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| Project: | Application of AASB 18 and AASB 107 by Superannuation Entities and Not-for-Profit Entities | Meeting: | AASB June 2026 (M221) |
| Topic: | NFP guidance regarding users of GPFS | Agenda Item: | 8.2 |
| | | Date: | 2 June 2026 |
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| | | Decision-Making: | High |
| | | Project Status: | Consider ED 338 feedback |

Objective of this agenda paper

- The objectives of this agenda paper are for the Board to:
 - consider** stakeholder feedback on the proposals in [ED 338](#) to include guidance paragraphs Aus9.1, AusB5.1 and AusB80.1 in AASB 18 for NFP entities regarding users of GPFS; and
 - decide** on whether to proceed with or amend these proposals.
- The abbreviations noted in the Cover Memo apply to this paper.

Background and overview of ED 338 proposals

- The Board observed that there are some principles in [AASB 18](#) expressed in for-profit terminology that might require additional guidance to specify how those principles should be applied by NFP entities. ED 338 proposes adding paragraphs Aus9.1, AusB5.1 and Aus80.1 to AASB 18, which are the subject of SMCs 12, 13, 18 and 19.
- The feedback received on these proposals is discussed in turn.

Submissions received on this topic

- Ten comment letters included responses to SMCs 12, 13, 18 and 19. They are: Deloitte, PwC, KPMG, Grant Thornton (GT), Institute of Public Accountants (IPA), CPA Australia (CPAA), Chartered Accountants Australia and New Zealand (CA ANZ), Australasian Council of Auditors-General (ACAG), BDO and Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC).
- In addition, feedback was obtained through two virtual roundtables. The following table summarises participation in each roundtable.

| | 18 February | 27 February |
|---|----------------------------|-------------|
| Targeted sector | NFP public and NFP private | University |
| Peak number of attendees during the session | 140 | 75 |
| Number of attendees stayed for the duration of the roundtable | 100 | 67 |
| Number of attendees participated in polling questions | 91 | 57 |

- 7 The notes of the virtual roundtables are presented as Agenda Papers [3.7](#) and [3.8](#) for the May 2026 meeting (M220).
- 8 Given that the Board’s decisions on the application of AASB 18 by NFP entities preparing Tier 1 GPFS are expected to inform its future decisions regarding NFP entities preparing Tier 2 GPFS, the virtual roundtables sought feedback in relation to both Tier 1 and Tier 2 GPFS.

Summary of staff recommendations

- 9 Most stakeholders agreed with proposed paragraphs Aus9.1, AusB5.1 and AusB80.1. Therefore, staff recommend proceeding with the ED proposals to include those paragraphs in AASB 18.

SMCs 12 and 18: Common information needs of users of GPFS of NFP entities

AASB 18 requirement and ED 338 proposal

General requirements for financial statements

Objective of financial statements

9 The objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

Aus9.1 In respect of not-for-profit private sector and public sector entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with the ability of the entity to achieve its objectives (whether financial or non-financial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows and management's stewardship of the entity's economic resources. Accordingly, where pertinent, references in this Standard to 'assessing prospects for future net cash inflows to the entity' and 'assessing management's stewardship of the entity's economic resources' (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in the *Conceptual Framework for Financial Reporting* as identified in AASB 1048 *Interpretation of Standards*.

Materiality

...

B5 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

AusB5.1 Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). In relation to not-for-profit private sector and public sector entities, where pertinent, all references in this Standard to 'existing and potential investors, lenders and other creditors' (and related terms) should be read as a reference to this broader range of users.

AASB rationale for the proposal

As noted in paragraph BC41 of ED 338, the Board observed that AASB 18.9 and B5 use for-profit terminology. Accordingly, ED 338 proposes adding paragraphs Aus9.1 and AusB5.1 to require NFP entities to consider the common information needs of GPFS users described in the Conceptual Framework.

SMC 12

In respect to **NFP private sector entities and universities** preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

SMC 18

In respect to **NFP public sector entities** preparing Tier 1 GPFS, do you agree with the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 to require these entities to consider the common information needs of users of GPFS of NFP entities described in the Conceptual Framework for Financial Reporting? Please explain your reasons.

