



<b>Project:</b>	Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18	<b>Meeting:</b>	AASB March 2026 (M219)
<b>Topic:</b>	Consider how AASB 18 application guidance should be included in AASB 1060	<b>Agenda Item:</b>	7.1
		<b>Date of paper:</b>	26 February 2026
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Consider Exposure Draft options

## Objective of this agenda item

- The objectives of this agenda item are for the Board to:
  - vote** to amend AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*’ presentation and classification requirements to align with those in AASB 18 *Presentation and Disclosure in Financial Statements*;
  - decide** whether to include directly in AASB 1060 the relevant application guidance from AASB 18 Appendix B, and if so, how;
  - decide** the next steps for finalising publication of the ED via a sub-committee;
  - decide** the comment period for the ED; and
  - consider** a proposed timeline for completing the project to align the AASB 1060 presentation and classification requirements with those in AASB 18.

## Structure of this paper

- This Staff Paper is set out as follows:
  - Background (paragraphs 4 to 9);
  - Summary of changes made to the February 2026 working draft ED (paragraphs 10 to 11);
  - Approaches for incorporating or referencing the AASB 18 application guidance within AASB 1060 (paragraphs 12 to 15);
  - Additional considerations for the Board – AASB 1060 existing paragraphs that can be either retained removed or replaced (paragraphs 16 to 18)
  - Proposed next steps and timeline (paragraphs 19 to 21);

- (f) Appendix 1 – Amendments to the draft ED since the last AASB meeting (edits not related to application guidance consideration)
- (g) Appendix 2 – AASB 18 Appendix B application guidance (with shaded paragraphs not relevant to presentation and classification requirements).
- (h) Appendix 3 – AASB 1060 existing paragraphs that can be either retained, removed or replaced.

### Documents included in the Supplementary Materials pack

3 For further details, the following supporting materials have also been included in the supplementary pack:

- (a) 7.2 Summary of Board decisions;
- (b) 7.3 Working Draft ED version 1.1

This is the Working Draft ED with track changes showing amendments since the last Board meeting, ie. amendments to the SMCs, transitional provisions and other edits not related to the application guidance. This version does not consider how to include AASB 18 application guidance;

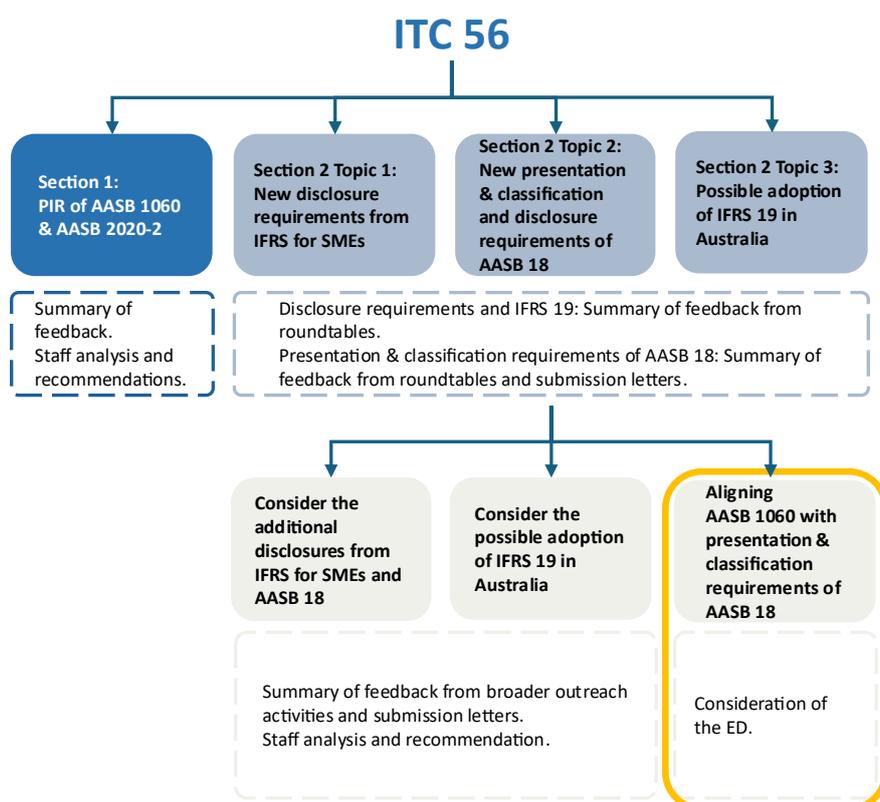
- (c) 7.4 Working Draft ED with application guidance included in new Appendix B

