Q1.1 above, we have no further comments.

**2.1) Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?  
If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.  
If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.**

Yes, we agree that the AASB should consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the requirements for the IFRS for SMEs Standard. This is consistent with the current approach the AASB adopts of considering the impact new AAS (IFRS Accounting Standards) on AASB 1060 prior to the IASB considering the same for the IFRS for SMEs Standard.

**2.2) Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?  
If you disagree, with which aspects do you disagree and what would you suggest instead?**

We agree with replacing the AASB 101 classification and presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements. However, we note the AASB has issued Exposure Draft 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (ED 338). We suggest the AASB takes into consideration the feedback received on ED 338 in finalising its approach to incorporating the AASB 18 classification and presentation requirements in AASB 1060.

**2.3) If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?**

**Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).**

**Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.**

**Please provide the reasons for your preference.**

We prefer Option A. This aligns with the current approach of AASB 1060 being a standalone Standard that includes the classification and presentation requirements in addition to the disclosure requirements for Tier 2 GPFS.

**2.4) When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:**

- a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and**
- b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?**

**Please provide the reasons for your view.**

Whilst we have received mixed views on the disclosure requirements in Q2.4 a) and b), overall we believe there is merit in requiring additional disclosures for specified expenses by nature in a single note as required by para 83(a) of AASB 18. However, we do not believe there is need to provide additional information required by para 83(b) as we do not believe the benefits from these additional disclosures will exceed the associated costs.

We agree with the requirement to provide a qualitative description of the nature of expenses in each function line item.

**2.5) For management-defined performance measures (MPMs), should AASB 1060 include:**

- a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);**
- b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);**

- c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or**
- d) no disclosure requirements for MPMs?**

**Please provide the reasons for your view. If you support only some disclosure requirements, please identify which disclosures should be required and why.**

We do not believe there will be a significant demand for management-defined performance measures (MPMs) by users of Tier 2 financial statements. However, we see merit in including an option for those Tier 2 entities that choose to disclose MPMs and accordingly support option a) above.

**2.6) Should AASB 1060 require disclosure of further information regarding:**

- a) the aggregation and disaggregation of line items in the financial statements and/or notes; and**
- b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

**Please provide the reasons for your view.**

We agree with the proposal to include the Application guidance paragraphs from Appendix B of AASB 18 on aggregation and disaggregation as this provides clarity to preparers on aggregation and disaggregation criteria.

We also agree with the proposal to include relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items, as this is likely to provide improved clarity around this information.

**2.7) Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:**

- a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;**
- b) disclosure requirements regarding MPMs; and**
- c) aggregation and disaggregation principles.**

We agree with the proposal for NFP private sector entities preparing Tier 2 GPFS to comply with the requirements for classifying income and expenses into five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function. In particular, feedback we have received supports the classification of income and expenses in the statement of profit or loss into the operating, investing and financing categories. It was noted that this classification provides clarity around the income and expenses arising from a NFP private sector entity's operating activities compared to the income and expenses arising from its investing activities.

Feedback we have received indicates that the disclosures around MPMs set out in AASB 18 is not necessary or relevant to the NFP private sector.

We believe the inclusion of the principles on aggregation and disaggregation will be of value to NFP private sector entities and provide further clarity to users of GPFS produced by NFP private sector entities.

**2.8) Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):**

- a) dividends and interest received – investing cash flows; and**
- b) dividends and interest paid – financing cash flows.**

Whilst we don't expect dividends paid to commonly arise in the NFP private sector, we agree with the classification proposals for consistency with Tier 1.

**2.9) Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.**

Subject to our comments in response to Q2.7 above, we have no further comments.

**2.10) A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:**

- a) for the statement of profit or loss, these entities would not be required to:**
  - i) apply paragraphs 47(a)–(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;**
  - ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or**
  - iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and**
- b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.**

**If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?**

**Please provide the reasons for your view.**

Yes, we agree with the proposals that Tier 2 NFP public sector entities should be granted the same reliefs as Tier 1 NFP public sector entities for overall alignment on classification and presentation between the two tiers.

**2.11) The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18.**

**If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?  
Please provide the reasons for your view.**

Yes, we agree for the same reasons provided in our response to Q2.10 above.

**2.12) The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.**

**If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?  
Please provide the reasons for your view.**

Yes, we agree for the same reasons provided in our response to Q2.10 above.

**2.13) The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:**

- a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24–B26 of AASB 18); and**
- b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?**

**Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?**

**Please provide the reasons for your view.**

We see merit in introducing the disclosure requirements regarding aggregation and disaggregation of items in the primary financial statements and notes, in line with Tier 1 NFP public sector entities. This is likely to enhance the overall quality and clarity of reporting by Tier 2 public sector entities. For similar reasons, we also agree with the proposals for disclosure requirements for relevant item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items.

**3.1) Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?  
Please explain your view.**

With some exceptions, we do not believe it is important for a majority of Tier 2 entities to be able to claim compliance with IFRS 19. For a majority of Tier 2 entities, the current approach of full AAS based recognition and measurement combined with simplified disclosures through AASB 1060 works well.

However, we have received some feedback that indicates there may be a need to claim compliance with IFRS 19 from a small group of Australian entities, namely those subsidiaries without public accountability that qualify to adopt IFRS 19.

**3.2) Which of the following options would you prefer:**

- a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
- b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
- c) retain AASB 1060 and do not adopt IFRS 19 at all;
- d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or
- e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

**Please provide the reasons for your preference.**

We prefer option d). Whilst we have received mixed feedback on the matter indicating there may be some entities that may benefit from IFRS 19, we also believe there is a conceptual rationale for adopting IFRS 19 for use as an alternative Tier 2 framework by qualifying subsidiaries in Australia. If the AASB has identified insufficient demand for IFRS 19 and is concerned about the costs and efforts of maintaining IFRS 19 against this backdrop, the same reasons may also apply to the recently published AASB 2025-4 *Amendments to Australian Accounting Standards – Translation to a Hyperinflationary Presentation Currency*.

Furthermore, the AASB Due Process Framework for Setting Standards states the following in para 1.2:

- 1.2 In accordance with the Financial Reporting Council’s broad strategic directions, the AASB sets standards that:
- (a) enable ‘publicly accountable’ private sector entities to maintain IFRS compliance; and
  - (b) for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.

Since IFRS 19 is an IFRS Standard that exists and is available for adoption by certain subsidiaries without-public accountability, we believe it is appropriate to make this Standard available for use in accordance with the AASB Due Process Framework for Setting Standards.

If the AASB decides not to proceed with option d), we prefer option c) as the next best option, particularly if the AASB believes there is no practical and justifiable need for the adoption of IFRS 19 in Australia.

We do not support the other options for the following reasons:

Option a) - IFRS 19 is specifically developed by the IASB for subsidiaries without public accountability and is not suitable for a broader group of Tier 2 entities.

Option b) – similar reasons to Option a) above. Taking this approach will also result in an additional cost to the AASB to ensure initial and ongoing alignment with IFRS 19.

Option e) – IFRS 19 is an optional standard issued by the IASB and this option proposes removing that optional approach.

**3.3) If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.**

We do not support partial adoption of IFRS 19 as we perceive no benefit from this approach. Also see our responses to Q3.1 and 3.2 above.



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22 January 2026

Dear Sir

**ITC 56 POST-IMPLEMENTATION REVIEW OF TIER 2 AND THE REMOVAL OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR CERTAIN FOR-PROFIT PRIVATE SECTOR ENTITIES AND FURTHER UPDATE OF TIER 2**

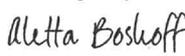
Thank you for the opportunity to comment on the Board's post-implementation review of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities Income* and AASB 2020-2 *Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

In summary, we think that AASB 1060 is working well in practice as a Tier 2 general purpose financial reporting framework. Therefore, and having regard to the extent of the additional disclosures in IFRS 19 *Subsidiaries Without Public Accountability*, we would prefer to retain AASB 1060 as the Tier 2 standard, without introducing new disclosure requirements unless these address the needs of Australian stakeholders. If it is considered necessary to adopt IFRS 19 in Australia, our preference is for the eligible entities be given an option to apply an Australian equivalent of IFRS 19 as an alternative to AASB 1060. We would also like to see amendments arising from AASB 18 *Presentation and Disclosure in Financial Statements* being incorporated into AASB 1060 as soon as possible. We understand that the Board is aiming to have amendments issued by 1 January 2027 with mandatory application at a later date to give entities time to prepare for implementation of the changes related to AASB 18. We note that this date is critical to facilitate Tier 2 subsidiaries of Tier 1 entities being able to early adopt and follow consistent presentation in Tier 2 financial statements.

Please refer to Appendices 1 and 2 for our detailed comments on your specific matters for comment.

If you have any comments regarding this request, please do not hesitate to contact me.

Yours faithfully

DocuSigned by:  
  
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Aletta Boshoff  
Partner, Advisory  
National Leader, IFRS & Corporate Reporting  
National Leader, Sustainability Reporting



## **APPENDIX 1 - Section 1: Post-implementation review of AASB 1060 and AASB 2020-2**

### **Topic 1: Overall objective and assessment of AASB 2020-2**

#### **Question 1**

Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:

- (a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?
- (b) Were the costs of preparing GPFS for the first time broadly in line with expectations?
- (c) Are the ongoing costs of preparing GPFS broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful

#### **BDO Comment - Question 1**

In our view, the overall objective of AASB 2020-2 and the removal of SPFS for certain for-profit private sector entities has been met. The burden for auditors has been significantly reduced with for-profit private sector entities no longer being able to self-assess which financial reporting framework is appropriate, and we believe that GPFS are more consistent and comparable across similar types of entities.

While entities transitioning from SPFS to GPFS Tier 2 would no doubt have incurred additional costs in the first year, the ongoing costs for entities preparing GPFS Tier 2 are broadly in line with expectations.

### **Topic 2: Overall objective and assessment of AASB 1060**

#### **Question 2**

Regarding AASB 1060, please provide your views on the following matters:

- (a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?
- (b) Were the costs of applying the Standard for the first time broadly in line with expectations?
- (c) Are the ongoing costs of applying the Standard broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 2**

Overall, we believe that AASB 1060 meets the objective of balancing user needs and minimising costs for preparers of GPFS Tier 2. Entities transitioning from RDR to AASB 1060 would have incurred once-off set up costs to redraft disclosure templates but to a lesser extent than entities transitioning from SPFS. However, ongoing, the costs of applying AASB 1060 are broadly in line with expectations.



