



Project:	Post-implementation review of AASB 1060 and AASB 2020-2	Meeting:	AASB March 2026 (M219)
Topic:	Detailed summary of feedback received from roundtables and targeted outreach	Agenda Item:	5.3
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		Decision-Making:	High
		Project Status:	Detailed summary of feedback received from submissions, roundtables and targeted outreach

The objective of this paper

- 1 The objective of this staff paper is to provide a detailed summary of the feedback received from submissions, roundtables and other targeted outreach conducted by staff in response to the questions in **Section 1** of 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* **only**. Section 1 of ITC 56 considers the Post-implementation Review (PIR) of:
 - (a) AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
 - (b) AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- 2 This paper is divided into two parts: Part A summarises the written submissions, and Part B summarises the feedback from the roundtables.
- 3 In addition to written submission and roundtable feedback, staff also obtained feedback from targeted outreach meetings. These meetings were held with stakeholders, including auditors and users (including regulators). Their feedback is not separately summarised as it was consistent with the feedback obtained from the written submissions and roundtables.

Part A – Summary of feedback received from written submissions

- 4 When interpreting the quantified terms used throughout this paper (such as “a few”, “some”, “many” and “most”), it is important to note that these terms are applied relative to the number of respondents who provided feedback on each topic, not the total number of submissions. As the number of respondents varies by topic (for example, Topic 1 had more respondents than Topic 8), the threshold for what constitutes “most” or “many” will differ accordingly. The quantifier table below sets out how these terms have generally been applied across all topics.

Table 1: Quantifier Usage Guide for Stakeholder References

Term	Suggested Definition	Example Usage
A few	2-3 stakeholders	"A few preparers commented ..."
Some	4-5 stakeholders	"Some stakeholders observed. "
Many	6 or more stakeholders	"Many stakeholders raised concerns ..."
Most	The majority of stakeholders (e.g. >50%)	"Most stakeholders support ..."
All	Every stakeholders	"All stakeholders agree ..."

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.

- 5 Of the 14 comment letters received, 10 provided feedback on Topic 1 (BDO, CA ANZ, CPA Australia, Deloitte, EY, Grant Thornton, IPA, Moore, Pitcher Partners and PwC).

Achievement of the overall objective

- 6 All respondents who provided feedback on this topic agreed that the overall objective of AASB 2020-2, to improve the consistency, comparability, transparency and enforceability of financial statements of affected for-profit private sector entities, has largely been achieved. Respondents consistently observed that the reforms significantly reduced diversity in practice and clarified the appropriate reporting framework for entities that previously prepared special purpose financial statements (SPFS).
- 7 Audit firms and professional bodies (including BDO, CA ANZ, CPA Australia, Deloitte, EY, Grant Thornton, IPA, Moore, Pitcher Partners and PwC) noted that the removal of SPFS for specified entities has reduced ambiguity around determining the appropriate reporting framework and limited the scope for self-assessment by preparers:
 - (a) BDO emphasised that the reform has "significantly reduced the burden for auditors," as entities can no longer self-assess whether SPFS is appropriate;
 - (b) Several respondents highlighted improved alignment and comparability across entities with similar economic characteristics; and
 - (c) Deloitte noted that because many entities had already been applying recognition and measurement requirements consistent with Australian Accounting Standards, the reforms were primarily disclosure-focused for those entities rather than requiring fundamental accounting changes. However, the changes increased transparency in the

financial reporting of ultimate Australian parent entities, as they are now required to prepare consolidated financial statements.

- 8 Respondents also identified clear user-focused benefits:
- (a) CA ANZ drawing on its 2022 IFRS Survey, reported that 57% of respondents perceived incremental improvements in transparency during the early stages of implementation, and subsequent outreach suggested increasing stakeholder satisfaction as initial implementation issues subsided; and
 - (b) PwC noted that the reforms have been welcomed in practice, and EY similarly agreed that the reforms met their objectives.
- 9 However, despite general support, a few respondents also emphasised that perceived benefits are not uniform across all entity types.
- (a) CA ANZ, CPA Australia and IPA reported that smaller entities with limited or narrowly focused user groups often face higher compliance burdens relative to user needs. CA ANZ also highlighted that misalignment between accounting standards and legislative or regulatory frameworks (particularly those with outdated reporting thresholds) can impose disproportionate burdens on smaller entities; and
 - (b) IPA identified the complexity of the recognition and measurement requirements, the need to apply multiple Standards for the first time and resource constraints as challenges for smaller entities.
- 10 As a result, CA ANZ and CPA suggested that, for these smaller entities, the overall cost-benefit balance may not yet be optimal, and suggested that the current scope of the SPFS removal may warrant reconsideration (see discussion under Calls for a simplified GPFS option for smaller for-profit private sector entities for more information). EY also identified instances in which preparers, such as small individual Australian Financial Service Licence holders, consider initial and ongoing costs to be punitive. However, in their view this is a legislative matter rather than something the AASB could address.

Initial (first-time) costs of preparing general purpose financial statements (GPFS)

- 11 The majority of respondents (BDO, CA ANZ, CPA, Deloitte, EY, IPA, KPMG, Moore and Pitcher Partners) agreed that transitioning from SPFS to GPFS involved significant upfront costs, especially for smaller entities.
- 12 In addition to the initial costs identified in ITC 56 such as increased disclosure requirements, being required to apply full recognition and measurement requirements for the first time, required system and process changes to capture necessary data and preparing consolidated financial statements, or applying the equity method of accounting for associates and joint ventures for the first time, IPA and CA ANZ emphasised that smaller entities faced particular challenges due to the need to interpret and apply multiple interrelated Standards (e.g. *AASB 1053 Application of Tiers of Australian Accounting Standards*, *AASB 1060*, *AASB 1 First-time Adoption of Australian Accounting Standards*, *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* and transition amendments). For smaller entities with limited internal capability, this represented a significant learning and compliance burden, especially in areas such as deferred taxes, leases and financial instruments. Several firms also supported this view, noting that these more complex topics disproportionately affected smaller entities.

- 13 Despite these costs, the prevailing view expressed by most respondents (BDO, CA ANZ, CPA, Deloitte, EY, Grant Thornton, Moore, Pitcher Partners and PwC) was that transition costs were broadly in line with expectations.
- 14 Deloitte observed that costs varied considerably with entity complexity:
- (a) For less complex entities, including those already applying recognition and measurement requirements and those not required to consolidate, transition costs were generally limited to collating information to prepare additional disclosures;
 - (b) For more complex entities, transition costs could be substantial, particularly where first-time consolidation was required, where complex group structures existed or where external consultants were engaged. However, the related costs were, for the most part, “one-off” and did not exceed expectations; and
 - (c) For private groups, first-time consolidation was among the most significant factors affecting transition costs.
- 15 Survey evidence provided by CA ANZ indicated most preparers had sufficient internal capability or required only limited external support to implement the new requirements. However, identifying recognition and measurement differences, including related accounting policy differences, was reported to be the most complex aspect of transition. CA ANZ noted that these challenges were anticipated prior to the transition.
- 16 KPMG highlighted extensive use of optional transition reliefs under AASB 1060, particularly in relation to comparative information and first-time consolidation. These reliefs were viewed as instrumental in managing transition costs and effort. KPMG also explicitly supported extending similar reliefs in other contexts (e.g. the Not-for-Profit Private Sector Financial Reporting Framework (Tier 3) project) (“Tier 3 NFP proposals”).