Stakeholder feedback

10 The following table provides an overview of stakeholder feedback.

| | Agreed with adding the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 | Disagreed with adding the proposed paragraphs Aus9.1 and AusB5.1 in AASB 18 |
|-------------------------------------|--|---|
| Of the 10 written submissions | 10 | Nil |
| 18 February roundtable participants | Aus9.1 | |
| | NFP private sector | NFP public sector |
| | Tier 1: 44 participants Tier 2: 37 participants | Tier 1: 60 participants Tier 2: 37 participants |
| | AusB5.1 | |
| | NFP private sector | NFP public sector |
| | Tier 1: 38 participants Tier 2: 34 participants | Tier 1: 63 participants Tier 2: 37 participants |
| 27 February roundtable participants | Aus9.1 | |
| | NFP private sector | NFP public sector |
| | Tier 1: 3 participants Tier 2: 3 participants | Tier 1: 4 participants Tier 2: 3 participants |
| | AusB5.1 | |
| | NFP private sector | NFP public sector |
| | Tier 1: 2 participants Tier 2: 3 participants | Tier 1: 1 participant Tier 2: 3 participants |
| 27 February roundtable participants | 22 participants agreed. 9 participants agreed in principle, but considered the wording in the paragraphs could be improved. | 5 participants disagreed. |

Support for the proposals

11 All stakeholders who provided written submissions agreed with adding the proposed paragraphs for the following reasons.

Regarding NFP private sector entities and universities

- (a) The proposed changes to the for-profit terminology make AASB 18's objective more suitable for NFP entities. Referring to the Conceptual Framework and considering users' common information needs will enhance the usefulness of financial statements for decision-making and resource allocation in the NFP sector, rather than focusing solely on future net cash inflows (Deloitte and ACAG).
- (b) Many NFP entities operate alongside for-profit peers, so applying a consistent user-needs lens enhances comparability and consistency across the sector (KPMG).

Regarding NFP public sector entities

- (a) Explicitly articulating the user base for NFP public sector GPFs will help ensure alignment with current practices and centrally mandated templates (KPMG).
- (b) Users of public sector GPFs focus on service delivery, sustainability and stewardship rather than profitability, and the proposed amendments appropriately reflect this context in reframing AASB 18's user-needs concepts and line-item considerations (CPAA).
- (c) the proposed new paragraph would address the issues raised in regard to information needs of users (HoTARAC).

Disagreement with the proposals

- 12 Two roundtable participants considered it unnecessary to modify AASB 18.B5 for NFP entities, as the list of users in AASB 18.B5 is reasonable.
- (a) A university financial statements preparer noted that cash flow information is critical and should align with for-profit requirements, noting that most universities have borrowings and attract attention from rating agencies. The stakeholder considered that paragraph Aus9.1 over-prioritises objectives over cash – given the decrease in international students and changes in government policies, the current focus is on cash flow projections and generation, long and short-term investments and philanthropy.
 - (b) That same university financial statements preparer plus a professional services stakeholder noted that paragraph AusB5.1 implies increased disclosures due to a broader user group referred to in the paragraph and questioned whether that is appropriate. They also questioned whether users of financial information include all people performing oversight functions or providing/using services.

Drafting suggestions

- 13 Some stakeholders, while agreeing that NFP guidance is needed, have concerns about the drafting of the proposed paragraphs Aus9.1 and AusB5.1.
- (a) The drafting may inadvertently imply that no users assess the financial statements of NFP entities in relation to financial returns – however, fiscal sustainability, liquidity and stewardship are central to decision-making of many NFP entities (GT, IPA, CPAA and one 18 February roundtable participant). They recommended that paragraph Aus9.1 be amended as follows (suggested new text is underlined and deleted text is strikethrough):

In respect of not-for-profit private sector and public sector entities, users (such as certain existing and potential resource providers) are generally ~~less not~~ concerned with obtaining a financial return on an investment in the entity. The users may be more ~~Rather, they are~~ concerned with the ability of the entity to achieve its objectives (whether financial or non-financial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows and management's stewardship of the entity's economic resources. ...
 - (b) One roundtable participant suggested changing 'investors' to 'members' in the proposed paragraph AusB5.1 because typically an NFP entity (including companies limited by guarantee and universities) would not have investors.

- (c) It was suggested that further user-relevant factors should be added to paragraph Aus9.1 to reflect the diversity of NFP operations, including those reliant on financial returns or net cash inflows (IPA).