### Topic 3: Transition relief for FP private sector entities transitioning from SPFS to AASB 1060

#### Question 3

In respect of FP private sector entities that transitioned from SPFS to AASB 1060:

- (a) Was any of the optional transition relief used?
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 3**

We observed entities transitioning from SPFS to Tier 2 GPFS before the mandatory start date of 1 July 2021 using all three of the optional transitional reliefs, i.e. not having to distinguish between errors and changes in accounting policies on first-time adoption of AASB 1060, not having to include comparative disclosures which were not required under the previous SPFS framework, and not having to restate comparative information (i.e. being able to use a modified retrospective approach).

These transition reliefs significantly reduced the effort required on first-time adoption of AASB 1060.

### Topic 4: Transition relief for entities transitioning from GPFS to AASB 1060

#### Question 4

In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:

- (a) Was the optional transition relief used?
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 4**

Yes. We observed the transitional relief for for-profit private sector entities transitioning from GPFS Tier 1 or RDR to AASB 1060 (contained in AASB 1060, paragraphs B1(b) and B1(c) and AASB 1053, Appendix E) being used. However, given that there were no changes to the recognition and measurements for these entities, the most common relief was not having to include comparative disclosures which were not required under the previous framework (noting that some AASB 1060 disclosures are different to GPFS Tier 1 or RDR). This applied for both for-profit and not-for-profit entities transitioning from GPFS Tier 1 or RDR to AASB 1060.



## Topic 5: Educational materials

### Question 5

In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 5**

We found the educational materials helpful.

### Question 6

In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 6**

We found the educational materials helpful.

### Question 7

Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 7**

N/A

## Topic 6: Disclosure of individually material items

### Question 8

Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.



### **BDO Comment - Question 8**

AASB 1060, paragraph 21 already deals with disclosure of material items via the disaggregation requirements. However, making it an explicit requirement makes it easier for enforceability by auditors. Although we recommend for AASB 18-related amendments to deal with this issue.

### **Question 9**

Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

### **BDO Comment - Question 9**

See our response to Question 8 above.

## **Topic 7: Adequacy of disclosure requirements**

### **Question 10**

Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?

Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:

- Table 2.1.1 - Substantive amendments to the *IFRS for SMEs* Accounting Standard - recommendations for amending AASB 1060
- Table 2.2.A - New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060
- Table 2.2.B - New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.

### **BDO Comment - Question 10**

Our main areas of concern where we consider AASB 1060 falls short are:

- Where debt funding is material to the entity, AASB 1060 does not require the reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. We note that this will be addressed as proposed in Table 2.1.1 (see *IFRS for SMEs*, paragraph 7.19A).



- Where debt funding is material, and the entity has more than one debt facility, we don't believe that the general requirement to disclose repayment schedules in paragraph 114 is sufficient to require a comprehensive maturity analysis for all debt funding, lease liabilities, payables, etc. We note that this will be addressed as proposed in Table 2.1.1 (see *IFRS for SMEs*, paragraphs 11.43A and 11.43B 7.19A)
- Where expected credit losses (ECL) are material, or potentially material, AASB 1060 does not require any specific disclosures. We note that this will be partially addressed with the ageing analysis proposed in Table 2.1.1 (see *IFRS for SMEs*, paragraph 11.43).

## Topic 8: Maintaining AASB 1060

### Question 11

Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?

Please explain the reasons for your view.

#### **BDO Comment - Question 11**

We think the AASB's preferred approach of updating AASB 1060 each time there is a new or amending standard works well to ensure that Tier 1 and Tier 2 financial statements are aligned. Maintaining AASB 1060 in line with the five-year IFRS for SMEs maintenance cycle is too infrequent.

## Topic 9: Other matters

### Question 12

Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

#### **BDO Comment - Question 12**

Some for-profit private sector entities may not have financial reporting obligations under legislation (such as the *Corporations Act 2001*), but their constitution, trust deed or a banking agreement may require financial statements to be prepared applying Australian Accounting Standards.

Provided these constitutions, trust deeds, banking agreements, etc have not been created or amended since 1 July 2021, such entities are grandfathered and may choose to prepare special purpose financial statements.

This creates a 'two tier' system, where some entities are grandfathered and others not, which may result in additional complexity for practitioners, however, we don't consider that any changes are needed at this stage.



**Question 13**

Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

**BDO Comment - Question 13**

See our comments to Question 12 above.

**Question 14**

Are the requirements in the best interests of the Australian economy?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

**BDO Comment - Question 14**

Yes.

**Question 15**

Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

**BDO Comment - Question 15**

None to note.



## **APPENDIX 2 - Section 2: AASB 1060 update**

### **Topic 1: Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard**

#### **Question 1.1**

Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)?

If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?

#### **BDO Comment - Question 1.1**

We agree.

#### **Question 1.2**

Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

#### **BDO Comment - Question 1.2**

We agree.

#### **Question 1.3**

Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

#### **BDO Comment - Question 1.3**

We agree.

### **Topic 2: Potential effects of AASB 18 on AASB 1060**

#### **Question 2.1**

Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?

If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.

If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.



**BDO Comment - Question 2.1**

To ensure comparability and consistency between Tier 1 and Tier 2 financial statements, we agree that the AASB should consider the impact of AASB 18 on AASB 1060. This is also in recognition of the fact that the role and setting of AASB 1060 within the suite of accounting standards is different to the role of the IFRS for SMEs Accounting Standard.

**Question 2.2**

Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

If you disagree, with which aspects do you disagree and what would you suggest instead?

**BDO Comment - Question 2.2**

Yes, we agree.

**Question 2.3**

If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?

Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

Please provide the reasons for your preference

**BDO Comment - Question 2.3**

We prefer Option A, even though this approach may make AASB 1060 a significantly longer document. In practice, few preparers and auditors (other than technical specialists) explicitly distinguish between classification, presentation and disclosure requirements, and in our view, it is best to keep classification, presentation and disclosure requirements together in one standard as this approach is consistent with the approach applied when developing AASB 1060 in respect of the AASB 101 requirements.



#### Question 2.4

When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

- (a) specified expenses by nature in a single note (as required by paragraphs 83-85 of AASB 18 for Tier 1 entities); and
- (b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

Please provide the reasons for your view.

#### **BDO Comment - Question 2.4**

Yes, we believe that this disclosure should be included.

#### Question 2.5

For management-defined performance measures (MPMs), should AASB 1060 include:

- (a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);
- (b) the full text of paragraphs 117-125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);
- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- (d) no disclosure requirements for MPMs?

Please provide the reasons for your view.

If you support only some disclosure requirements, please identify which disclosures should be required and why.

#### **BDO Comment - Question 2.5**

We don't believe disclosure regarding MPMs would apply for many Tier 2 entities. However, a cross-reference to the relevant sections in AASB 18 may be a practical solution to ensure useful information is provided where some Tier 2 entities, for example some unlisted public companies, may make use of MPMs.

#### Question 2.6

Should AASB 1060 require disclosure of further information regarding:

- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Please provide the reasons for your view.



**BDO Comment - Question 2.6**

Yes, we believe the disclosures from AASB 18, paragraph 114 should be required for Tier 2 entities.

**Question 2.7**

Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:

- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- (b) disclosure requirements regarding MPMs; and
- (c) aggregation and disaggregation principles.

**BDO Comment - Question 2.7**

Whilst acknowledging the ongoing consultation on possible amendments to AASB 18 for NFP private sector entities (ED 338), in order to retain sector neutrality in Australian Accounting Standards, we believe that the same requirements should apply for both for-profit entities and not-for-profit private sector entities (refer (a) and (c) above) in the absence of justified reasons for NFP-specific requirements. However, we note that the Board has received limited feedback from the NFP sector to date and it remains to be seen whether the information provided by, for example, the AASB 18 income and expense classification requirements results in more useful information, and that the effort of providing such information to the users of general purpose financial statements does not outweigh the cost involved for the preparers.

Regarding the cost and effort consideration, we note that the Board acknowledged in ED 338 that there will be a degree of cost and effort needed to apply the requirements (e.g. to categorise income and expenses into the relevant categories). These would seem to be commensurate with the added benefits for a clearer and more structured income statement for NFP private sector entities preparing Tier 1 GPFS as these entities are likely to be relatively large, or be subject to a high level of public interest and accountability. It may be the case, however, that this evaluation does not apply in the same manner to Tier 2 entities and, therefore, we recommend the Board engages specifically with NFP private sector entities on this.

Regarding providing more useful information in GPFS, while not-for-profit private sector entities may have different types of income streams such as capital grants and donations, the principles and guidance in AASB 18 should be generally sufficient to facilitate, in particular, classification of income and expenses into the five categories, and additional subtotals if needed within the operating category. However, careful consideration should be given to specific outcomes that may transpire at least for some NFP entities, where for example the majority of expenses may be classified as operating under AASB 18, whilst a significant portion of income could be classified as investing if arising from investments, unless the entity's main business activity is investing in assets.

We also recommend that the Board consider whether the reasons for not proposing AASB 18 requirements for NFP public sector entities would also apply NFP entities preparing Tier 2 GPFS.



Regarding (b) above, we noted in our response to Question 2.5 that we do not believe disclosure regarding MPMS would be required to be commonly applied for Tier 2 entities because not many entities would use MPMS as defined in AASB 18. However, some not-for-profit entities may do so, and a cross-reference to the relevant sections in AASB 18 could facilitate application of the respective AASB 18 requirement that we consider appropriate for Tier 2 entities, without making AASB 1060 unnecessarily long or complex.

#### **Question 2.8**

Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):

- (a) dividends and interest received - investing cash flows; and
- (b) dividends and interest paid - financing cash flows.

#### **BDO Comment - Question 2.8**

Not-for-profit private sector entities ordinarily don't pay dividends. However, they typically invest surplus funds in assets that generate a return individually and largely independently of the entity's other resources, earning interest income and dividends. They may also have financing arrangements and incur interest costs. Subject to our more general comments in Question 2.7 including applicability of the reasons for NFP public sector carve outs for NFP private sector such as interest receipts funding NFP service delivery, we agree that classification of interest and dividend cash flows by not-for-profit private sector entities should be consistent with the requirements for for-profit entities.