This is a preview of Option 2 discussed in this staff paper. This Working Draft ED proposes a new AASB 1060 Appendix B that includes all relevant AASB 18 Appendix B guidance (retaining the numbering from AASB 18); and

- (d) 7.5 Working Draft ED with application guidance included in the body

This is a preview of Option 3 discussed in this staff paper. This Working Draft ED proposes including all relevant guidance from AASB 18 Appendix B directly in the body of AASB 1060 (numbering of paragraphs not addressed).

### Flowchart of the project – Items considered in ITC 56



## Background

- 4 In September 2025, the AASB issued [ITC 56](#) *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*. The comment period was set at 120 days, with submissions due by 22 January 2026.
- 5 At the February 2026 AASB meeting, in response to stakeholder feedback received from the roundtable events, the Board agreed to:
  - (a) fast-track the project relating to the alignment of AASB 1060's presentation and classification requirements with those in AASB 18; and
  - (b) extend the outreach activities to seek additional evidence from users of Tier 2 financial statements on the need for additional disclosures.
- 6 At the February Board meeting, the Board discussed whether and how to incorporate the AASB 18 application guidance in AASB 1060. The Board considered the staff proposal to include references to AASB 18 in AASB 1060; however, it expressed the view that AASB 1060 is intended to be a 'one-stop-shop' Standard, and frequent references to another Standard would indicate the need for preparers to seek all the referenced guidance.
- 7 Several Board members noted that they were less concerned about the increasing volume of AASB 1060, and commented that it would be useful to see which paragraphs of the AASB 18 Appendix B are not relevant to presentation and classification requirements.
- 8 The Board directed staff to explore other options on how to include the AASB 18 application guidance rather than via explicit references in AASB 1060.
- 9 This staff paper explores several options for how to include the AASB 18 guidance. In addition, it also provides details about other changes made by staff to the working draft ED.

## Summary of changes made to the February 2026 working draft ED

- 10 Since the last Board meeting, staff have made some changes to the February 2026 version of the Working Draft ED to address outstanding items previously flagged for completion, comments from Board members on the February working draft and further internal review by staff to identify errors and improvement opportunities. The changes made to the February 2026 Working Draft ED include:
  - (a) updated basis for conclusions and added new SMC question number 3 related to the transitional provisions;
  - (b) updated SMC questions number 4 and 5 to clarify that the questions are asking respondents whether they agree with the approach of extending Tier 1 reliefs to Tier 2 in the same sector, as opposed to any specific requirements;
  - (c) retained paragraph 44<sup>1</sup> as it is a disclosure requirement to further subclassify line items either in the statement of financial position, or in the notes (refer to paragraph 18);
  - (d) edited paragraphs 36 and 43 of the ED to avoid repetition; and

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1 Previously, ITC 56 recommended replacing AASB 1060 paragraph 44 with AASB 18 paragraph B111. The Board did not prefer including references to individual AASB 18 Appendix B guidance paragraphs. Considering that AASB 1060 paragraph 44 is a combination of disclosure requirements and guidance, staff decided to temporarily retain it until the Board decides whether to retain or replace it. Staff have retained paragraph 44 in ED version 1.1, the preview version of Option 2 and the preview version of Option 3 for the purpose of providing a visual illustration.

- (e) made other minor editorial refinements to correct referencing and improve consistency and the overall flow of the ED.