Staff analysis

- 14 In regard to the concerns raised by roundtable participants noted in paragraph 12, the proposed paragraphs Aus9.1 and AusB5.1 do not prevent entities from applying AASB 18.9 and B5. Entities would need to consider their operations and identify their specific users and determine the information that should be disclosed accordingly.
- 15 Staff consider that no changes should be made to the proposed paragraph Aus9.1 or AusB5.1 regarding the drafting suggestions raised in paragraph 13, based on the following.
- (a) The wording relating to the proposed paragraphs Aus9.1 and AusB5.1 is consistent with the paragraphs AusOB2.1 and AusOB3.1 of the [Framework for the Preparation and Presentation of Financial Statements](#), which has been in place since it was issued in 2004.
- (b) In the Board's project that resulted in the finalisation of AASB 2026-2 *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*,¹ no stakeholders raised concerns regarding the drafting of the related paragraphs.
- (c) The use of 'generally', which appears before 'not' in the proposed paragraph Aus9.1, does not prevent users from being concerned with obtaining a financial return on an investment in an entity. The same wording is included in paragraph Aus1.3.1 of AASB 2026-2. The word 'investor' is included in paragraph Aus1.2.1 of AASB 2026-2. It would be inappropriate to include text in AASB 18 that is inconsistent with the Conceptual Framework. For these consistency reasons, staff consider that no changes are necessary to the proposed paragraph Aus9.1 to incorporate additional factors relevant to users of NFP entities' GPFS.
- 16 **Staff recommendation:** Staff recommend proceeding as proposed in ED 338 to include paragraphs Aus9.1 and AusB5.1 in AASB 18.

Question to Board members

Q1: Do Board members agree with the staff recommendation? If not, what do Board members suggest?

1 The Board made AASB 2026-2 on 21 April 2026.

SMCs 13 and 19: NFP entities' operations or main activities

AASB 18 requirement and ED 338 proposal

Presentation and disclosure of expenses classified in the operating category

Use of characteristics of nature and function

B80 In determining how to use the characteristics of nature and function to provide the most useful structured summary as required by paragraph 78, an entity shall consider:

- (a) what line items provide the most useful information about the main components or drivers of the entity's profitability. For example, for a retail entity a main component or driver of profitability might be cost of sales. Presenting a cost of sales line item might provide relevant information about whether the revenue generated from the sale of goods covers what, for retailers, are mainly direct costs, and by what margin. However, cost of sales is unlikely to provide relevant information about the important components or drivers of profitability if the link between revenue and costs is less direct. For example, for some service entities, information about operating expenses classified by nature, such as employee benefits, might be more relevant to users of financial statements because these expenses are the main drivers of profitability.

...

AusB80.1 For the purposes of paragraph B80(a), consistent with paragraph Aus9.1, a not-for-profit private sector entity and a not-for-profit public sector entity electing to apply paragraph 78 shall consider what line items provide the most useful information to users of financial statements about the entity's operations or main activities.

AASB rationale for the proposal

AASB 18.B80 provides guidance on using the characteristics of nature and function to present and disclose operating expenses, as required by AASB 18.78. As noted in BC41–BC42 of ED 338, the Board observed that users of NFP financial statements focus more on an entity's operations or main activities than profitability. Accordingly, the Board proposed adding paragraph AusB80.1 to require NFP entities to consider which line items best explain their operations or main activities, rather than "the main components or drivers of the entity's profitability" as required by AASB 18.B80(a).

SMC 13

Do you agree with the proposed paragraph AusB80.1 in AASB 18 that **NFP private sector entities and universities** preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

SMC 19

Do you agree with the proposed paragraph AusB80.1 in AASB 18 that **NFP public sector entities** preparing Tier 1 GPFS should consider what line items provide the most useful information to users of financial statements about the entity's "operations or main activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80? Please explain your reasons.