#### **Question 2.9**

Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

#### **BDO Comment - Question 2.9**

Whilst we have not identified any specific reasons for modification, we have noted some comments to further consider in our response to Question 2.7.

#### **Question 2.10**

A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:

- (a) for the statement of profit or loss, these entities would not be required to:
  - (i) apply paragraphs 47(a)-(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;
  - (ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or



- (iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and
- (b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.

If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?

Please provide the reasons for your view.

**BDO Comment - Question 2.10**

Yes, we agree that not-for-profit public sector entities preparing Tier 2 GPFS should be granted the same AASB 18 reliefs available if they were preparing Tier 1 GPFS if such relief is determined appropriate for public sector-specific reasons. However, we note that at least some factors noted in ED 388 and in ITC 56 supporting the NFP public sector modification could be applicable to NFP private sector (for example, that users of GPFS focus on the costs of service delivery and how these costs are funded). Therefore, consideration should be given to whether the solution proposed for NFP private sector Tier 2 entities should not be also adopted for Tier 2 NFP public sector entities or alternatively, whether modifications proposed for NFP public sector entities should be applicable, at least to some extent, to NFP private sector entities as noted in our response to Question 2.7.

**Question 2.11**

The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMS under paragraph 122 of AASB 18.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?

Please provide the reasons for your view.

**BDO Comment - Question 2.11**

See our response to Question 2.5 above. We don't believe disclosure regarding MPMS would be required to be commonly applied by many Tier 2 entities, and a cross-reference to the relevant sections in AASB 18 may be a practical solution where entities make use of MPMS. Similarly, we note that some of the factors considered for Tier 1 GPFS relief in ED388 and ITC 56 are not NFP public sector specific, for example regarding the cost/benefit considerations.

**Question 2.12**

The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?



Please provide the reasons for your view.

**BDO Comment - Question 2.12.**

Yes, similar to our responses to the questions above, NFP public sector entities preparing Tier 2 GPFS should also be provided this relief if it is provided to NFP public sector entities preparing Tier 1 GPFS (i.e. if such relief is determined appropriate for public sector-specific reasons). However, as noted above, we consider at least some of the reasons provided in ED 388 may also apply to some extent to NFP private sector entities. Therefore, the Board should carefully consider whether different reporting requirements for NFP private and public sector Tier 2 entities is warranted.

**Question 2.13**

The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:

- (a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24-B26 of AASB 18); and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?

Please provide the reasons for your view.

**BDO Comment - Question 2.8**

Yes, NFP public sector entities preparing Tier 2 GPFS should be subject to the same aggregation and disaggregation requirements as Tier 1 GPFS as we agree there are no NFP-specific reasons for departure from AASB 18 requirements.



### Topic 3: Disclosure requirements in IFRS 19

#### Question 3.1

Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?

Please explain your view.

#### **BDO Comment - Question 3.1**

We have not encountered any situations in practice where Australian Tier 2 entities have been prejudiced for not being able to claim compliance with IFRS Accounting Standards (that going forward include IFRS 19 as an optional standard for the entities within its scope). We therefore do not believe it is important for Australian entities to be able to claim compliance.

In order for Australian entities to be able to claim compliance with IFRS Accounting Standards in Tier 1 GPFS, Australia undertook a project a number of years ago to remove the Australian-specific recognition and measurement options. However, it is a regulatory question as to whether Tier 2 entities need to claim compliance with IFRS Accounting Standards.

Section 296(1) of the *Corporations Act 2001* requires financial statements to be prepared in accordance with 'accounting standards'. Section 9 defines 'accounting standard' as an instrument in force under section 334, which in turn refers to 'accounting standards' as legislative instruments made by the Australian Accounting Standards Board (AASB) for the purposes of this Act (the *Corporations Act 2001*).

Therefore, under the *Corporations Act 2001*, entities must comply with Australian Accounting Standards, but not IFRS Accounting Standards or IFRS 19.

If IFRS 19 was adopted as an Australian Accounting Standard (AASB 19), it would allow subsidiaries without public accountability to claim compliance with IFRS and simultaneously claim compliance with Australian Accounting Standards if they have an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards (and there may be some entities wishing to do so). However, there are many Tier 2 Australian entities that would never be able to claim compliance because the scope of entities under AASB 1060 is much wider than IFRS 19, for example:

- **Large Australian parent entities preparing consolidated financial statements as Tier 2** - they are not subsidiaries themselves so would not meet the scope criteria in IFRS 19
- **Large Australian subsidiaries of Australian groups preparing individual Tier 2 financial statements** - while they are subsidiaries without public accountability, they do not have an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards, so would not meet the eligibility criteria.
- **Entities preparing financial statements under section 292 of the *Corporations Act 2001* as standalone entities** - they are not subsidiaries themselves so would not meet the scope criteria in IFRS 19.



### Question 3.2

Which of the following options would you prefer:

- (a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
- (b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
- (c) retain AASB 1060 and do not adopt IFRS 19 at all;
- (d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or
- (e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

Please provide the reasons for your preference.

#### **BDO Comment - Question 3.2**

Our preference is for Option (c) although we would accept Option (d).

We prefer Option (c) because it does not appear that there are many entities that would benefit from the availability of IFRS 19 in Australian Accounting Standards and:

- Having more than one framework compromises comparability between entities.
- Having more than one framework results in increased compliance costs for preparers and auditors having to be across two standards rather than one. This will have a flow-on effect and increase compliance costs for businesses.
- We don't believe businesses will have a tolerance for changing frameworks so soon after implementing the Simplified Disclosures in AASB 1060, which is only in its third year of implementation.
- If AASB 18 is incorporated into AASB 1060 as described in Section 2 - Topic 2 of this Invitation to Comment, practitioners and preparers only need to be familiar with one set of presentation requirements because IFRS 19 will be different.

Due to the reasons outlined above, we would not favour either options (a) or (b).

However, we acknowledge that some entities may prefer to claim compliance with IFRS 19, and having this as an optional Australian Accounting Standard incorporating IFRS 19 will ensure that these entities can still claim compliance with Australian Accounting Standards (as required by section 296(1) and section 334), noting they can choose to prepare Tier 1 GPFS to achieve that outcome. In other words, IFRS 19 requirements would need to be incorporated into Australian Accounting Standards as AASB 19 because an option to apply IFRS 19 itself would be contrary to the requirements for Australian entities to comply with Australian Accounting Standards. In line with the Board's standard-setting policy, it would need to be determined that the benefits of the optional standard outweigh the cost of its



introduction and maintenance across the Australia economy and range of stakeholders, including preparers, advisors, auditors and users of Tier 2 GPFS.

### **Question 3.3**

If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.

### **BDO Comment - Question 3.3**

See our response to Question 3.2 above.





Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

via submission portal: <https://www.aasb.gov.au/current-projects/open-for-comment/>

22 January 2026

Dear Keith,

**RE: AASB Invitation to Comment - ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2**

PricewaterhouseCoopers Australia (**PwC**) appreciates the opportunity to provide input on the Invitation to Comment (**ITC**) on the Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2.

We consider that, overall, the Tier 2 reporting framework is functioning well and strikes a reasonable balance between meeting user needs and minimising the costs for preparers, consistent with the Australian Accounting Standards Board's (**AASB**) objectives. We have not identified any fundamental concerns that would impact the effectiveness of AASB 1060.

Our principal responses to the ITC are summarised below, with further detail provided in the Appendix:

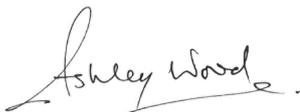
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One International Towers Sydney, Watermans Quay, BARANGAROO  
NSW 2000, GPO BOX 2650 SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)  
Level 11, 1PSQ, 169 Macquarie Street, PARRAMATTA NSW 2150, PO Box  
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- **Adoption of IFRS 19 (Subsidiaries without Public Accountability: Disclosures)** – We recognise that IFRS 19 may offer benefits, particularly for multinational groups that prepare subsidiary accounts centrally. However, these benefits seem dependent on other jurisdictions adopting IFRS 19. Introducing IFRS 19 as an alternative framework in Australia may increase complexity and potentially affect comparability across Tier 2 entities. Accordingly, at this time, we suggest maintaining the current AASB 1060 framework as the primary standard. Tier 2 entities wishing to demonstrate full IFRS compliance can consider supplementing AASB 1060 disclosures as necessary, including an explicit statement of compliance, which may help maintain consistency and reduce fragmentation.
- **Alignment of Tier 2 with AASB 18 (and other recent IFRS developments)** – To promote comparability between Tier 2 and Tier 1 financial statements in respect of financial performance presentation, we suggest a timely update of AASB 1060 to align with AASB 18. We suggest that updating AASB 1060 to incorporate AASB 18 need not be deferred until the next IFRS for SMEs update cycle, which may occur several years from now. Instead, it may be beneficial to consider exposing amendments in the near term to support large Tier 2 entities in enhancing performance reporting and to facilitate clearer comparison between Tier 1 and Tier 2 results for users.
- **Preservation of AASB 1060 as a one-stop-shop for Tier 2** – We generally support the approach of incorporating relevant presentation requirements from the new AASB 18 directly within AASB 1060 (rather than dispersing requirements across standards). This approach could help maintain clarity and convenience for Tier 2 preparers, even though it entails some ongoing maintenance by the AASB. We believe the benefits to users and preparers of having a single point of reference outweigh the incremental standard-setting effort.
- **Adoption of the AASB’s proposed criteria for updating AASB 1060 for the IFRS for SMEs (3rd edition)** – We agree that where recognition and measurement in full IFRS/AAS (Australian Accounting Standards) remains the same as in IFRS for SMEs, the related new disclosure requirements from the 2025 IFRS for SMEs Standard should generally be incorporated into AASB 1060. Conversely, disclosures that solely relate to simplified recognition or measurement options in the IFRS for SMEs that are not available under full IFRS (and therefore AAS) need not be considered. This selective approach will keep Tier 2 disclosures proportionate while ensuring the Standard remains up-to-date with genuine improvements identified by the IASB’s comprehensive review of IFRS for SMEs.