A summary and extract of all changes made to the draft ED since the last Board meeting are included in Appendix 1 to this staff paper.

- 11 Staff have also included an amended version of the Draft ED with track changes showing all changes in the Supplementary Material folder (Working Draft ED Version 1.1) for illustration.

### **Approaches for incorporating or referencing the AASB 18 application guidance within AASB 1060**

- 12 In response to the feedback received from the Board, staff have reviewed all AASB 18 application guidance (Appendix B paragraphs) and shaded in grey those that should **not** be included in AASB 1060 because they do not relate to classification and presentation - see Appendix 2 to this staff paper. These paragraphs relate to other disclosure requirements in AASB 18 (e.g., MPMs) and, therefore, may be considered for inclusion in AASB 1060 at a later stage, together with the relevant disclosure requirements.
- 13 When exploring how to include the AASB 18 application guidance without explicit references to individual paragraphs, staff considered the following four options:
  - (a) **Option 1:** Remove the individual cross-references to AASB 18 Appendix B, but refer to AASB 18 in paragraph 2<sup>2</sup> which lists the standards users can refer to for guidance.
  - (b) **Option 2:** Include all relevant<sup>3</sup> AASB 18 Appendix B paragraphs in a new Appendix B to AASB 1060 (retaining the numbering from AASB 18); and re-number the existing AASB 1060 Appendix B to become Appendix C.
  - (c) **Option 3:** Include all relevant<sup>3</sup> guidance from AASB 18 Appendix B directly in the body of AASB 1060.
  - (d) **Option 4:** include selected<sup>4</sup> presentation and classification guidance from AASB 18 Appendix B into AASB 1060 (either as a new appendix to AASB 1060 or directly in the body of AASB 1060).

For all four options, a separate consideration will be required to determine whether certain AASB 1060 existing paragraphs are to be retained, removed or replaced. This matter is discussed later in the staff paper (in paragraphs 16 to 18), after our assessment of the advantages and disadvantages of the four options.

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2 Currently, AASB 1060 paragraph 2 states:

*Except to the extent specifically addressed in this Standard, the definitions and presentation requirements of other Australian Accounting Standards continue to apply. Entities are permitted to refer to other Standards for guidance on the requirements in this Standard, including AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows and AASB 124 Related Party Disclosures.*

3 All relevant guidance refers to the AASB 18 Appendix B paragraphs that are not shaded in grey in Appendix 2 to this staff paper.

4 Only some presentation and classification guidance means not all of the unshaded paragraphs in Appendix 2 to this staff paper

14 Staff assessed the advantages and disadvantages of the four options:

Options	Advantages	Disadvantages
<p><b>Option 1:</b> Add AASB 18 to the list of standards in paragraph 2 of AASB 1060, which allows users to refer to other standards for guidance</p>	<p>(a) AASB 1060 would be less voluminous. (b) Removes subjectivity related to deciding about what guidance should be included or referenced. (c) Easier ongoing maintenance of AASB 1060. (d) Keep the main disclosure requirements in the body of the standard separate from the additional guidance, which makes it easier to focus on what matters most.</p>	<p>(a) Removal of the AASB 18 Appendix B references may lead to guidance being omitted by users. This could result in inconsistent application of presentation and classification requirements and in failure to achieve alignment with AASB 18 requirements. (b) AASB 1060 may not be seen as a one-stop shop anymore. It would be less convenient for users to look for the guidance in a different standard.</p>
<p><b>Staff recommendation:</b> Staff do <b>not</b> recommend Option 1. Omitting the relevant application guidance may hinder achieving the objective of aligning AASB 1060’s presentation and classification requirements with those in AASB 18.</p>		
<p><b>Option 2:</b> Include all relevant guidance in the new Appendix B to AASB 1060 (numbering consistent with AASB 18 Appendix B)</p>	<p>(a) AASB 1060 remains a one-stop shop. Users of AASB 1060 would not need to seek application guidance in AASB 18. (b) The new Appendix B would retain the same paragraph numbering as AASB 18 Appendix B, simplifying future maintenance. (c) Separates the main disclosure requirements from the additional guidance, which makes it easier to focus on what matters most. (d) Moving the application guidance into a separate appendix is consistent with more recent IASB and AASB drafting conventions.</p>	<p>(a) AASB 1060 would be more voluminous. (b) It could be less convenient for users to have guidance located in the appendix rather than alongside the relevant presentation and classification requirements in the main body of the Standard.</p>
<p><b>Staff recommendation:</b> Staff recommend Option 2.</p>		