Stakeholder feedback

17 The following table provides an overview of stakeholder feedback.

| | Agreed with adding the proposed paragraph AusB80.1 | Disagreed with adding the proposed paragraph AusB80.1 | | | | | | | | | | | | |
|--|--|---|-------------------|--|--|--------------------|-------------------|--|---|--|--------------------|-------------------|---|---|
| Of the 10 written submissions | 10 | Nil | | | | | | | | | | | | |
| 18 February roundtable participants | <p>Agreed without amendment</p> <table border="1"> <thead> <tr> <th>NFP private sector</th> <th>NFP public sector</th> </tr> </thead> <tbody> <tr> <td>Tier 1: 13 participants Tier 2: 12 participants</td> <td>Tier 1: 22 participants Tier 2: 12 participants</td> </tr> </tbody> </table> <p>Agreed in principle but considered the wording in AusB80.1 can be improved</p> <table border="1"> <thead> <tr> <th>NFP private sector</th> <th>NFP public sector</th> </tr> </thead> <tbody> <tr> <td>Tier 1: 8 participants Tier 2: 7 participants</td> <td>Tier 1: 12 participants Tier 2: 7 participants</td> </tr> </tbody> </table> | NFP private sector | NFP public sector | Tier 1: 13 participants Tier 2: 12 participants | Tier 1: 22 participants Tier 2: 12 participants | NFP private sector | NFP public sector | Tier 1: 8 participants Tier 2: 7 participants | Tier 1: 12 participants Tier 2: 7 participants | <table border="1"> <thead> <tr> <th>NFP private sector</th> <th>NFP public sector</th> </tr> </thead> <tbody> <tr> <td>Tier 1: 2 participants Tier 2: 1 participant</td> <td>Tier 1: 2 participants Tier 2: 1 participant</td> </tr> </tbody> </table> | NFP private sector | NFP public sector | Tier 1: 2 participants Tier 2: 1 participant | Tier 1: 2 participants Tier 2: 1 participant |
| NFP private sector | NFP public sector | | | | | | | | | | | | | |
| Tier 1: 13 participants Tier 2: 12 participants | Tier 1: 22 participants Tier 2: 12 participants | | | | | | | | | | | | | |
| NFP private sector | NFP public sector | | | | | | | | | | | | | |
| Tier 1: 8 participants Tier 2: 7 participants | Tier 1: 12 participants Tier 2: 7 participants | | | | | | | | | | | | | |
| NFP private sector | NFP public sector | | | | | | | | | | | | | |
| Tier 1: 2 participants Tier 2: 1 participant | Tier 1: 2 participants Tier 2: 1 participant | | | | | | | | | | | | | |
| 27 February roundtable participants | <p>25 participants agreed.</p> <p>9 participants agreed in principle, but considered the wording in the paragraphs can be improved.</p> | 1 participant. | | | | | | | | | | | | |

18 All stakeholders who provided written submissions agreed with adding the proposed paragraph AusB80.1 for the following reasons.

- (a) Generally, NFP entities focus on their operations or main activities such as service delivery rather than their profitability (ACAG and HoTARAC).
- (b) The AASB 18 focus on profitability may be inappropriate for NFP entities if left unamended (Deloitte). In the NFP context, users primarily assess performance and financial position based on an entity's ability to achieve its objectives and deliver service outcomes, rather than profitability alone (KPMG). The proposal supports providing financial information on specific qualitative outcomes that may otherwise be obscured by general disclosure principles (Grant Thornton).
- (c) Emphasising line items that best explain an entity's operations and main activities, rather than profitability, will support meaningful disaggregation (such as grants and donations, fundraising, program delivery, volunteer contributions and administration costs) and enhance understandability and accountability (PwC).

19 A few roundtable participants disagreed with the proposal but did not provide reasons for their disagreement or specific amendment suggestions.

Drafting suggestions

20 Deloitte suggested that it may be helpful to provide practical guidance by including NFP-specific line item examples in AusB80.1 consistent with the examples of line items (for example, the 'cost of sales line item') provided in AASB 18.B80(a) for for-profit entities.

Staff analysis

- 21 With regard to Deloitte's suggestions in paragraph 20 to include examples of NFP-specific line items in AASB 18, staff note that the examples provided by PwC, as outlined in paragraph 18(c) – namely grants and donations, fundraising, program delivery, volunteer contributions and administration costs – reflect line items commonly presented in an NFP entity's GPFS.
- 22 However, given the diverse range of NFP entities it would be difficult to identify typical examples of line items that would be presented in the primary financial statements to provide a useful structured summary. Including specific examples in an 'Aus paragraph' may lead some stakeholders to interpret them as expected or quasi-mandatory items. Staff consider that it would be more appropriate to include examples in the Basis for Conclusions to the Standard, where there is more scope to provide context for those examples and avoid creating unintended expectations regarding presentation requirements.

Staff recommendation

- 23 Staff recommend:
 - (a) proceeding as proposed in ED 338 to include paragraph AusB80.1 in AASB 18; and
 - (b) including in the Basis for Conclusions to the Standard examples of common line items that might provide a useful structure summary of an NFP entity's income, expenses, assets and liabilities, along with explanatory context for those examples.

Question to Board members

Q2: Do Board members agree with the staff recommendation? If not, what do Board members suggest?