Ongoing costs of preparing GPFS

- 17 Most respondents (BDO, Deloitte, EY, Grant Thornton, IPA, Moore and Pitcher Partners) agreed that, ongoing costs after transition are broadly consistent with expectations and generally not unreasonably burdensome. Many respondents noted that while GPFS will inevitably be more costly than SPFS, the incremental ongoing burden stabilised once implementation issues were resolved. Deloitte similarly observed that, for most entities, enhanced consolidation and disclosure processes had largely become business-as-usual, with only modest ongoing cost increases associated with additional information gathering and audit effort.
- 18 However, CA ANZ and CPA Australia highlighted that ongoing cost pressures persist for smaller entities, particularly those with limited or narrowly focused user groups. CA ANZ drew attention to the fragmented nature of financial reporting legislation in Australia and to complex or outdated reporting thresholds, which can result in entities being subject to GPFS requirements that do not align with user needs. CA ANZ also identified the requirement to comply with full recognition and measurement requirements, including Standards such as AASB 16 *Leases* and the deferred tax requirements of AASB 112 *Income Taxes*, present ongoing challenges for smaller entities. This is especially noted where the ongoing requirement to prepare GPFS arise from regulatory frameworks for entities that would not otherwise have a clear user need.
- 19 CPA Australia provided several examples illustrating how ongoing cost pressures can arise from the interaction between accounting requirements and specific statutory reporting

regimes. These included the Minimum Financial Reporting requirements regulated by the Queensland Building and Construction Commission (QBCC), the forthcoming Minimum Financial Reporting requirements in Victoria and the reporting requirements applicable to Special Disability Trusts. In these cases, the removal of SPFS led to compliance difficulties under pre-existing regulatory arrangements, prompting regulatory amendments following advocacy efforts by CA ANZ and CPA Australia to address the issues. These examples demonstrate that, for affected entities, ongoing cost concerns are driven primarily by regulatory overlay and legislative interaction, rather than by the ongoing operation of the accounting standards themselves.

Calls for a simplified GPFS option for smaller for-profit private sector entities

- 20 In response to CA ANZ and CPA Australia's concerns about the ongoing cost pressures experienced by some smaller for-profit private sector entities, they support exploring a Tier 3 GPFS framework for this cohort. They suggested that a Tier 3 GPFS framework, analogous to the Tier 3 NFP proposals, could deliver a more proportionate set of recognition and measurement requirements and better balance reporting effort/costs with user needs for smaller entities.
- 21 This is supported by CA ANZ's survey evidence, which indicates that 72% of respondents believed that the AASB needs to revisit the types of entities that were scoped into these changes. Further, when asked about the cost-benefit balance of the requirements, only 45% of survey respondents agreed that the balance between the costs and benefits of the reporting reform was achieved.

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.

- 22 Of the 14 comment letters received, 12 provided feedback on Topic 2 (ACAG, BDO, CA ANZ, CPA Australia, Deloitte, EY, Grant Thornton, HoTARAC, IPA, Moore, Pitcher Partners and PwC).

Overall balance between meeting user needs and minimising costs

- 23 Most respondents agreed that AASB 1060 has largely met its objective of achieving an appropriate balance between meeting user needs and minimising costs for entities preparing Tier 2 GPFS. In particular, accounting firms and professional bodies (including BDO, CPA Australia, Deloitte, Grant Thornton, IPA, Moore and PwC) generally considered that the Standard provides a clearer and more proportionate disclosure framework, while remaining decision-useful for users.
- 24 Respondents identified particular aspects of AASB 1060 that support this assessment. For example:
- (a) CA ANZ and Moore stated that AASB 1060 was a significant improvement on the previous RDR framework;

- (b) Deloitte stated that AASB 1060 has been well received in practice, highlighting the consolidation of Tier 2 disclosure requirements into a single standard and the use of simpler language. Deloitte also noted that, although it had not obtained direct user feedback, it was not aware of widespread requests from primary users for additional information;
 - (c) Similarly, Moore noted that having all the Tier 2 disclosure requirements in a single standard improved clarity and ease of application compared with RDR; and
 - (d) EY agreed the overall balance is met in most situations, but observed that some areas (e.g. impairment disclosures) could be improved and suggested guidance on when additional disclosures are necessary could be helpful. See Topic 7 Adequacy of disclosure requirements, paragraph 80 for more information about this feedback.
- 25 Consistent with the feedback summarised in Topic 1 Overall objective and assessment of AASB 2020-2, CA ANZ and CPA Australia reiterated that for some smaller for-profit private sector entities, the cost–benefit balance remains challenging, particularly where legislative frameworks required GPFS that exceed user needs. CA ANZ survey evidence indicates that 60% of respondents agreed that AASB 1060 reduced the reporting burden, with a similar proportion agreeing that it improved consistency and comparability. However, CA ANZ also noted that concerns persist within a subset of smaller entities. For these reasons, both CA ANZ and CPA Australia support exploring a Tier 3 GPFS framework for smaller for-profit private sector entities, analogous to the Tier 3 NFP proposals, as a more proportionate reporting option.
- 26 Public-sector respondents expressed mixed views:
- (a) HoTARAC considered that AASB 1060 has partially met its objective. Whilst some disclosure relief was observed, disclosures can still be excessive for smaller public-sector entities, particularly in the absence of a Tier 3 GPFS framework; and
 - (b) ACAG noted that public sector application varies by jurisdiction due to different Treasury directions and, in some cases, the use of “Tier 2 plus” frameworks that mandate additional minimum disclosures. As a result, the extent of relief and cost reduction differs across jurisdictions. They observed that, for jurisdictions previously applying RDR, the move to AASB 1060 brought minimal practical change because the disclosure requirements were largely aligned. However, some jurisdictions experienced challenges with certain aspects of the Standard, including fair presentation, accounting policy disclosures, judgments, and key sources of estimation uncertainty. They also highlighted that entities that were not previously applying the full recognition and measurement requirements experienced significant effort in doing so.

Costs of applying the Standard for the first time

- 27 Respondents, including Deloitte, EY, Grant Thornton and Moore, generally agreed that first-time application costs were broadly in line with expectations, with outcomes varying depending on the entity's prior reporting framework and complexity.
- 28 For entities moving from RDR to AASB 1060, several respondents observed that transition effort was primarily related to disclosures. For example, Deloitte noted that effort was required to analyse which disclosures could be removed and determine whether any additional disclosures were needed. BDO provided similar feedback, noting that costs were primarily associated with updating disclosure templates. BDO noted that these costs were

lower than those incurred by entities transitioning from SPFS. Pitcher Partners similarly observed that the costs of applying AASB 1060 were negligible for entities transitioning from RDR.

- 29 CA ANZ survey evidence indicates that during transition, 46% of respondents reported the need to identify disclosure changes, and 41% identified restructuring the financial statements and revising disclosures as significant problem areas. Of those respondents who identified these areas as significant problem areas, only around half considered the overall transition process to be complex, and both preparers and advisers generally indicated that they had sufficient internal capability, or required only limited external support, to implement the changes.
- 30 Moore noted that having all Tier 2 disclosures in a single Standard made the transition clearer compared with RDR.
- 31 IPA noted that significant costs were incurred by their members when preparing Tier 2 financial statements for the first time.
- 32 Both ACAG and HoTARAC observed that some first-year cost increases that were attributable to the additional time required to work through transitional matters, but that these impacts were anticipated by jurisdictions at the time of adoption (i.e. costs were broadly in line with expectations).

Ongoing costs of applying the Standard

- 33 There was strong alignment across respondents that ongoing costs are broadly in line with expectations. BDO, Deloitte, EY, Grant Thornton, IPA, Moore and Pitcher Partners each noted that, after the initial transition period, applying AASB 1060 on an ongoing basis is not unreasonably burdensome for most affected entities, and ongoing costs are broadly in line with expectations.
- 34 Most respondents also observed that while Tier 2 reporting will always involve higher ongoing costs than SPFS, these costs stabilised once implementation issues were resolved, with the preparation process becoming routine for most entities.
- 35 However, CA ANZ survey evidence and CPA Australia feedback indicate that, for some smaller for-profit private sector entities, concerns remain regarding the ongoing cost–benefit of Tier 2 reporting relative to the needs of users.
- 36 ACAG and HoTARAC generally agreed that the ongoing costs of applying AASB 1060 are broadly in line with expectations. HoTARAC noted that, for some governments, ongoing effort arises from maintenance activities, such as periodically reassessing the distinction between Tier 1 and Tier 2 and, in some cases, maintaining separate model financial statements for Tier 2 purposes.
- 37 ACAG also noted that, while no significant ongoing cost issues have been identified to date, ongoing costs could increase in future if additional disclosure requirements from the third edition of the *IFRS for SMEs* Accounting Standard are incorporated into AASB 1060.