We would welcome the opportunity to discuss our submission further or address any questions you may have. Please feel free to contact myself at [ashley.s.wood@au.pwc.com](mailto:ashley.s.wood@au.pwc.com) or Manuel Kapsis on [manuel.kapsis@au.pwc.com](mailto:manuel.kapsis@au.pwc.com).

Yours sincerely,

A handwritten signature in black ink that reads "Ashley Wood". The signature is written in a cursive style with a long horizontal flourish at the end.

Ashley Wood

Assurance Risk and Quality Leader

## Detailed Responses

### **IFRS 19 (Subsidiaries without Public Accountability: Disclosures)** [ITC Section 2, Topic 3]

On the question of IFRS 19 adoption in Australia (Section 2, Question 3.2), at this stage, we are inclined to maintain the current Tier 2 approach under AASB 1060 while remaining open to further evaluation should new evidence about IFRS 19's benefits emerge.

This approach aims to minimise complexity and additional disclosures for most Tier 2 entities, while preserving the integrity of Australia's simplified reporting framework. Until there is clear evidence that adopting IFRS 19 would provide benefits that outweigh the associated costs, it may be preferable for Australian Tier 2 entities to continue reporting under the existing, streamlined AASB 1060 framework. This approach would help maintain clarity and comparability in financial reporting for entities without public accountability, while avoiding the introduction of additional requirements whose advantages are not yet fully established.

We recognise that stakeholders hold divergent views on whether to adopt IFRS 19 in Australia. Our understanding is that adopting IFRS 19 for Tier 2 entities (though either Options (a) or (b) in the ITC) would effectively impose additional disclosures beyond those currently required by AASB 1060. Further analysis may be required to determine whether the benefits of adopting the additional disclosures in IFRS 19 outweigh the associated burdens, and how this might impact the cost–benefit balance that supports the simplified Tier 2 reporting framework.

Introducing IFRS 19 as an optional or alternate Tier 2 framework (Options (d) or (e)) may potentially increase complexity. The creation of a third tier of reporting (Tier 1, Tier 2 under AASB 1060, and Tier 2 under IFRS 19) for similar entities may lead to confusion amongst preparers and users alike. In addition, multiple frameworks for the same class of entity may diminish the comparability and simplicity gains achieved by removing Special Purpose Financial Statements (**SPFS**) in Australia.

Preparers may encounter challenges in determining which framework to apply or may be required to transition between frameworks if mandated. Meanwhile, users would need to navigate two different formats and levels of disclosure for Tier 2 financial statements. Such fragmentation could pose challenges to maintaining a clear and streamlined reporting framework for entities without public accountability, highlighting the importance of careful consideration.

While IFRS 19 is intended to reduce disclosures for eligible subsidiaries and is optional internationally, its uptake and impact globally remain uncertain. We acknowledge that some Australian subsidiaries of

multinational groups may value the ability to state full IFRS compliance by using IFRS 19. In addition, multinational groups with centralised finance functions might realise efficiency gains if their subsidiaries can apply a consistent IFRS-aligned disclosure framework across jurisdictions. This could eliminate duplicate reporting efforts and simplify internal processes, especially when preparing multiple subsidiary accounts centrally. However, these benefits would mainly accrue to those global groups and only if IFRS 19 is widely adopted in other jurisdictions. If the international adoption of IFRS 19 is limited, multinationals would still have to navigate multiple reporting frameworks for their subsidiaries, reducing the intended simplification. In contrast, the majority of domestic-oriented Tier 2 entities in Australia have little need to claim IFRS compliance, so they would see added costs but minimal benefit from the extra disclosures. Importantly, Tier 2 entities that wish to claim IFRS compliance can achieve this by supplementing AASB 1060 with any additional disclosures necessary to meet all IFRS requirements and by providing an explicit and unreserved statement of such compliance in the notes, as required by AASB 101 and AASB 18.

On balance, at this time, we are inclined towards Option (c) - not adopting IFRS 19 in Australia - while recognising the importance of remaining responsive to evolving stakeholder views. AASB 1060 can be updated periodically to ensure it remains appropriate and effective, while avoiding the full adoption of IFRS 19's extensive disclosure requirements that could undermine its cost-effectiveness.

We look forward to supporting the AASB in monitoring the adoption of IFRS 19 in comparable jurisdictions and any emerging interest from Australian stakeholders. Should compelling reasons arise – such as widespread global uptake or strong domestic demand - we would welcome a collaborative reconsideration of IFRS 19's introduction.

**Align Tier 2 promptly with AASB 18 (and other recent IFRS developments) [ITC Section 2, Topic 2, Questions 2.1 – 2.6]**

We suggest a timely alignment of Tier 2 presentation requirements with AASB 18 [ITC Section 2, Topic 2, Question 2.1]. Timely alignment preserves comparability and avoids the period of prolonged divergence between the performance reporting of Tier 1 and Tier 2 reports that would arise if the update was deferred until the next IFRS for SMEs update cycle. Thus, we agree with the AASB in considering the impact of AASB 18 on AASB 1060 now as contemplated in the ITC.

We broadly support mirroring AASB 18's principles in Tier 2, with proportional tailoring where warranted, focusing on the following:

- *Expense by Function Presentation [ITC Section 2, Topic 2, Question 2.4]*

We recommend requiring (a) *the single-note expense by nature totals (AASB 18 paragraphs 83–85)* but consider that (b) *a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)* is not necessary for Tier 2 (noting the general requirement to disclose relevant information about material items *(AASB 1060 para. 91(c))*).

If a Tier 2 entity presents operating expenses by function, we suggest that it disclose specified expenses by nature in a single note (for example, totals for employee benefits, depreciation and amortisation, impairment), aligning with AASB 18 paragraphs 83–85 and ITC Q2.4(a). This requirement represents a modest incremental cost for preparers while delivering a clear benefit to users through enhanced comparability and insight. We encourage timely alignment of Tier 2 presentation requirements with AASB 18 *[ITC Section 2, Topic 2, Question 2.1]* to support continued comparability and avoid prolonged divergence. Such qualitative explanations, while useful, may be burdensome for smaller entities to articulate and audit, and the essential numerical information would already be captured by the specified nature totals. Provided that Tier 2 entities adhere to the general requirement to disclose relevant information about material items *(AASB 1060 para. 91(c))*, we believe the combination of that principle and the added note of expense totals is sufficient for the reporting needs of Tier 2 entities.

- *Management Performance Measures (MPMs) [ITC Section 2, Topic 2, Question 2.5]*

Our view is that Option (c) – requiring scaled-down management performance measure (MPM) disclosures in Tier 2 financials – is the right balance, as envisaged by ITC Q2.5.

Typically, we would not expect many Tier 2 entities to report performance metrics that meet the criteria for disclosure of MPMs applying AASB 18 - if a Tier 2 entity doesn't use any MPMs, this requirement imposes no burden.

If a Tier 2 entity chooses to report a non-standard profit metric that meets the criteria for disclosure of MPMs, it should at least explain what it includes/excludes and reconcile to the nearest IFRS subtotal, even though the disclosure can be simpler than for Tier 1. This approach provides transparency without importing the full Tier 1 MPM package. Consistent with the rationale for providing equivalent reconciliations elsewhere, while such custom measures of performance can be useful, they should be clearly defined and reconciled to statutory results. For example, ASIC RG 230 provides guidance on

disclosing non-IFRS profit measures by explaining how they are calculated and differ from the statutory results. Requiring a basic reconciliation and definition for MPMs in Tier 2 reports would codify this transparency into the audited financial statements.

By contrast, Option (a) or (b) would import full AASB 18 MPM disclosures, which are disproportionate for many Tier 2 entities. Conversely, no MPM disclosure requirement (d) risks confusion when alternative performance metrics are highlighted. Having a minimal, standardised note mitigates this.

Option (c) ensures any MPM is understandable and reconcilable, without undue burden.

- *Aggregation and Disaggregation and Linking of Notes [ITC Section 2, Topic 2, Question 2.6]*

We agree that presentation/disaggregation principles should remain the same across Tier 1 and Tier 2. Clear requirements help preparers strike the right balance in deciding how much to aggregate line items. Therefore, we support importing AASB 18's guidance (e.g. the emphasis on not obscuring material information through aggregation, and the specific rule to identify in the notes which line item encompasses a particular disclosure). These requirements are fundamentally about providing clarity to users, and we think the principles will help Tier 2 entities provide more useful information. In practice, many preparers already do this intuitively, however, making it an explicit requirement in AASB 1060 will promote consistency. The cost is minimal (mostly a disclosure drafting consideration), while the benefit is to reinforce transparent communication in financial reports.

### **Preserve AASB 1060 as a one-stop-shop for Tier 2 [ITC Section 2, Topic 2, Question 2.3]**

We prefer retaining AASB 1060 as a standalone standard of all presentation and disclosure requirements for Tier 2 (i.e. Option A in relation to incorporating AASB 18).

This “one-stop shop” approach has been one of the clear benefits for preparers under the new Tier 2 framework – all relevant guidance is consolidated, avoiding the need to cross-reference multiple standards (as was necessary under the old RDR approach). The one-stop shop design has been regarded as both practical and convenient for preparers and auditors. We acknowledge that carrying forward AASB 1060 means AASB must replicate or update certain content from Tier 1 standards into AASB 1060, requiring ongoing maintenance efforts. Nevertheless, we consider these efforts justified by the clarity, usefulness, and convenience provided to preparers and users. We understand that stakeholder feedback during initial development of AASB 1060 indicated concerns when important presentation guidance was not directly included in the Tier 2 standard. Including all necessary material in one place ensures nothing

is overlooked and promotes compliance (especially for smaller entities who may otherwise be unaware of various pieces of guidance in another standards).

Therefore, for the upcoming integration of AASB 18's new presentation requirements, we prefer Option A – bring the relevant AASB 18 paragraphs into AASB 1060 – over Option B (which would require Tier 2 entities to refer to AASB 18). Option A preserves the simplicity of applying one standard for Tier 2, and it maintains consistency with the original design principle of the Simplified Disclosures framework.

**Adoption of the AASB's proposed criteria for updating AASB 1060 for the IFRS for SMEs (3rd edition) [ITC Section 2, Topic 1]**

We support updating AASB 1060 in line with the third edition of the IFRS for SMEs, as set out in ITC 56 Section 2 (Topic 1), including the rationale, maintenance approach and summary of major amendments.