Options	Advantages	Disadvantages
<p><b>Option 3:</b> Include the relevant AASB 18 Appendix B guidance directly in the body of AASB 1060</p>	<p>(a) AASB 1060 remains a one-stop shop. Users of AASB 1060 would not need to seek application guidance in AASB 18 or in a separate Appendix.</p> <p>(b) All relevant guidance would be located alongside the relevant presentation and classification requirements, which may be more convenient for users.</p>	<p>(a) AASB 1060 would be more voluminous.</p> <p>(b) The substantial amount of guidance incorporated into the main body of AASB 1060 may make it more difficult to identify the main disclosure requirements. Although we may visually distinguish between the main requirements and the guidance paragraphs (e.g. through the use of boxes or shading, and possibly without renumbering the guidance paragraphs), this type of format is not usually used in Australian Accounting Standards.</p> <p>(c) Should the Board decide to follow the current format of AASB 1060, the guidance paragraphs would need to be re-numbered, so they become a part of the main requirements. This will involve using a mixture of numbers and two letters (eg 57AB, 57GB). Cross-referencing between such paragraphs is more cumbersome compared to having just numbers as references. While it would be possible to re-number all the paragraphs in AASB 1060, this would be a significant exercise, as it would also involve checking other standards for potential cross-referencing, including the need to update any internal references within AASB 1060.</p> <p>(d) Significant renumbering could result in additional work for practitioners if they need to update their checklists or templates.</p> <p>(e) It may require a significant amount of time to prepare the amending standard, especially if any renumbering is required.</p>
<p><b>Staff recommendation:</b> Staff do <b>not</b> recommend Option 3.</p>		
<p><b>Option 4:</b> Include only selected AASB 18 Appendix B guidance directly in the body of AASB</p>	<p>(a) AASB 1060 would be less voluminous (compared to Option 2 and Option 3).</p>	<p>(a) Requires line-by-line review of each guidance paragraph and decides individually whether to include in AASB 1060. This introduces significant subjectivity into the standard-setting process, as deciding what to include and what to exclude will be subjective.</p>

Options	Advantages	Disadvantages
1060 and do not refer to remaining guidance	(b) AASB 1060 remains a one-stop shop. Users of AASB 1060 would not need to seek application guidance in AASB 18.	(b) Establishing principles to decide which presentation and classification guidance to include in AASB 1060 would be challenging. The existing principles, intended to guide whether a disclosure requirement should be included in AASB 1060 (AASB 1060 paragraph BC 41 <sup>5</sup> ), apply to disclosure requirements rather than to guidance.
<p><b>Staff recommendation:</b> Staff do <b>not</b> recommend Option 4 due to the complexity and challenges in selecting which presentation and classification guidance to include in AASB 1060, given the intent is to ensure that Tier 2 entities apply the same presentation and classification requirements as Tier 1 entities. This is different to determining which disclosures Tier 2 entities should provide.</p>		

5 AASB 1060 paragraph BC41 states:

*In determining what disclosures to add, the following broad principles have been applied by the Board, which are consistent with those applied by the IASB in developing the disclosures in the IFRS for SMEs Standard:*