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

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| <ol style="list-style-type: none">3. In respect of FP private sector entities that transitioned from SPFS to AASB 1060:<ol style="list-style-type: none">(a) Was any of the optional transition relief used? |
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(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.

38 Of the 14 comment letters received, ten provided feedback on Topic 3 (BDO, CA ANZ, CPA Australia, Deloitte, EY, Grant Thornton, IPA, KPMG, Moore and Pitcher Partners).

Use of the optional transition relief

39 Respondents indicated that at least some entities transitioning from SPFS to AASB 1060 used the optional transition relief. However, as some of the reliefs were only available to early adopters, how widely the optional reliefs were used depended on whether an entity early adopted.

40 For example, some respondents noted that early adoption, and therefore access to the early adoption transition relief, was not widespread, suggesting its use was limited:

(a) EY stated that very few entities early adopted AASB 1060, which it noted is consistent with general practice in Australia for new standards. Also, in their experience, entities generally prefer to have aligned comparative information and as such, the comparative relief was only applied where comparatives were difficult to obtain;

(b) CA ANZ indicated that most entities transitioning from SPFS were not in a position to early adopt, and therefore the incentive to early adopt was of limited value given the relief sunset at the operative date. However, the optional relief was well received; and

(c) IPA similarly noted that their members did not early adopt due to resource constraints and therefore did not avail themselves of the optional transition relief.

41 However, other respondents provided feedback about their experience with entities transitioning from SPFS to AASB 1060 early:

(a) BDO observed that entities transitioning before the mandatory start date of 1 July 2021 used all reliefs;

(b) KPMG reported extensive use of transition relief, particularly to avoid providing comparatives that were not previously disclosed in the notes and to avoid restating comparatives, especially where consolidated financial statements were presented for the first time;

(c) Grant Thornton also stated that transitional relief was widely utilised;

(d) Whilst Pitcher Partners acknowledged that early adoption is not common practice and the availability of the transition reliefs was generally not a sufficient incentive for entities to early adopt, it did note that a very small minority of its client base used the optional transition relief and where applied, the relief related primarily to comparative information and, in some cases, the treatment of errors and changes in accounting policies on transition;

- (e) Similarly, Deloitte reported that the use of optional transition relief was limited overall, largely because many entities waited until the mandatory application date to transition and were therefore unable to access the transitional relief relating to comparative information. However, in cases where early adoption was elected, it observed reduced effort from not having to restate comparative information;
- (f) Moore noted that the relief from having to differentiate between a change in accounting policy and the correction of an error on transition to AASB 1060 was welcomed and enabled auditors to more effectively engage with their clients and alleviate client concerns about prior period errors being highlighted; and
- (g) CPA Australia indicated that it was aware of some entities using the optional transition relief relating to the presentation and restatement of comparative information.

Whether the relief achieved its objective of reducing transition effort

- 42 Several respondents considered that the transition relief reduced transition effort.
- (a) BDO stated that the reliefs significantly reduced effort on first-time adoption. Pitcher Partners similarly noted that, where applied, the transition relief reduced the effort required during transition;
 - (b) KPMG observed that the reliefs were effective in reducing transition effort, particularly by limiting the need to reconstruct comparative disclosures and restate comparatives, including in first-time consolidation scenarios. Deloitte also observed that, where early adoption occurred, reduced effort resulted from not having to restate comparative information; and
 - (c) Grant Thornton also stated that the relief achieved its objective.
- 43 Several respondents questioned whether the optional reliefs meaningfully encouraged early adoption:
- (a) Moore stated that the relief not to restate comparative information did not encourage early adoption, because entities adopting early still need to restate 30 June 2021 comparatives, only earlier than mandatory adopters;
 - (b) Pitcher Partners similarly considered that limiting the comparative information relief to early adoption limited its effectiveness, as entities adopting at the mandatory date were required to prepare both comparative and current-period information under AASB 1060, resulting in significant transition costs for some entities, particularly those preparing consolidated financial statements for the first time; and
 - (c) Deloitte suggested that to further reduce transition effort, the Board could consider providing comparative relief at the mandatory application date, in addition to early adoption.
- 44 A few respondents identified concerns with the optional relief that did not require an entity to distinguish between a change in accounting policy and the correction of a prior period error:
- (a) CA ANZ noted that some auditors were concerned that the relief permitting entities not to distinguish between errors and changes in accounting policies could result in financial information that was not fairly stated. CA ANZ reported that some auditors encouraged

preparers to account for errors retrospectively rather than include them in transitional balances; and

- (b) EY similarly identified the relief from distinguishing errors from changes in accounting policy as a challenge in practice, noting that auditors remain subject to section 311 of the *Corporations Act 2001* (including reporting obligations to ASIC) and that the relief did not override this requirement.

Additional transition relief

- 45 Respondents generally did not suggest additional forms of relief beyond those already provided.
- 46 However, KPMG noted its support for similar optional relief in other contexts (for example, the Tier 3 NFP proposals), based on its observations of extensive use.
- 47 Similarly, whilst not within the scope of this PIR, EY welcome the recent Board decisions to extend the transition reliefs in the Tier 3 NFP proposals to not only those that adopt prior to the effective date, but also to those that adopt from the effective date.

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.

- 48 Of the 14 comment letters received, 9 provided feedback on Topic 4 (ACAG, BDO, CA ANZ, Grant Thornton, HoTARAC, IPA, Moore and Pitcher Partners).

Use of the optional transition relief

- 49 Respondents indicated that some entities transitioning from GPFS (Tier 1 or RDR) to AASB 1060 used the optional transition relief, although the extent of use varied across sectors. Several respondents noted that early adoption by entities previously applying Tier 1 or RDR was limited, which affected the practical relevance of the relief for this cohort.
- 50 For for-profit private sector entities, BDO, CA ANZ and Moore reported that the comparative disclosure relief was the most commonly applied relief, with preparers generally welcoming the ability to avoid preparing comparative information that was not previously disclosed. BDO and Moore noted that this enabled entities to focus on preparing current-period disclosures required under AASB 1060.
- 51 Pitcher Partners indicated that the optional transition relief was not used by its client base, noting that entities previously applying RDR had relatively few new disclosure requirements under AASB 1060 for which comparative relief would not provide material benefit. They also noted that the potential time and cost savings were not significant for this group.

- 52 In the public sector, HoTARAC reported having no experience with the optional transition relief. ACAG noted that this relief was applied in only a small number of cases across jurisdictions, mainly when entities needed to provide additional comparative disclosures as they moved from RDR or SPFS to AASB 1060. In those instances, the relief did help reduce transition effort. ACAG also observed that other available transition relief options were not relevant for public-sector entities.
- 53 Grant Thornton expressed a more positive view, noting that transitional relief was “widely utilised” by the entities they observed.

Whether the relief reduced the transition effort

- 54 Where applied, respondents generally considered that the relief achieved its objective of reducing transition effort.
- 55 BDO, Grant Thornton and Moore all reported that the comparative disclosure relief simplified the transition. Deloitte and IPA similarly considered the relief effective when used but highlighted that early adoption is not common practice in Australia and that the relief did not provide a sufficient incentive for entities to adopt earlier than mandatorily required.
- 56 In the public sector, ACAG noted that in one jurisdiction the regulator required entities to adjust comparative information, unless it was impracticable to do so and written approval was required from the regulator if comparatives were not adjusted. This constrained the extent to which entities could apply the available transition relief.