**Post Implementation Review (PIR) of AASB 1060 and AASB 2020-2 [ITC Section 1]**

We support the removal of SPFS for certain for-profit private entities and the associated implementation of AASB 1060 Tier 2 general purpose reporting. Our post-implementation observations indicate that these changes have met their primary objectives and have been welcomed in practice. We also support updating AASB 1060 for recent international developments (notably, the IFRS for SMEs 2025 amendments and the new AASB 18 on presentation) to keep Tier 2 reporting relevant and high-quality, noting there is a wide range of entities that fall within the scope of Tier 2.



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22 January 2026

To the members of the Board

We appreciate the invitation to comment on the Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2. We have considered all questions but limited our response to those where we have specific views and/or opinions.

### Consultation Paper Questions

#### Section 1 – Post-Implementation Review

##### Topic 1 Overall objective and assessment of AASB 2020-2

##### Topic 2 Overall objective and assessment of AASB 1060

In summary, for both Topic 1 and Topic 2, we believe, for Questions 1 & 2:

- a The overall objectives have been met;
- b The costs of adoption were broadly in line with expectations; and
- c Ongoing costs of applying the Standards are broadly in line with expectations.

##### Topic 3 Transition relief for FP private sector entities transitioning from SPFS to AASB 1060

##### Topic 4 Transition relief for entities transitioning from GPFS to AASB 1060

In summary, for both Topic 3 and Topic 4, we believe, for Questions 3 & 4:

- a Transitional relief was widely utilised; and
- b Achieved its objective.

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## Topic 5 Educational materials

In summary, with regards to Questions 5 & 6, we believe that the educational initiatives prepared by AASB staff were helpful.

- 7 The primary difficulty encountered by preparers generally relate to the application of a standard to a specific fact pattern. While addressing situation-specific queries where the outcome is a matter of application of the standard and associated accounting judgements, and is thus typically outside the scope of the AASB, the wider industry may benefit from increased interaction with industry bodies in order to support those bodies in the production of non-authoritative guidance; for instance, anonymised responses to queries raised to those industry bodies or, where appropriate, to the AASB staff directly.

## Topic 6 Disclosure of individually material items

- 8 In summary, we do not consider the absence of such a requirement to have led to any significant problems in preparing Tier 2 general purpose financial statements.
- 9 If consistent feedback has been received, we recommend the AASB consider such a change in conjunction with other minor improvements to the standard.

## Topic 7 Adequacy of disclosure requirements

- 10 The absence of specific disclosure requirements for individually material items has led to inconsistency in disclosure for specific transactions due to the implication that a preparer may apply judgement as to whether a specific transaction is material to the users of the financial statements. While the theoretical interaction of the definition of 'material' with disclosure may be expected to result in identical information being disclosed regardless of whether a specific item is required by a standard, in practice disclosure required by Australian Accounting Standards are typically included 'by default'.

Practice would indicate that preparers are unlikely to 'opt in' or 'opt out' disclosure and instead disclose only that information mandated by AAS and is most prevalent when inputs to significant estimates are disclosed, in particular in relation to estimates required by AASB 2, AASB 3, AASB 136, or AASB 136. The most significant of these are addressed by the requirements proposed in Table 2.1.1.

## Section 2 – AASB 1060 Update

### Topic 1 Potential amendments to AASB 1600 based on the third edition of the *IFRS for SMEs Accounting Standard*

We agree with the proposals in Questions 1.1, 1.2, and 1.3.

### Topic 2 Potential effects of AASB 18 on AASB 1060

- 2.1 We agree the AASB should consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the *IFRS for SMEs Accounting Standard*.
- 2.2 We agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements.
- 2.3 While both options have merits, we prefer Option B for the following reasons:
- AASB 18 is a standard of singular, clarified purpose (when compared to AASB 101);
  - AASB 18 is a standard of significant length, rendering it difficult to incorporate within AASB 1060 given the current structure of AASB 1060;
  - Maintenance of AASB 1060 is simplified; and
  - Significant investment has been made by standard setters to create explanatory materials for AASB 18 (or IFRS 18) which would not otherwise be applicable if the requirements of AASB 18 were included within the text of AASB 1060.

2.4 Where expenses are presented by function, we:

- (a) Believe that specified expenses should be disclosed by nature. The information required by paragraphs 83-85 of AASB 18 is generally information that is material to users, explaining matters such as the impact on capital expenditure on the results of the entity or the impact on employee structuring. Not requiring the disclosure of this information would result in omission of the information as 'not required'.
- (b) Do not believe that a qualitative description of the nature of expenses in each function line item will be of use to users, where the naming of that function line item is required to faithfully represent the nature of the underlying expenses. Such a requirement would potentially be excessive in a 'Tier 2' context.

2.5 Management -defined performance measures are, by nature, primarily focused on the information needs of providers of capital. As entities applying AASB 1060 are not typically not communicating with such investors in public forum, the requirements for MPMs to be disclosed may be considered excessive. In question is whether entities preparing financial statements to be utilised by a wider range of stakeholders, in particular where there is a disparate group of providers of capital, should be preparing Tier 2 GPFS.

2.6 No, such information should not be included. As not previously, Tier 2 GPFS are not prepared for a wide range of providers of capital, as a result such information should be considered in excess of the information requirements of users.

2.7 Generally, AASB 18 is no less suitable for use in the NFP space than for those for-profit entities preparing Tier 2 GPFS. Both groups are generally not preparing financial statements for use by a wide range of providers of capital. Therefore:

- We believe that the requirements to classifying income and expenses in five categories and associated matters be retained;
- We believe that the disclosure requirements regarding MPMs should be excluded; and
- Aggregation and disaggregation principles should be retained.

### Topic 3 Disclosure requirements in IFRS 19

3.1 We do not consider it important for Tier 2 entities to be able to claim compliance with IFRS 19. The target users of IFRS 19 are subsidiaries of entities that prepare IFRS-compliant financial statements where those subsidiaries wish to prepare financial statements that comply with the recognition and measurement requirements of IFRS (rather than IFRS for SMEs) (Refer IFRS 19.BC2). The primary benefit described was removing the requirement to either (i) prepare full IFRS GPFS or (ii) maintain IFRS for SME-compliant books and records, while simultaneously preparing records compliant with IFRS.

In an Australian context, entities currently maintain books and records that comply with IFRS and are not mandated to prepare IFRS-compliant GPFS. As evidenced by the comparisons prepared by the AASB staff, a requirement for IFRS 19 compliance would necessitate an increase in disclosure – effectively resetting the baseline higher than it has been in the past (under AASB 1060 as currently formulated, the legacy Reduced Disclosure Regime, or as special purpose financial statements).

3.2 Given consistency of recognition and measurement, the core difference between IFRS 19 and AASB 1060 is limited to disclosure; as a result, we would prefer one of two options be considered:

Option C – being retention of AASB 1060 without adoption of IFRS 19; or

Option D – being adoption of IFRS 19 as an optional alternative to applying AASB 1060.

Under Option C, we would recommend that educational materials be prepared and maintained which describe the incremental changes required to prepare IFRS 19-compliant GPFS. These materials would permit preparers to comply with AASB 1060 while simultaneously complying with IFRS 19 and include the ability to make such a statement of compliance (while not mandating it).

Under Option D, we would recommend that IFRS 19 be adopted in a manner that is 'Australianised' – that is, with additional 'Aus' paragraphs to ensure that those disclosures required by law, or otherwise required by the AASB, are appropriately described.

These options are preferred as, in our opinion, the needs of users are met through the application of AASB 1060 and, in a period of increasing pressure on preparers of financial statements, the introduction of additional disclosure burden may not provide an appropriate benefit commensurate with the costs of adoption / implementation or ongoing maintenance.

## Conclusion

Grant Thornton appreciates the opportunity to provide feedback to the Board on both the PIR of AASB 1060 and the further updates to the Tier 2 framework. We look forward to continuing to engage with the AASB in the future.

Yours sincerely

Grant Thornton Audit Pty Ltd

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30 January 2026

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Dear Keith,

### **Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2**

Deloitte is pleased to respond to the Australian Accounting Standards Board ('AASB' or 'Board') consultation paper Invitation to Comment (ITC) 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2* ("ITC 56" or "Consultation").

Overall, we support the Board's efforts in the removal of special purpose financial statements (SPFS) for certain for-profit private sector entities and the introduction of AASB 1060 *General Purpose Financial Statements – Simplified Disclosure for For-Profit and Not-for-Profit Tier 2 Entities*, which we believe have led to an overall improvement in financial reporting in Australia.

We have outlined our general views on the topics of the consultation below and responded to the specific questions of the consultation in the appendix.

#### **Post implementation review of AASB 1060 and AASB 2020-2**

In our opinion, financial reporting for entities that moved from special purpose financial statements (SPFS) to AASB 1060 showed improvement in consistency and comparability of information. The new framework has been welcomed for its clear minimum requirements and reduced opportunity for omission of key information.

In our experience, the transition from SPFS to AASB 1060 was in line with expectations in terms of additional effort and cost in the years of adoption, noting that the effort for some entities was significant. Particular challenges included entities consolidating for the first time, as well as disclosing information in respect of related party transactions, especially in more complicated group structures.

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Following the initial adoption effort the financial reporting environment for Tier 2 entities has stabilised. Overall, the level of disclosure in AASB 1060 is considered appropriate. Particular strengths of AASB 1060 include a meaningful reduction of disclosures compared to Tier 1, making it worthwhile to apply the framework in terms of reduced preparation cost, simpler language, and the ability to understand practically all of the disclosure requirements in a single standard.

## **Approach to updating and maintaining AASB 1060**

We understand and acknowledge the AASB's framework for developing and maintaining AASB 1060 is to start with the *IFRS for SMEs*<sup>®</sup> Accounting Standard as the base. Overall, we are supportive of aligning to International Accounting Standards Board (IASB)-developed material wherever possible for reporting entities in Australia.

However, we think it is important to cause as little disruption to financial reporting for Tier 2 entities as possible, particularly given the challenges these (generally smaller) entities will face in adopting mandatory climate reporting in the coming years. We also believe that, following significant changes to their financial reporting in recent years due to the removal of SPFS and introduction of AASB 1060, Tier 2 entities should be afforded a period of stability in their financial reporting.