Additional transition relief

- 57 Respondents did not suggest any additional transition relief for entities moving from Tier 1 or RDR to AASB 1060. CA ANZ noted, however, that in future standard-setting projects, transition relief relating to comparative information could be made more broadly available, not just on early adoption, to promote consistency and reduce transition effort, as many entities are often unable to early adopt new requirements.

Topic 5 Educational materials

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| <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? Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.</p> |
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- 58 Of the 14 comment letters received, 11 provided feedback on Topic 5 (ACAG, BDO, CA ANZ, CPA Australia, Deloitte, EY, Grant Thornton, HoTARAC, IPA, Moore and Pitcher Partners).

Overall assessment of educational initiatives

- 59 Across respondents, there was consistent support for the usefulness of the AASB’s educational initiatives, including webinars, fact sheets, key facts documents, implementation guidance and

other publications. Respondents commonly observed that these materials were particularly helpful for:

- (a) preparers implementing reforms for the first time, particularly when transitioning from SPFS or navigating new disclosure requirements; and
 - (b) smaller audit and advisory firms without the technical resources to undertake their own detailed analysis independently.
- 60 CA ANZ and IPA noted that webinars were highly effective because they provided practical examples, explanations of key implementation issues and clarification of areas requiring significant judgement. Pitcher Partners similarly indicated that AASB staff were helpful in responding to queries that required further explanation during implementation.
- 61 CA ANZ emphasised the usefulness of the fact sheets and guidance on drafting constituting documents, which addressed specific implementation challenges associated with the reforms. Similarly, Moore noted that the guidance material on AASB 2020-2 and on interpreting the accounting requirements in documents, including the distinction between Australian Accounting Standards and accounting standards, was incredibly helpful.
- 62 ACAG reported that jurisdictions agreed the educational initiatives were helpful and valuable in supporting the implementation of AASB 1060. HoTARAC similarly noted that members who were aware of the materials found them helpful.

Gaps and limitations identified

- 63 Despite generally positive feedback, most respondents identified areas where educational materials could have been improved to better support implementation:
- (a) **Fragmentation across interrelated Standards:** IPA's primary concern was not that resources were absent, but that they were organised around individual Standards (e.g. separate materials for AASB 1060 and AASB 2020-2), whereas preparers needed to assess multiple interconnected Standards to determine the appropriate reporting framework. In the absence of an AASB document that brings these considerations together, each entity (and many professional bodies/firms) developed their own decision trees and implementation documents, resulting in unnecessary duplication and burden for smaller entities that require comprehensive, integrated educational materials to ensure successful implementation;
 - (b) **Limited awareness of available resources:** CA ANZ indicated that, despite assisting with dissemination, some stakeholders remained unaware of the available resources. HoTARAC similarly reported that some public sector stakeholders were unaware of the materials, suggesting that accessibility and communication may be as important as the content;
 - (c) **Need for clearer guidance on disclosure differences:** Multiple respondents highlighted the absence of clear, consolidated guidance comparing disclosure differences between Tier 1 and Tier 2 frameworks:
 - (i) EY noted frequent requests for an analysis of specific disclosure differences between Tier 1 and AASB 1060;

- (ii) HoTARAC suggested that cross-referencing Tier 1 requirements to relevant sections of AASB 1060 would have supported preparers and streamlined the development of model financial statements;
- (iii) ACAG noted that jurisdictions transitioning from RDR to AASB 1060 would have benefited from a full reconciliation between RDR and AASB 1060, noting that the outline included in the Exposure Draft was not updated in the final Standard. Deloitte provided similar feedback;
- (d) **Reliance on non-mandatory guidance:** Moore observed that some non-mandatory materials (including the table in AASB 2020-2 paragraph BC93 that identifies which entities are in scope) were heavily relied upon in practice to apply the requirements. Moore suggested that in future, the Board might consider whether such material should be included in the body of the Standard to improve clarity and ease of application;
- (e) **Gaps for particular regulatory contexts and entity types:** CA ANZ noted that practical gaps emerged when members navigated the range of entity types and regulators impacted by the reforms, prompting CA ANZ to produce additional entity-specific resources (e.g. fact sheets and a guide addressing SPFS questions). CPA Australia similarly observed gaps in educational materials for specific circumstances (e.g. Australian Financial Services Licensees), and noted that CPA Australia and CA ANZ jointly developed a fact sheet to address this gap; and
- (f) **Application of general transition requirements:** Pitcher Partners suggested that because AASB 1 *First-time Adoption of Australian Accounting Standards* featured so heavily in the transition and it had been a long time since it applied broadly in Australia, some re-education on this Standard as it applied to AASB 2020-2 and AASB 1060 would have been beneficial.

Suggestions for future activities and resources

64 In addition to the gaps and limitations noted above, which highlight opportunities to enhance future implementation support, a few respondents also suggested:

- (a) **Earlier and more proactive engagement:** CA ANZ and CPA Australia emphasised the need for earlier and more coordinated engagement with affected regulators could help identify and resolve issues ahead of mandatory application (e.g. terminology such as the use of “accounting standards”, reporting obligations and implementation issues). Some examples provided included the QBCC reforms, similar reforms in Victoria and Special Disability Trusts. Similarly, Grant Thornton suggested that increased interaction with industry bodies could support the development of non-authoritative guidance to address common implementation questions. This could include, for example, anonymised responses to recurring queries, while recognising that fact-specific judgements and outcomes typically fall outside the Board’s remit; and
- (b) **Impact/effects analysis:** CPA Australia recommended that future major projects include a comprehensive impact or effects analysis to anticipate sector-specific implementation challenges.

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.

- 65 Of the 14 comment letters received, 11 provided feedback on Topic 6 (ACAG, BDO, CA ANZ, CPA, Deloitte, EY, Grant Thornton, HoTARAC, IPA, Moore and Pitcher Partners).

Whether the absence of requirements has led to problems

- 66 The predominant view from respondents indicates that 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 practice.
- 67 Respondents, including ACAG, CA ANZ, CPA Australia, Deloitte, Grant Thornton, HoTARAC, IPA, Pitcher Partners and PwC, noted that, in practice, entities generally disclose line items appropriately by applying existing materiality principles and professional judgement. For example, Deloitte and CA ANZ observed that entities typically elect to report material items of income and expense separately, and provide sufficient disclosure to enable users to understand those amounts.
- 68 However, several respondents noted practical challenges arising from the absence of an explicit requirement, particularly in the audit context:
- (a) BDO considers that although AASB 1060 already includes disaggregation principles, an explicit requirement would improve enforceability for auditors and reduce ambiguity;
 - (b) Moore reported practical difficulties in audit engagements, where some preparers relied on the absence of an explicit requirement to resist separate disclosure of individually material items, notwithstanding broader materiality concepts, which complicates audit discussions; and
 - (c) EY similarly noted difficulties in persuading entities to disclose individually material items without a specific requirement in AASB 1060.
- 69 ACAG jurisdictions did not identify current problems in practice. However, they noted a potential future risk that, in the absence of an explicit disclosure requirement, some preparers may interpret AASB 1060 narrowly by focusing only on the disclosures expressly listed in the Standard. In particular, ACAG observed that paragraph 91(c) of AASB 1060, which requires entities to provide information necessary to understand the financial statements even if not presented elsewhere, could be applied inconsistently if preparers do not fully appreciate its intent. Conversely, Pitcher Partners specifically noted that the broader disclosure requirement

in paragraph 91(c) of AASB 1060 is generally sufficient to result in appropriate identification and disclosure of individually material items of income and expense.¹

Introducing explicit disclosure requirements

- 70 Respondents were divided on whether AASB 1060 should be amended to include a specific requirement to disclose individually material items.
- 71 Some respondents expressed clear support for introducing an explicit requirement:
- (a) Moore strongly supported such a requirement, emphasising that it would assist auditors, reduce disputes with preparers and clarify expectations;
 - (b) BDO considers that an explicit requirement would improve enforceability, although it noted that forthcoming amendments related to AASB 18 *Presentation and Disclosure in Financial Statements* may also address this issue;
 - (c) ACAG jurisdictions generally agreed that an explicit requirement may improve consistency across Tier 2 entities;
 - (d) Deloitte noted that, although the absence of explicit requirements had not led to problematic outcomes, adding an explicit requirement could help ensure important information is always disclosed and aid with consistent enforcement;
 - (e) IPA acknowledged they were not aware of any problems in the absence of a specific requirement. However, they suggested 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; and
 - (f) Grant Thornton suggested that, if consistent feedback were received, the AASB could consider such a change as part of a package of minor improvements, rather than as a standalone amendment.
- 72 Conversely, a few respondents did not support introducing an explicit requirement:
- (a) CA ANZ, CPA Australia and HoTARAC generally considered that existing materiality principles and disaggregation requirements are sufficient and professional judgement remains appropriate. CA ANZ did, however, acknowledge that a list of “usually material” expenses might help resolve judgement differences; and
 - (b) Pitcher Partners again highlighted that paragraph 91(c) of AASB 1060 already captures disclosure of individually material items.

Interaction with forthcoming AASB 18 and IFRS for SMEs amendments

- 73 Some respondents (ACAG, BDO, EY, Pitcher Partners and PwC) noted that forthcoming AASB 18 presentation and disclosure requirements as well as related changes to the third edition of the *IFRS for SMEs* Accounting Standard may address concerns about the disclosure of individually material items of income and expense in Tier 2 financial statements. These

¹ AASB 1060 paragraph 91(c) states that the notes shall “provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.”

respondents suggested that these developments may reduce or remove the need for a separate amendment to AASB 1060 on this topic.

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.

- 74 Of the 14 comment letters received, 12 provided feedback on Topic 7 (ACAG, BDO, CA ANZ, CPA Australia, Deloitte, EY, Grant Thornton, HoTARAC, IPA, Moore, Pitcher Partners and PwC).

Overall assessment of adequacy and practicality

- 75 Respondents generally considered that overall, the disclosure framework in AASB 1060 strikes an appropriate balance between providing useful information to users and reducing reporting burden compared with Tier 1 requirements. Feedback indicated that AASB 1060 is:
- (a) A substantial improvement on the previous RDR regime, both in consistency and comparability and is broadly sufficient to meet user needs (CA ANZ and Moore); and
 - (b) Workable and practicable for most Tier 2 entities (CPA Australia, IPA and Moore).
- 76 IPA and Moore noted that AASB 1060's bottom-up approach, drawing on the *IFRS for SMEs* Accounting Standard, while retaining Tier 1 recognition and measurement requirements, supports the adequacy and practicality of the disclosure framework. CPA Australia expressed a similar view.
- 77 Deloitte observed some initial uncertainty about the level of detail required in some areas (for example, paragraphs 114 and 115 relating to financial instruments), but noted that these issues largely resolved after initial application.²
- 78 HoTARAC stated that it had not identified areas where additional disclosure requirements should be incorporated into AASB 1060 and noted that, in some jurisdictions, Tier 2 financial statements are already subject to additional disclosure requirements imposed at a jurisdictional level.
- 79 Grant Thornton does not consider the absence of a requirement to disclose individually material items of income and expense to have caused significant practical issues (see paragraph 67). However, they note that the lack of specific disclosure requirements has led to inconsistent disclosures for certain transactions, largely because preparers must exercise judgement about whether a transaction is material to users. In their view, although the

2 AASB 1060 paragraph 114 states that "An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity)."

AASB 1060 paragraph 115 states that "For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, for example, quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates."

definition of 'material' should theoretically produce consistent disclosures, in practice preparers default to providing only those disclosures explicitly required by Australian Accounting Standards. This is particularly evident for significant estimate disclosures arising under AASB 2, AASB 3, AASB 136 and AASB 137. The most significant gaps are addressed by the proposed requirements in Table 2.1.1.

Areas where respondents identified gaps or limitations

- 80 While respondents generally consider AASB 1060 strikes an appropriate balance in terms of disclosure requirements, most respondents identified specific areas where AASB 1060 may not include sufficient disclosure requirements in certain circumstances:
- (a) **Financing activities and maturity information:** BDO noted that AASB 1060 does not require a reconciliation of liabilities arising from financing activities or a comprehensive maturity analysis where an entity has multiple debt facilities. BDO noted that these matters are addressed in the latest version of the *IFRS for SMEs* Accounting Standard;
 - (b) **Consistency of comparative movement schedules.** CPA Australia, Deloitte and Moore identified inconsistencies in whether comparative movement schedules are required under AASB 1060. They noted that while comparative reconciliations are not required for certain assets, such as property, plant and equipment and intangibles, they are required for others, such as deferred tax. They suggested that the AASB reconsider the underlying principle for when comparative information is useful, particularly given these inconsistencies;
 - (c) **Expected credit losses:** BDO stated that AASB 1060 does not require specific disclosures where expected credit losses may be material, and that the proposed ageing analysis required by the latest *IFRS for SMEs* Accounting Standard could partially address this; and
 - (d) **Impairment disclosures:** EY observed that impairment disclosures in AASB 1060 are limited. They considered that IFRS 19-style disclosure requirements³ would provide more useful information and recommended further guidance on the application of paragraph 9(a),⁴ where additional disclosure is necessary for fair presentation, would be useful to preparers.

Proportionality and sensitivity of disclosures

- 81 Some respondents also questioned whether too many disclosures may be required in some cases:

3 IFRS 19 *Subsidiaries without Public Accountability*

4 AASB 1060 paragraph 9 states:

"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting:

- (a) The application of the recognition and measurement requirements in Australian Accounting Standards and the disclosures in this Standard, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation of the financial position, financial performance and cash flows of Tier 2 entities."

- (a) CA ANZ noted that some stakeholders, particularly smaller entities, view AASB 1060's disclosure requirements as excessive relative to user needs. They emphasised that this concern stems from the types of entities now required to apply AASB 1060 following the removal of SPFS for affected for-profit entities, rather than from the Standard itself. In their view, the issue cannot be resolved without reconsidering the scope of for-profit private sector entities required to prepare GPFS;
- (b) Pitcher Partners:
 - (i) noted that certain disclosures can be sensitive for owners of private entities, including key management personnel (KMP) disclosures where only a few individuals are involved, related party disclosures in proprietary companies, and business combination disclosures involving family companies;
 - (ii) questioned the relevance of future lease payment disclosures, given that lease liabilities are already recognised on the statement of financial position;
- (c) ACAG reported mixed views on KMP disclosures; one jurisdiction supported the disclosure of more detailed key management personnel compensation information, whereas most other jurisdictions did not support expanding KMP disclosures beyond those required for Tier 1 entities; and
- (d) Additionally, Moore and CPA Australia noted that disaggregating revenue under paragraph 157(b) of AASB 1060 is often not meaningful in practice, as many Tier 2 entities have a single revenue stream.⁵

Clarity and consistency of disclosure requirements

82 ACAG provided the following feedback:

- (a) **Contract assets presentation:** paragraph 44 of AASB 1060⁶ may be interpreted as suggesting that contract assets are a subset of trade and other receivables, due to the

5 AASB 1060 paragraph 157(b) states that an entity shall disclose "the amount of each category of revenue recognised during the period, disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity applies the guidance in AASB 15 Revenue from Contracts with Customers paragraphs B87–B89 when selecting the categories to use to disaggregate revenue."