For those reasons, we recommend that the principles proposed in the ITC in respect of updating AASB 1060 for the amendments to the *IFRS for SMEs* Accounting Standard be reconsidered for the following two circumstances:

- Firstly, where disclosures have changed in the *IFRS for SMEs* Accounting Standard as a result of aligning the recognition and measurement (R&M) requirements with full IFRS<sup>®</sup> Accounting Standards. This includes, for example, the revised disclosure requirements for business combinations, fair value measurement, financial instruments and revenue, among others

For these changes, the AASB has already considered and developed appropriate disclosures requirements for the Australian environment based on the R&M requirements that the *IFRS for SMEs* Accounting Standard has now been updated for. Although we appreciate and share the desire to align to IASB-developed requirements wherever possible, we are concerned that the potential costs of making disclosure changes where no substantive R&M changes have occurred for Australian Tier 2 entities could outweigh the benefits of the changes to users. We also note that the updates to the *IFRS for SMEs* Accounting Standard have generally added more disclosures on the same R&M topics when compared to AASB 1060

- Secondly, where amendments have been made to the *IFRS for SMEs* Accounting Standard for disclosure requirements that the AASB specifically considered in the development of AASB 1060 but decided not to incorporate. For example, this includes the disclosure for changes in liabilities arising from financing activities in paragraph 7.19A of the *IFRS for SMEs* Accounting Standard and the maturity analysis for financial instruments in paragraphs 11.43-11.43B of the *IFRS for SMEs* Accounting Standard, among others. In these cases, we recommend the AASB undertake a more thorough

consideration of whether the IASB's decision provides new evidence that justifies a change to previous decisions made in developing AASB 1060.

We hold concern that continuing to align to the *IFRS for SMEs Accounting Standards* as a baseline has the potential to cause changes to the framework which the AASB previously considered unnecessary to the Australian environment, or for requirements that the AASB has already developed for existing R&M requirements. This creates the potential to cause ongoing volatility in respect of the disclosure requirements for Tier 2 entities without observable user or regulatory benefit. Given R&M changes are made to accounting standards on an ongoing basis, corresponding disclosure requirements should also be maintained on an ongoing basis. Consequently, it may prove impractical to continue aligning to the *IFRS for SMEs* that is only updated periodically, generally some time after R&M changes are made.

However, we encourage the AASB to consider how the IASB's process to maintain IFRS 19 can be used in maintaining AASB 1060, noting that the objectives in determining the appropriate disclosure requirements in IFRS 19 *Subsidiaries without Public Accountability: Disclosures* are generally aligned with the principles for determining disclosure requirements in AASB 1060.

### **Incorporation of AASB 18 Presentation and Disclosure in Financial Statements**

Consistency of presentation is important to ensure understandability and comparability of financial reporting regardless of the tier of reporting adopted by a reporting entity. For this reason, we support the incorporation of AASB 18's presentation requirements within AASB 1060.

### **Adoption of IFRS 19 Subsidiaries without Public Accountability: Disclosures**

Consistent with our views above in respect of the *IFRS for SMEs Accounting Standards*, we are concerned that the disclosure requirements in IFRS 19 would be onerous for Tier 2 entities compared to AASB 1060 when compared to the same R&M topics (and related disclosures). We are also concerned that this would be an unnecessarily significant change for Tier 2 entities so soon after adopting AASB 1060, and whilst also implementing mandatory climate reporting in Australia.

However, we recommend the AASB adopt the standard as a voluntarily alternate Tier 2 framework in Australia, ensuring any subsidiaries that are SMEs have the ability to claim compliance with IFRS Accounting Standards (including IFRS 19) if they wish to do so.

Our detailed comments on the questions raised in the ITC are further outlined in the Appendix.

Please contact me at [cwarden@deloitte.com.au](mailto:cwarden@deloitte.com.au) if you wish to discuss any of our comments.

Yours sincerely



**Carol Warden**  
Partner

**Appendix – Responses to the specific AASB questions for respondents in ITC 56**

Topic	AASB questions	Responses to specific questions
<b>SECTION 1: POST-IMPLEMENTATION REVIEW OF AASB 1060 AND AASB 2020-2</b>		
Topic 1	<p>1. Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:</p> <ul style="list-style-type: none"> <li>a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?</li> <li>b) Were the costs of preparing GPFS for the first time broadly in line with expectations?</li> <li>c) Are the ongoing costs of preparing GPFS broadly in line with expectations?</li> </ul> <p>In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>In our view the overall objective of AASB 2020-2 has been met.</p> <p>This is particularly so in respect of the consistency and comparability of disclosures, given many companies had previously complied with the recognition and measurement requirements of accounting standards. Consistency in respect of ultimate Australian parents preparing consolidated financial statements has also improved the transparency of financial reporting for Tier 2 entities.</p> <p>Costs of implementation varied on an entity-by-entity basis. For less complex entities where consolidation was not required, costs of implementation were relatively limited to collating information for additional disclosures. We note that this did add time and effort for both preparation and auditing the information, however not in excess of expectations.</p> <p>For more complex entities, in some cases the one-off costs were significant, particularly for:</p> <ul style="list-style-type: none"> <li>• Preparing first-time consolidations, particularly in groups with complicated corporate structures</li> <li>• Collating necessary data for new disclosure requirements</li> <li>• In some cases, engaging external consultants where necessary.</li> </ul> <p>However, the significant costs were for the most part “one-off” in nature. On an ongoing basis the uplift in consolidation and disclosure has become “business-as-usual”, albeit some increased costs have arisen on an ongoing basis to collate additional information and have it audited.</p>

Topic	AASB questions	Responses to specific questions
		<p>In our view the increased costs were in line with expectations in the majority of cases.</p>
Topic 2	<p>2. Regarding AASB 1060, please provide your views on the following matters:</p> <ul style="list-style-type: none"> <li>a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?</li> <li>b) Were the costs of applying the Standard for the first time broadly in line with expectations?</li> <li>c) Are the ongoing costs of applying the Standard broadly in line with expectations?</li> </ul> <p>In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>In our experience AASB 1060 has been well received, in particular in respect of:</p> <ul style="list-style-type: none"> <li>• The extent of disclosures reduced as compared to the Tier 1 framework</li> <li>• Being able to reference practically all disclosure requirements in a single standard</li> <li>• The simpler language used throughout the standard.</li> </ul> <p>Although we have not obtained views from users of financial statements on whether AASB 1060 is meeting their needs, we are not aware of our clients having widespread requests for additional information from their primary users.</p> <p>Given the transition from the Reduced Disclosure Requirements (RDR) framework to AASB 1060 was primarily the removal of disclosures, in our view the costs were broadly in line with expectations. For the most part costs related to understanding the new framework and performing an analysis of what could be removed, and whether any additional disclosures were needed.</p>
Topic 3	<p>3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:</p> <ul style="list-style-type: none"> <li>a) Was any of the optional transition relief used?</li> <li>b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition</li> </ul>	<p>In our experience the use of optional transition relief was limited. This was largely due to many entities waiting until the mandatory application date to transition and consequently being unable to access the core transitional relief relating to comparative information. However, in some cases early adoption was elected, in which cases we observed reduced effort from restating comparative information.</p>

Topic	AASB questions	Responses to specific questions
	<p>requirements in future standard-setting projects?</p> <p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>If seeking to reduce adoption effort further, the board should consider providing relief at the mandatory application date in addition to early adoption.</p>
Topic 4	<p>4. In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:</p> <p>a) Was the optional transition relief used?</p> <p>b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?</p> <p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>We did not observe many Tier 1 or RDR reporting entities early adopting AASB 1060. Consequently, we do not have detailed comments on Topic 4.</p>
Topic 5	<p>5. In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?</p> <p>6. In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?</p> <p>7. Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?</p>	<p>Educational initiatives advanced awareness and baseline understanding of the removal of SPFS and supported the transition to GPFS among affected entities.</p> <p>Publications which explain the key differences between current and amended reporting requirements were useful to entities. In particular, shortform documents such as the <i>Key Facts</i> documents prepared by AASB staff, were useful for entities to understand quickly what disclosures could be removed, or what disclosures needed to be added.</p>

Topic	AASB questions	Responses to specific questions
	<p>Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.</p>	<p>Given many Tier 2 entities have limited resources to dedicate to major changes in accounting standards, other resources that may have been well utilised would have included checklists of specific disclosures removed or added when transitioning between tiers (including SPFS to AASB 1060, RDR to AASB 1060 or Tier 1 to AASB 1060).</p>
Topic 6	<p>8. Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?</p> <p>9. Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?</p> <p>In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.</p>	<p>The lack of a specific disclosure requirement for individually material items in AASB 1060 has not produced concerning outcomes in our experience. Generally, entities disclose line items appropriately and in most cases elect to report material items of income and expense separately, and include adequate disclosure to provide users with an understanding of the amounts.</p> <p>Notwithstanding the above, we believe it would be useful to add this requirement to AASB 1060 to ensure material information is always provided. Including the requirement in the standard itself ensures consistency and enforceability of the requirement.</p>
Topic 7	<p>10. Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?</p> <p>Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.</p> <p>Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in</p>	<p>We are supportive of the current disclosure requirements in AASB 1060 and believe they are adequate and practical in their application. AASB 1060 reduces preparer effort where complexity is low, compared to full IFRS Accounting Standards, noting that in many cases there are limited users of the financial statements.</p> <p>Upon initial application of AASB 1060 there was some judgement and question regarding how much information (and what information) was required to meet some disclosure requirements. For example, the requirements in paragraphs 114 and 115 in respect of financial instruments. However, such questions appear to have resolved after initial application of AASB 1060.</p>