6 AASB 1060 paragraph 44 states:

- "An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operation. This includes for example:
- (a) property, plant and equipment in classifications appropriate to the entity;
 - (b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties and contract assets from contracts with customers;
 - (c) inventories, showing separately amounts of inventories:
 - i. held for sale in the ordinary course of business;
 - ii. in the process of production for such sale; and
 - iii. in the form of materials or supplies to be consumed in the production process or in the rendering of services.
 - (d) trade and other payables, showing separately amounts payable to trade suppliers, amounts payable to related parties, contract liabilities from contracts with customers and accruals;
 - (e) provisions for employee benefits and other provisions; and
 - (f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by Australian Accounting Standards, are recognised in other comprehensive income and presented separately in equity."

wording used. ACAG stated that this differs from the approach in AASB 101 and may create challenges given the differing nature and disclosure requirements of these balances. ACAG suggested revisiting this presentation requirement in AASB 1060 for clarity and consistency;

- (b) **Lease disclosure requirements:** it is unclear whether the requirement in paragraph 144(b) to disclose total future lease payments relates only to amounts recognised as lease liabilities or also includes lease payments that will be expensed. It is also unclear whether payments for leases not yet commenced are intended to be included. ACAG stated that greater clarification would assist in consistent application;
- (c) **Terminology:** the term “business unit” used in paragraph 74 of AASB 1060⁷ is rarely used elsewhere in Australian Accounting Standards and appears primarily in AASB 16 guidance. ACAG stated that aligning this terminology with existing Standards would improve clarity; and
- (d) **Structure and navigation:** usability would be improved if all disclosure requirements for each topic were contained within the relevant section, rather than relying on cross-references to other paragraphs. ACAG stated that existing cross-references make navigation less efficient.

Alignment with IFRS for SMEs and other developments

- 83 Generally, in relation to the adequacy of AASB 1060’s disclosure requirements, many respondents to ITC 56 provided detailed comments on the possible amendments outlined in Section 2 of that document. While this feedback may be relevant to the PIR, because it could indicate possible issues with AASB 1060, staff have not analysed it in this paper. Instead, given its direct link to the proposals in Section 2, staff consider it more appropriate to evaluate that feedback as part of the separate Section 2 project and any future updates to AASB 1060, which will also consider the outcomes of the PIR. Accordingly, specific comments on the proposed disclosure requirements in Section 2 have not been considered here and will be addressed through that process.
- 84 Nevertheless, some stakeholders also provided specific comments directly in response to this question, separate from the feedback they submitted on Section 2:
- (a) Some stakeholders (for example, CA ANZ, EY, IPA and PwC) supported updating AASB 1060 to reflect recent amendments to the *IFRS for SMEs* Accounting Standard and incorporate developments such as AASB 18, noting that this would help maintain the relevance of Tier 2 reporting.
 - (b) Pitcher Partners cautioned that not all updates to the latest *IFRS for SMEs* Accounting Standard are appropriate for Australian Tier 2 entities and urged the Board to consider the cost and benefit of each proposed amendment. However, they support proposals to amend AASB 1060 to align with AASB 18.
 - (c) HoTARAC considers that AASB 1060 is only partially effective in achieving an appropriate balance between meeting user needs and minimising the costs for entities

7 AASB 1060 paragraph 74 states that “an entity shall present separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as investing activities.”

preparing Tier 2 financial statements. HoTARAC suggests that consideration of whether reliance on the *IFRS for SMEs* Accounting Standard 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.

85 Of the 14 comment letters received, 9 provided feedback on Topic 8 (ACAG, BDO, CA ANZ, Deloitte, EY, HoTARAC, IPA, Moore and Pitcher Partners).

Overall views on the current maintenance approach

86 All respondents expressed broad support for the AASB's current approach to maintaining AASB 1060, namely updating the Standard when new or amended Australian Accounting Standards or Interpretations are issued, rather than relying solely on the periodic maintenance cycle of the *IFRS for SMEs* Accounting Standard.

87 Many respondents highlighted the importance of timely alignment between Tier 1 and Tier 2 reporting requirements:

- (a) BDO stated that updating AASB 1060 only when the *IFRS for SMEs* Accounting Standard is revised would be too infrequent;
- (b) CA ANZ and IPA similarly stated updates whenever new or amended Australian Accounting Standards or Interpretations are issued, or when the *IFRS for SMEs* Accounting Standard itself is updated, ensures the disclosure requirements of AASB 1060 remain aligned with Tier 1 requirements; and
- (c) Deloitte emphasised that the current approach assists preparers by ensuring that changes to disclosure requirements move in step with underlying recognition and measurement changes, creating efficiencies in education and implementation across both Tiers of GPFS reporting.

88 Moore, EY and Pitcher Partners also support concurrent updates, noting that incremental updates are practical and help maintain internal consistency. These respondents observed that while this leads to more frequent amendments, these updates tend to be narrower in scope and easier for preparers to manage.

89 Deloitte also suggested that the way the IASB maintains IFRS 19 will be relevant for AASB 1060, given the similarities in the underlying principles used to determine disclosure requirements. However, because IFRS 19 generally includes more disclosure requirements than AASB 1060, they recommend that the Board update its standard-setting approach to clarify how it will incorporate and assess IFRS 19 amendments going forward.

90 Most HoTARAC jurisdictions supported the approach of updating AASB 1060 in conjunction with amendments to Tier 1 requirements, noting that many government entities prepare financial statements for multiple reporting entities applying different tiers. Clarity about Tier 2 requirements following Tier 1 changes supports the redesign of information systems and enables concurrent data collection. Alternatively, if the current approach to updating AASB 1060 did not continue, an annual update would be acceptable. However, one HoTARAC

jurisdiction suggested that updates to AASB 1060 should be based directly on changes to the *IFRS for SMEs Accounting Standard*. Alternatively, if the current appropriate to

- 91 ACAG agreed with the current approach to updating AASB 1060 and supported updating occurring when new or amended Australian Accounting Standards or Interpretations are issued, rather than waiting for changes to the *IFRS for SMEs Accounting Standard*.
- 92 However, ACAG cautioned that frequent or ad hoc updates could increase cost and complexity in the public sector without improving usefulness, particularly given AASB 1060 is an interim standard for the public sector and the expectation that the broader public sector reporting framework will be revisited. ACAG also observed that recent cycles of change including the transition from RDR to AASB 1060 followed by proposed updates aligned with the revised *IFRS for SMEs Accounting Standard* have resulted in the removal and subsequent proposed reintroduction of some disclosures within a relatively short period.

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.

- 93 Of the 14 comment letters received, 9 provided feedback on Topic 9 (ACAG, BDO, CA ANZ, CPA Australia, Deloitte, EY, HoTARAC, IPA and Moore).

Question 12 – Regulatory or other issues in the Australian environment

Regulatory issues

- 94 Of respondents that directly addressed this question, five (ACAG, Deloitte, IPA, Moore and HoTARAC) stated that they were not aware of regulatory or other issues in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2.
- 95 CPA Australia again referred to regulatory issues raised earlier noting that while many issues have been resolved, some remain. Examples provided included the QBCC Minimum Financial Reporting regime and the forthcoming Victorian Minimum Financial Reporting regime. CPA Australia observed that future legislative or regulatory frameworks may require smaller entities to comply with “Australian Accounting Standards” in circumstances where in their view, Tier 2 reporting may not be appropriate. It stated that the development of a Tier 3 GPFS framework for for-profit private sector entities would be valuable and emphasised the importance of ongoing engagement with regulators to ensure awareness of the implications of statutory references to Australian Accounting Standards.

- 96 CA ANZ stated that Australia’s fragmented regulatory environment and out-of-date reporting thresholds continue to create challenges for smaller for-profit private sector entities. CA ANZ reiterated its view the AASB can play an important role by developing a Tier 3 GPFS framework for these entities.

Grandfathering of certain entities

- 97 BDO noted that entities required by constitutions, trust deeds or banking agreements to prepare financial statements in accordance with Australian Accounting Standards may be grandfathered and continue to prepare SPFS where documents were not created or amended after 1 July 2021. BDO observed that this results in a two-tier outcome between grandfathered and non-grandfathered entities, which may add complexity for practitioners, although it did not recommend changes at this stage.
- 98 EY also commented on the operation of the grandfathering provisions for entities with non-legislative requirements to comply with Australian Accounting Standards. EY noted that entities may lose grandfathering status if constituting documents are amended without removing the requirement to comply with Australian Accounting Standards, and that even minor editorial amendments could trigger this outcome. EY stated that this creates challenges for auditors and those charged with governance in monitoring whether and when such amendments occur.

Question 13 – Auditing or assurance challenges

- 99 Many respondents (BDO, Deloitte, HoTARAC and IPA) stated that the application of AASB 1060 and AASB 2020-2 has not resulted in major auditing or assurance challenges.
- 100 Moore stated that AASB 1060 itself has not presented significant auditing or assurance challenges, but that AASB 2020-2 had raised challenges for auditors, particularly due to the requirement in paragraph Aus 1.1(b),⁸ which refers to “another document” that may require compliance with Australian Accounting Standards. Moore noted that this makes it difficult for auditors to determine the full population of relevant documents. They also observed that in practice, auditors are often relied upon to help entities determine whether GPFS or SPFS should be prepared and suggested narrowing or clarifying the scope of documents that must be considered. One example they provided was the International Air Transport Association which requires members like travel agents to prepare financial statements in accordance with Australian Accounting Standards.
- 101 CA ANZ reported that understanding how the reforms applied across diverse regulatory settings and entity types was initially challenging for auditors, particularly when explaining the changes and associated costs to clients. CA ANZ stated that AASB educational materials were helpful and that most application issues have now been resolved.
- 102 CPA Australia stated that the introduction of AASB 1060 and AASB 2020-2 did not generally create significant technical auditing or assurance challenges. Early issues were mainly

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AASB 2020-2 paragraph Aus 1.1(b) that this Conceptual Framework applies to “other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021;”

expectation gaps, including misunderstandings about the meaning of “simplified disclosures”, but these have reduced over time as familiarity with the requirements has increased.

103 ACAG reported that most jurisdictions have not experienced major auditing or assurance in applying AASB 1060, with auditors generally able to apply the requirements without undue difficulty.

104 Consistent with the feedback in paragraph 97, BDO noted that the two-tier outcome of grandfathered and non-grandfathered entities, which may add complexity for practitioners.

Question 14 – Best interests of the Australian economy

105 Most respondents, including BDO, HoTARAC, IPA and Moore expressed the view that the requirements in AASB 1060 and AASB 2020-2 are in the best interests of the Australian economy. In addition, other respondents provided specific feedback:

- (a) IPA stated that the Standards achieve their objectives of improving consistency, comparability, transparency and enforceability of financial statements. Moore stated that AASB 1060 and AASB 2020-2 represent a significant improvement on the previous RDR framework and have improved comparability between entities;
- (b) CA ANZ stated that the requirements provide an efficient financial reporting framework for Tier 2 entities. However, CA ANZ reiterated its view that, without a clear clarity on which entities should report under Tier 2, the removal of SPFS has resulted in some smaller for-profit private sector entities applying full recognition and measurement requirements that exceed user needs. CA ANZ consider this reinforces the case for a Tier 3 GPFS framework and for broader regulatory reform;
- (c) CPA Australia stated that, subject to its broader comments made elsewhere, it considers the requirements in AASB 1060 to be in the best interests of the Australian economy; and
- (d) HoTARAC stated that the provision of AASB 1060, in a form that supports IFRS recognition and measurement principles, is likewise in the best interests of the Australian economy.

Question 15 – Other matters

106 Most respondents (BDO, CA ANZ, CPA Australia Deloitte, IPA, Moore and Pitcher Partners) stated that they had no additional matters to raise for the purposes of the PIR.

107 HoTARAC recommended that the AASB explicitly consider whether very small entities required to prepare GPFS are adequately served by AASB 1060, particularly in sectors where a third tier of GPFS reporting will not be available.

108 ACAG noted that to achieve a well-grounded and sustainable approach to public sector financial reporting, the AASB should prioritise the progression of the broader public sector financial reporting framework project, rather than pursuing incremental amendments to AASB 1060 in solution, particularly in the absence of clear evidence that public sector user needs have changed. This is particularly relevant given the interim nature of AASB 1060 in the public sector.

109 Jason Cleasby advocated for retaining SPFS in the not-for-profit sector and raised issues relating to thresholds and funding volatility. As the Board is already progressing reforms for

NFP reporting, including removal of SPFS and development of Tier 3 NFP, staff note that this feedback is outside the scope of this PIR.

Part B – Summary of feedback received from the three roundtables conducted by staff

110 It should be noted that some stakeholders participated in one of the roundtables and also provided a written submission. In many cases, these respondents reiterated the same points in both forums. As such, certain themes appear in both summaries and may reflect repeated comments from the same individuals rather than separate sources.

Topic 1 and 2: Overall Objectives, cost versus benefits and is the balance right

111 Roundtable 1:

- (a) Most participants agreed that the objectives of AASB 2020-2 had been achieved;
- (b) A few participants commented that many preparers aim to meet only the minimum requirements, leaving auditors to interpret the standards. The decision tree in AASB 1053 *Application of Tiers of Australian Accounting Standards* was also reported as being poorly understood;
- (c) Some participants observed that legislative and regulatory scoping captured entities that arguably should not have been included. This highlighted the need for clearer education around key terms and definitions so regulators understand the implications of what is being required of entities within their remit;
- (d) A few participants considered Tier 2 requirements too detailed and challenging for some entities, noting that the balance did not feel quite right;
- (e) Participants questioned whether certain disclosure requirements meet user needs. They noted that:
 - (i) users, including banks, rarely read many disclosures and often rely primarily on cash flow information;
 - (ii) banks and other users frequently make their own adjustments regardless of disclosures;
 - (iii) preparers lose control over who accesses lodged financial statements, which can be sensitive when users may be competitors;
 - (iv) frequent small updates are preferable to large periodic changes;
- (f) Some participants reported resistance to change when entities transitioned from RDR to AASB 1060, with preparers mainly focused on identifying what could be removed;
- (g) Related-party disclosures were identified as a challenge for entities required to provide them for the first time. Participants emphasised the importance of framing the requirements in a way that does not alarm preparers; and
- (h) Lease disclosure requirements were viewed by one participant as excessive.

112 Roundtable 2:

- (a) Most participants agreed that the objectives of both Standards had been achieved, and no significant concerns were raised by others;
- (b) One participant noted that although the initial transition period was challenging, the preparation of Tier 2 GPFS generally stabilised after the first year;
- (c) Some participants observed that certain disclosures were either missing or lacked sufficient specificity; and
- (d) Participants also raised issues relating to legacy grandfathering arrangements, including uncertainty about whether non-audited items would be visible to auditors and potentially prompt changes. Another participant emphasised the need for preparers to confirm bank requirements, as some banks request specific document changes.

113 Roundtable 3:

- (a) 28 participants responded to the question about whether removing SPFS improved the quality and consistency of financial reporting. A strong majority of 25 respondents (89%) agreed that removing SPFS improved the quality and consistency of financial reporting, while only 3 respondents (11%) disagreed. This indicates broad support for the change and suggests that stakeholders view the removal of SPFS as a positive step toward enhancing comparability and reliability; and
- (b) 22 participants responded to the question about whether overall AASB 1060 achieved a better balance between user needs and preparer costs. 17 respondents (77%) stated that AASB 1060 achieved a better balance between user needs and preparer costs. Four respondents (32%) expressed concerns about excessive or missing disclosures, and one respondent noted that there are still too many disclosures required in some areas. Overall, the majority view the framework positively, but disclosure complexity remains a recurring issue.