Topic	AASB questions	Responses to specific questions
	<p>Section 2:</p> <ul style="list-style-type: none"> <li>• Table 2.1.1 – Substantive amendments to the IFRS for SMEs Accounting Standard – recommendations for amending AASB 1060</li> <li>• Table 2.2.A – New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060</li> <li>• Table 2.2.B – New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.</li> </ul>	<p>An area of improvement could include the consistency in whether comparative movement schedules are required – whilst comparative movement schedules are not required for certain items, such as property, plant and equipment and intangibles, the standard does require a comparative movement schedule for other movement schedules, such as deferred tax. Although we understand the basis for the above points (being alignment with the <i>IFRS for SMEs Accounting Standard</i>), these could be subject to reconsideration as part of updating AASB 1060, including the clarifying the underlying principle as to when comparative information is or is not considered useful for Tier 2 entities.</p>
Topic 8	<p>11. Do you have any comments about the AASB’s current approach to maintaining AASB 1060, including the frequency and timing of updates?</p> <p>Please explain the reasons for your view.</p>	<p>We are supportive of the current frequency and timing of updates.</p> <p>The current approach aligns changes to disclosures with any changes to the related recognition and measurement, which is important. It is also useful that Tier 1 and Tier 2 reporters implement any changes at the same time, bringing efficiencies in education initiatives and general understanding of any changes in the market.</p> <p>In addition to the current approach, the way that the IASB maintains IFRS 19 will be relevant to the AASB when maintaining AASB 1060. Given the principles to determining disclosure requirements in IFRS 19 are very similar to AASB 1060, we would support the AASB starting with the IASB’s proposals for IFRS 19 as a starting point.</p> <p>However, as we acknowledge in our later comments, it appears that the IASB has generally tended to include more disclosure requirements in IFRS 19 than the AASB on similar topics when it</p>

Topic	AASB questions	Responses to specific questions
		<p>developed AASB 1060 (for example, revenue recognition and fair value measurement).</p> <p>We therefore recommend the AASB update its approach to standard-setting taking into account how it will consider IFRS 19. This might include:</p> <ul style="list-style-type: none"> <li>• When exposing IASB Exposure Drafts in Australia, including a specific matter for comment on whether the proposals to amend IFRS 19 would be considered appropriate for AASB 1060</li> <li>• Developing principles on additional considerations the AASB would make that would warrant a departure from the IASB’s proposals for IFRS 19. This might include simplifying language compared to the full IFRS Accounting Standards disclosures, or additional cost-benefit considerations.</li> </ul>
Topic 9	<p>12. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?</p> <p>13. Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?</p> <p>14. Are the requirements in the best interests of the Australian economy?</p> <p>15. Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?</p> <p>If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues</p>	<p>We are not aware of any regulatory or other issues arising that adversely impact the application of AASB 1060 and AASB 2020-2.</p> <p>We did not encounter major auditing or assurance challenges. In some instances there were challenges in auditing first-time consolidations, particularly comparative information that had not previously been subject to audit, but we don’t consider this to be a matter that requires the attention of the AASB.</p> <p>We are not aware of any other matters that AASB should be aware of.</p>

Topic	AASB questions	Responses to specific questions
	<p>or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.</p>	
<b>SECTION 2: AASB 1060 UPDATE</b>		
Topic 1	<p>1.1 Do you agree with the AASB’s proposed approach for assessing whether to amend AASB 1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)? If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?</p> <p>1.2 Do you agree with the AASB’s recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)? If you disagree, with which recommendations do you disagree and what would you suggest instead?</p> <p>1.3 Do you agree with the AASB’s recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)? If you disagree, with which recommendations do you disagree and what would you suggest instead?</p>	<p>We understand and acknowledge the AASB’s framework for developing and maintaining AASB 1060 is to start with the <i>IFRS for SMEs Accounting Standard</i> as the base.</p> <p>We generally agree with the principles proposed in the ITC in respect of updating AASB 1060 for the amendments to the <i>IFRS for SMEs Accounting Standard</i>. However, there are two areas in which we believe further consideration should be given by the AASB:</p> <ul style="list-style-type: none"> <li>• Firstly, where disclosures have changed in the <i>IFRS for SMEs Accounting Standard</i> as a result of aligning the R&amp;M requirements with full IFRS Accounting Standards. Examples include business combinations, fair value measurement, financial instruments and revenue which have all been revised to align to modern IFRS standards. In our view these changes should be considered a circumstance where “equivalent amendments have already been made based on previous amendments to the full IFRS Accounting Standards and AAS”, as envisaged in subparagraph (e) on page 36 of ITC 56, and consequently not be subject to change or alignment.</li> </ul> <p>For these changes, the AASB has already considered and developed appropriate disclosures requirements for the Australian environment based on the R&amp;M requirements that the <i>IFRS for SMEs Accounting Standard</i> now requires. Although we appreciate and share the desire to align to IASB-developed requirements wherever possible, we are</p>

Topic	AASB questions	Responses to specific questions
		<p>concerned that the potential costs of making disclosure changes where no substantive R&amp;M changes have occurred could outweigh the benefits of the changes to users.</p> <p>Although we acknowledge that in some cases the changes are minimal and limited to specific wording used in the disclosure requirements, the resources needed to consider changes in wording and whether they should result in changes to disclosure should not be underestimated. We are concerned that making these changes would undermine the benefits of AASB 1060, particularly its simplicity and understandability from a preparer’s perspective.</p> <p>We also think the precedent set is important for future changes to IFRS Accounting Standards (and corresponding changes to the Australian Accounting Standards R&amp;M). In light of earlier comments that AASB 1060 should continue to be maintained as R&amp;M changes are made, in our view it would be impracticable to then subsequently update those disclosures as and when the <i>IFRS for SMEs Accounting Standard</i> aligns its requirements IFRS Accounting Standard, possibly many years later.</p> <ul style="list-style-type: none"> <li>• Secondly, where amendments have been made to the <i>IFRS for SMEs Accounting Standard</i> for disclosure requirements that the AASB specifically considered in the development of AASB 1060 but decided not to incorporate. For example, this includes the disclosure for changes in liabilities arising from financing activities in</li> </ul>

Topic	AASB questions	Responses to specific questions
		<p>paragraph 7.19A of the <i>IFRS for SMEs Accounting Standard</i> and the maturity analysis for financial instruments in paragraphs 11.43-11.43B of the <i>IFRS for SMEs Accounting Standard</i>, among others. In these cases, we recommend the AASB undertake a more thorough consideration of whether the IASB’s decision provides new evidence that the AASB believes justifies a change to previous decisions it has made. These might include, for example, new evidence that the IASB received from users of SME financial statements that the AASB had not necessarily considered in its own decision making.</p> <p>Although we acknowledge the principle of AASB 1060 is that it aligns to the <i>IFRS for SMEs Accounting Standard</i> as a base, with the benefit of hindsight this principle appears to only have been practical in the original development of AASB 1060. We are concerned that continuing to maintain this principle as the baseline has the potential to cause changes to the framework which the AASB previously considered unnecessary to the Australian environment, or for requirements that the AASB has already developed for existing R&amp;M requirements.</p> <p>Instead, we think that the AASB should consider revising its principle to only considering and aligning to the <i>IFRS for SMEs Accounting Standard</i> for disclosure changes that were not considered by the AASB in the development of AASB 1060 or in an amendment to AASB 1060 as a result of a new IFRS Accounting Standard.</p> <p>In relation to the proposed amendments, we have included some more specific commentary in the table below.</p>

Topic	AASB questions	Responses to specific questions	
		<b>2025 IFRS for SMEs Accounting Standard</b>	<b>Our recommendations for amending AASB 1060</b>
		Financial Statement Presentation	Changes to presentation requirements should be considered as part of aligning to AASB 18. Consequently, we do not support paragraph 3.15A being incorporated.
		Statement of Changes in Equity and Statement of Income and Retained Earnings	We support the AASB proposing to amend AASB 1060 for this requirement given it has not been specifically considered by the AASB before.
		Statement of Cash Flows	We are not aware of sufficient evidence that would justify including the reconciliation taking into account that the AASB considered but rejected including this disclosure requirement in developing AASB 1060.
		Consolidated and Separate Financial Statements	We do not consider there are sufficient changes to R&M requirements to justify re-considering the disclosure requirements developed by the AASB in AASB 1060 without obtaining further evidence justifying such a change.

Topic	AASB questions	Responses to specific questions	
		Financial Instruments: Analysis of the age	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060.
		Financial Instruments: Maturity analysis	
		Financial Instruments: Time bands	
		Fair Value Measurement: 12.1	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060.
		Fair Value Measurement: 12.2	
		Fair Value Measurement: 12.28	
		Fair Value Measurement: 12.29	
		Fair Value Measurement: 12.30	
		Fair Value Measurement: 12.31	
		Fair Value Measurement: 12.32	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement
		Business Combinations and Goodwill	
		For reporting periods after the acquisition date	

Topic	AASB questions	Responses to specific questions	
			developed by the AASB in AASB 1060.
		Revenue from Contracts with Customers	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060.
		Employee Benefits	We support the AASB proposing to amend AASB 1060 for this requirement given it has not been specifically considered by the AASB before.
		Foreign Currency Translation	We do not consider there are sufficient changes to R&M requirements to justify aligning to the <i>IFRS for SMEs</i> Accounting Standard without obtaining further evidence justifying a change to the disclosure requirement developed by the AASB in AASB 1060. We note that proposing this change appears to conflict with the proposed approach that “the

Topic	AASB questions	Responses to specific questions	
			<p>AASB proposes to amend AASB 1060 to align with the IFRS for SMEs Accounting Standard, <i>unless equivalent amendments have already been made based on previous amendments to the full IFRS Accounting Standards and AAS</i>” (emphasis added).</p>
		<p>Related Party Disclosures</p>	<p>We support the AASB proposing to update AASB 1060 for this amendment given it has not been previously specifically considered by the AASB.</p>
		<p>Specialised Activities</p>	<p>We support the AASB proposing to update AASB 1060 for this amendment. We don’t anticipate it would result in a significant change in practice.</p>
		<p>We agree with the substantive amendments to the <i>IFRS for SMEs</i> Accounting Standard for which the AASB has not recommended amending AASB 1060 for the reasons set out in the ITC.</p>	
<p>Topic 2</p>	<p>2.1 Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard? If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for</p>	<p>Yes, the AASB should consider the impact of AASB 18 on AASB 1060 prior to the IASB considering the suitability of IFRS 18 in the <i>IFRS for SMEs</i> Accounting Standard. We believe there should be continued alignment in the primary financial statements between Tier 1 and Tier 2 entities, and consequently</p>	