Topic 3 and 4: Transition Costs and Reliefs

114 Roundtable 1:

- (a) Participants noted that transition costs varied depending on the complexity of the entity and its previous reporting framework. Entities applying recognition and measurement requirements for the first time faced significantly greater challenges than those transitioning from RDR to AASB 1060;
- (b) Some participants considered both transition and ongoing costs to be reasonable. However, others observed that some preparers underestimated the extent of required changes, particularly the implications of AASB 1, which were not initially front of mind;
- (c) Transition relief options were generally viewed as helpful and effective in reducing transition effort, although early adoption was uncommon;
- (d) Relief from restating comparatives and from distinguishing between changes in accounting policies and error corrections was welcomed. One participant noted, however, that ASIC s311 reporting obligations complicated audits. First-time consolidation was also described as costly, but largely a one-off impact;

- (e) Some participants reported confusion around the phrase “no need to restate comparatives” in the transition relief, especially in circumstances where no comparative information existed;
- (f) Participants raised challenges in determining the scope and application of the new requirements, particularly for trusts. Staff publications were helpful in addressing these issues. Grandfathering was appreciated but introduced new challenges, such as identifying all relevant documents requiring compliance with Australian Accounting Standards and the risk of losing grandfathering if those documents were amended;
- (g) Views differed on the necessity of restating prior-period figures. Some questioned whether users required this information, whereas others noted that auditors focus primarily on opening balances and therefore did not view the audit of comparative information as a major burden; and
- (h) In the public sector, transitioning the Victorian public sector to Tier 2 GPFS required significant education efforts, especially regarding infrastructure assets and fair value measurement.

115 Roundtable 2:

- (a) Participants noted that the transition experience was highly client-specific. Some clients took advantage of the available transition relief while others did not, but having the option was viewed as beneficial;
- (b) Transition effort varied depending on the entity’s starting point. Entities moving from RDR generally needed only to adjust disclosures, whereas those transitioning from SPFS faced a more substantial change;
- (c) One participant reported that the transition proceeded broadly in line with expectations; and
- (d) Participants also raised issues relating to legacy grandfathering arrangements, including uncertainty about whether non-audited items would be visible to auditors and potentially prompt changes. Another participant emphasised the importance of clients confirming bank requirements, as some banks request specific document amendments.

116 Roundtable 3:

- (a) 16 participants responded to the questions about transition relief. Half of the respondents did not use any optional transition relief, while the other half applied various forms of relief. Among those who used relief:
 - (i) Seven respondents used the relief from restating comparatives;
 - (ii) Five respondents used the relief from presenting certain comparative information;
 - (iii) Three respondents used the relief from distinguishing between an error and a change in accounting policy;
- (b) All respondents who applied relief found it helpful. Seven respondents indicated they transitioned from SPFS to AASB 1060. Of these, two reported higher transition costs than expected, while the remaining five considered the costs generally in line with

expectations. Eight respondents indicated they transitioned from RDR to AASB 1060. Of these, two reported higher transition costs than expected, while the remaining six considered the costs generally in line with expectations;

- (c) One participant highlighted that Tier 2 agencies in the Western Australian public sector transitioned from RDR to AASB 1060 without the option to early adopt AASB 1060, meaning some agencies were unable to access transitional relief. Another participant noted that NFP public sector entities were able to apply paragraph B1(c),⁹ allowing comparatives to be omitted in certain situations where additional disclosures were required; and
- (d) Another participant commented that transition costs were generally in line with expectations; however, for many smaller organisations, particularly AFSLs, costs were higher than would typically be considered reasonable.

Topic 7: Educational Materials

117 Roundtable 1: One participant noted initial resistance to related-party disclosures, driven by outdated expectations. However, once it was explained that only summarised or aggregated information was required, education helped alleviate those concerns.

118 Roundtable 2:

- (a) One participant highlighted that entities are seeking more practical implementation support, such as checklists, and noted that some entities are still in the process of transitioning;
- (b) Another participant raised broader concerns unrelated to the reforms themselves, including gaps in education, recurring auditor disagreements, and frequent questions from charities, tax offices, and building entities. They also noted that entity tiers can change with project size and that accounting knowledge in some organisations is limited; and
- (c) A participant noted that preparers initially expressed concern about related-party disclosures. However, once they understood that the required information was less granular than expected, their concerns eased. The participant suggested further education would be beneficial.

119 Roundtable 3:

- (a) 23 participants responded to the question about the usefulness of educational materials prepared by AASB staff. 13 respondents (57%) found those materials 'very helpful', seven respondents (30%) rated them as "somewhat helpful," and three respondents (13%) were unaware of their availability; and
- (b) One participant shared that they were not aware of AASB webinars and, in lieu, relied on the Key Facts document. Another participant stated that roundtables were helpful

⁹ AASB 1060 paragraph B1 states that "an entity shall apply this Standard for annual reporting periods beginning on or after 1 July 2021. Earlier application is permitted. If an entity applies this Standard earlier:

- (c) if the entity is a not-for-profit entity – notwithstanding paragraph 20, it may elect not to present comparative information in the notes to the financial statements if the entity did not disclose the comparable information in its most recent previous general purpose financial statements."

and resulted in actions such as adding tax reconciliation and franking credits disclosures.

Topic 6: Individually Material Items

120 Roundtable 1:

- (a) Explicit disclosure requirements were viewed as useful for auditors when explaining the need for certain disclosures to clients. One participant suggested that a 10% threshold for expense disaggregation served as a helpful practical benchmark; and
- (b) Another participant noted that preparers sometimes push back on disclosure expectations and emphasised the need for greater clarity to reduce the level of judgment required.

121 Roundtable 3:

- (a) 21 participants responded to the question related to the disclosure requirement for individually material items. Ten respondents (48%) stated that an explicit disclosure requirement for individually material items is not needed, while another ten respondents (48%) said there were no issues, but the AASB should still consider adding such a requirement. One respondent (4%) suggested adding an explicit requirement; and
- (b) One participant commented that paragraphs 21–23 of AASB 1060¹⁰ appear to be sufficiently prescriptive for all elements of GPFS at Tier 2 level. A further participant said paragraph 91(c) also helps with materiality.

Topic 7: Adequacy of disclosures:

122 Roundtable 1: One participant highlighted that charities require related-party disclosures that align with regulatory requirements, which AASB 1060 does not currently provide.

123 Roundtable 3: One participant observed that there is very limited disclosure regarding the testing of goodwill for recoverable amount and related impairment assessments.

Topic 8: Maintaining AASB 1060

124 Roundtable 1:

- (a) Two participants expressed support for smaller, more frequent updates to AASB 1060 rather than infrequent major revisions; and

10 AASB 1060 paragraph 21 states that “an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.”

AASB 1060 paragraph 22 states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

AASB 1060 paragraph 23 states that “this Standard specifies information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure if the information resulting from that disclosure is not material. This is the case even if this Standard contains a list of specific requirements or describes them as minimum requirements.”

- (b) One participant raised concerns about ensuring ongoing alignment with the *IFRS for SMEs Accounting Standard*.

125 Roundtable 2: One participant confirmed there are no concerns with the current process.

126 Roundtable 3: Out of 27 responses, 21 respondents (75%) preferred the current approach of making amendments as issues arise, while six respondents (25%) favoured a more stable standard with periodic updates. This demonstrates a strong preference for flexibility and responsiveness to emerging issues, though a notable minority would welcome greater stability through scheduled updates.

Topic 9: Other Observations

127 Roundtable 3:

- (a) One participant noted the potential emergence of a 'third tier' of reporters; and
- (b) Participants highlighted the need for greater software support for preparing GPFS. One participant noted that many firms expected software providers to simply add a "tick-box" to generate GPFS instead of SPFS, which was unrealistic because it would bypass necessary accounting adjustments, reflecting the long-standing prevalence of SPFS.