Topic	AASB questions	Responses to specific questions
	<p>Topic 2. If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.</p> <p>2.2 Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities? If you disagree, with which aspects do you disagree and what would you suggest instead?</p> <p>2.3 If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?</p> <ul style="list-style-type: none"> <li>• Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).</li> <li>• Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation</li> </ul>	<p>supporti replace the existing presentation requirements in AASB 1060. Alignment of presentation enhances understandability and comparability by users of financial statements.</p> <p>Although it would be ideal for the amendments to be adopted concurrently by Tier 1 and Tier 2 entities, we are concerned that there would be insufficient time for the AASB to develop an exposure draft and finalise the amendments to AASB 1060 with sufficient time for Tier 2 entities to adopt them. However, we encourage the AASB to prioritise this project to allow early adoption by those that wish to do so, such as subsidiaries of global groups.</p> <p>In respect of the approach to take, Option A is preferred on the basis that it is helpful for Tier 2 preparers for all presentation disclosure requirements to be included in a single standard. Although we acknowledge that this could increase the length of the standard overall, it would be more useful than needing to reference across multiple standards for a fundamental issue such as presentation. For the same reason we also consider it would be helpful to include Appendix B of AASB 18 as an Appendix to AASB 1060. In our experience to date with AASB 18, the guidance in the Appendices is often fundamental to understanding the requirements of AASB 18.</p> <p>In our view the aggregation/disaggregation criteria should also be included in AASB 1060 – in our view this guidance is relevant in achieving consistent primary financial statement presentation between tiers.</p> <p>For the additional disclosures on expenses by nature in paragraphs 83-85 and 82(b) of AASB 18, we are not aware of a</p>

Topic	AASB questions	Responses to specific questions
	<p>requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.</p> <p>Please provide the reasons for your preference.</p> <p>2.4 When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:</p> <ul style="list-style-type: none"> <li>a) specified expenses by nature in a single note (as required by paragraphs 83–85 of AASB 18 for Tier 1 entities); and</li> <li>b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?</li> </ul> <p>Please provide the reasons for your view.</p> <p>2.5 For management-defined performance measures (MPMs), should AASB 1060 include:</p> <ul style="list-style-type: none"> <li>a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);</li> <li>b) the full text of paragraphs 117–125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);</li> <li>c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each</li> </ul>	<p>need for this additional information, acknowledging that the similar requirements for AASB 101 have not been included in AASB 1060 to date. Although we acknowledge that such information can be useful for the reasons set out in ITC 56, similar to other comments we consider adding new requirements to AASB 1060 should be limited where they have not been considered necessary in previous deliberations.</p> <p>In respect of MPMs, we note that it is less common for Tier 2 entities to disclose MPMs in public communications outside the annual report. However, Tier 2 entities will sometimes include MPMs within their annual reporting suite, such as within the Directors Report or the Operating and Financial Review.</p> <p>In circumstances where MPMs are used by Tier 2 entities, we consider that users of their financial statements would find the disclosure requirements in AASB 18 useful to understand them, particularly given MPMs are used to explain an entity’s financial performance. MPMs being disclosed within the financial statements would also mean that the disclosures are subject to audit, which is generally preferred by users of the financial statements.</p> <p>However, we note that much of the information required to be disclosed is also required by ASIC’s Regulatory Guide 230 <i>Disclosing non-IFRS financial information</i>. Consequently, disclosing information about MPMs under both AASB 1060 and RG 230 could become onerous. Therefore, whether or not to include the MPM disclosure requirements should, in our view, depend on whether and how ASIC updates RG 230 in response to AASB 18.</p>

Topic	AASB questions	Responses to specific questions
	<p>MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or</p> <p>d) no disclosure requirements for MPMs? Please provide the reasons for your view.</p> <p>If you support only some disclosure requirements, please identify which disclosures should be required and why.</p> <p>2.6 Should AASB 1060 require disclosure of further information regarding:</p> <ul style="list-style-type: none"> <li>a) the aggregation and disaggregation of line items in the financial statements and/or notes; and</li> <li>b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?</li> </ul> <p>Please provide the reasons for your view.</p>	<p>If RG 230 is not updated, although it would be preferential to have the information on MPMs subject to audit, we would be more supportive of excluding the MPM requirements from AASB 1060 on cost-benefit grounds.</p>
Topic 2	<p>Questions regarding NFP private sector entities preparing Tier 2 GPFS</p> <p>2.7 Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:</p> <ul style="list-style-type: none"> <li>a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;</li> <li>b) disclosure requirements regarding MPMs; and</li> <li>c) aggregation and disaggregation principles.</li> </ul>	<p>We are not aware of any matters specific to NFP public sector Tier 2 entities that would warrant amendments to AASB 18 for these entities for any of the matters set out in Topic 2.</p> <p>Consistent with our comments above, overall we are supportive of aligning the presentation requirements across tiers to ensure consistency and understandability of the primary financial statements.</p>

Topic	AASB questions	Responses to specific questions
	<p>2.8 Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):</p> <ul style="list-style-type: none"> <li>a) dividends and interest received – investing cash flows; and</li> <li>b) dividends and interest paid – financing cash flows.</li> </ul> <p>2.9 Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.</p>	
Topic 2	<p>2.10 A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:</p> <ul style="list-style-type: none"> <li>a) for the statement of profit or loss, these entities would not be required to: <ul style="list-style-type: none"> <li>(i) apply paragraphs 47(a)–(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;</li> <li>(ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or</li> <li>(iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of</li> </ul> </li> </ul>	<p>We are not aware of any matters specific to NFP private sector Tier 2 entities that would warrant amendments to AASB 18 for these entities for any of the matters set out in Topic 2. We support any reliefs provided to Tier 1 NFP public sector entities also being available to Tier 2 NFP public sector entities.</p> <p>Consistent with our comments above, overall we are supportive of aligning the presentation requirements across tiers to ensure consistency and understandability of the primary financial statements.</p> <p>Note that we will respond to the specific matters for comment in ED 338 <i>Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation</i> separately in response to that consultation.</p>

Topic	AASB questions	Responses to specific questions
	<p>expenses in order to present the most useful structured summary of the expenses; and</p> <p>b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received. If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs? Please provide the reasons for your view.</p> <p>2.11 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18. If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?</p> <p>Please provide the reasons for your view.</p> <p>2.12 The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the ‘profit or loss’ total as the starting point for the indirect method of reporting cash flows from operating activities.</p> <p>If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief? Please provide the reasons for your view.</p> <p>2.13 The forthcoming Exposure Draft for NFP public sector</p>	

Topic	AASB questions	Responses to specific questions
	<p>entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:</p> <ul style="list-style-type: none"> <li>a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24–B26 of AASB 18); and</li> <li>b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?</li> </ul> <p>Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?</p> <p>Please provide the reasons for your view.</p>	
Topic 3	<p>3.1 Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?</p> <p>Please explain your view.</p> <p>3.2 Which of the following options would you prefer:</p> <ul style="list-style-type: none"> <li>a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;</li> </ul>	<p>Our view is that AASB 1060, having only recently been adopted, has been well received and achieved its objectives. Adopting IFRS 19 risks increasing costs without proportionate benefits to Tier 2 entities and users of the financial reports. Consequently, we don't support replacing the Tier 2 framework with IFRS 19 in its entirety.</p> <p>Although it would be desirable to fully align to an IFRS-based framework, we are concerned that the additional disclosures in IFRS 19, as illustrated in the tables to ITC 56, would add too many additional disclosures for AASB 1060 to be able to continue to</p>

Topic	AASB questions	Responses to specific questions
	<p>b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;</p> <p>c) retain AASB 1060 and do not adopt IFRS 19 at all;</p> <p>d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or</p> <p>e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.</p> <p>Please provide the reasons for your preference.</p> <p>3.3 If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.</p>	<p>meet its objectives. In particular, the step up in disclosures for financial instruments, fair value measurement, revenue, impairment of assets and similar would risk bringing the Tier 2 framework in Australia much closer to the disclosure requirements of the Tier 1 framework. We are concerned that such a change would lead to feedback that there are too many disclosure requirements in the Tier 2 framework, similar to feedback received by the Board through the RDR framework's post-implementation review and the proposed revisions in ED 277 <i>Reduced Disclosure Requirements for Tier 2 Entities</i> (as noted in the BCs to AASB 1060).</p> <p>We also note the scoping differences between AASB 1060 and IFRS 19. The IASB has developed the requirements of IFRS 19 for subsidiaries of IFRS reporters, which poses challenges for adoption of the standard in Australia, including:</p> <ul style="list-style-type: none"> <li>• Whether it is reasonable to assume that what is appropriate for subsidiaries of an IFRS reporter is also appropriate for an entity that is not a subsidiary. For example, it is reasonable to assume that subsidiaries that are SMEs may have access to greater resources via their parent reporting under IFRS Accounting Standards compared to other Tier 2 entities.</li> <li>• If adopting IFRS 19, prima facie it would not be applicable to a large population of Tier 2 reporters in Australia without expansion of its scope.</li> </ul> <p>Our comments are also made in recognition of the major change that many Tier 2 entities have made in recent years to step up from SPFS and in acknowledgment that significant resources of these entities will be focussed on mandatory climate reporting over coming years.</p>

Topic	AASB questions	Responses to specific questions
		<p>However, in our view it's important that Tier 2 entities have the ability to claim compliance with IFRS 19 if they wish to. We anticipate that this might be the case for global IFRS preparers that wish for the global subsidiaries to align to the IFRS 19 framework. We are also aware that in some instances financial reporting teams are located entirely overseas, meaning that preparers of financial statements might be unfamiliar with the Australian-specific requirements of AASB 1060, making the availability of IFRS 19 desirable.</p> <p>Given the above, we would support Option C, to adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or a AASB Accounting Standard incorporating IFRS 19.</p> <p>However, in our view AASB 1060 should be maintained as the "default" Tier 2 framework, and we expect that the large majority of reporters would continue to report under AASB 1060. We would also encourage the AASB to have clear guidance explaining the differences between Tier 1, AASB 1060 and IFRS 19 so that preparers are able to easily navigate the various disclosure requirements.</p> <p>It would also be useful for the AASB to develop educational materials to demonstrate what additional disclosure would be necessary for an entity to claim compliance with IFRS 19 compared to the disclosure requirements of AASB 1060.</p>