- (a) *users of the financial statements of for-profit entities that are not publicly accountable entities are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. Thus disclosures in full IFRS Standards that provide this sort of information are necessary;*
- (b) *users of the financial statements of for-profit entities that are not publicly accountable entities are particularly interested in information about liquidity and solvency. Thus disclosures in full IFRS Standards that provide this sort of information are necessary;*
- (c) *information on measurement uncertainties is important;*
- (d) *information about an entity's accounting policy choices is important;*
- (e) *disaggregations of amounts presented in the financial statements of for-profit entities that are not publicly accountable entities are important for an understanding of those statements; and*
- (f) *some disclosures in full IFRS Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical for-profit entities that are not publicly accountable entities.*

- 15 To assist the Board in making a decision, staff have included in the supplementary pack the following materials:
- (a) Preview of Option 2, ie, the Working Draft ED and the newly proposed AASB 1060 Appendix B, which includes relevant guidance from AASB 18 Appendix B (7.4 Working Draft ED with application guidance included in new Appendix B); and
  - (b) Preview of Option 3, ie, the Working Draft ED that includes all relevant guidance alongside the relevant presentation and classification requirements (7.5 Working Draft ED with application guidance included in the body). This Working Draft ED illustrates where the guidance paragraphs would be included in the body of AASB 1060 and how this will affect the readability of the standard.  
However, staff have retained the existing B paragraph numbering from AASB 18 as a temporary measure, because renumbering the guidance would require a substantial amount of time. Should the Board decide to proceed with Option 3, staff will adequately renumber the paragraphs.

**Additional considerations for the Board – AASB 1060 existing paragraphs that can be either retained, removed or replaced**

- 16 AASB 1060 presentation requirements were based on AASB 101 *Presentation of Financial Statements*, which did not specifically distinguish between guidance and requirements. As such, some of the AASB 101 guidance was incorporated in AASB 1060. However, as AASB 18 included all guidance in the Appendix B, certain paragraphs (originally located in the body of AASB 101) were relocated to AASB 18 Appendix B. ITC 56 recommended aligning AASB 1060 presentation requirements with AASB 18. However, some corresponding paragraphs in AASB 18 contain only cross-references to Appendix B, where the guidance is now located.
- 17 Subject to the decision on how to include the AASB 18 guidance in AASB 1060, the Board may need to consider whether to retain, remove or replace paragraphs with guidance on presentation that currently exist in AASB 1060. This consideration may vary depending on the preferred option for guidance inclusion. For example:
- (a) Option 1 suggests not including AASB 18 guidance but adding a general reference to AASB 18 application guidance in paragraph 2 of AASB 1060. Maintaining a consistent approach to all guidance paragraphs could mean removing the existing guidance paragraphs from AASB 1060. Alternatively, existing paragraphs in AASB 1060 could be retained. However, this would lead to duplicating the guidance by referencing AASB 18. Although the guidance in AASB 18 Appendix B is substantially similar, the wording may differ, which may confuse users.
  - (b) Option 2 suggests including relevant guidance in the appendix to AASB 1060. To avoid duplication, the existing guidance paragraphs in AASB 1060 should be removed or replaced with the reference to the guidance in the new appendix. Alternatively, the existing paragraphs in AASB 1060 could be retained and the AASB 18 corresponding paragraphs could be excluded from the new AASB 1060 appendix.
  - (c) Option 3 suggests including all relevant guidance in the body of AASB 1060. The Board may consider whether we retain or replace the existing AASB 1060 guidance paragraphs.
  - (d) Option 4 suggests including only selected guidance paragraphs. Similarly to above, the Board may consider whether we remove, retain or replace the existing AASB 1060 guidance paragraphs.
- 18 The Board’s consideration applies to the following existing AASB 1060 paragraphs:
- (a) the definition of ‘material’ currently in Appendix A of AASB 1060 is now located in AASB 18 paragraphs B1–B5;
  - (b) the list of components of other comprehensive income that forms part of the current definition of ‘Other comprehensive income’ in Appendix A of AASB 1060 is now located in AASB 18 paragraph B87;

- (c) paragraphs 43 and 44<sup>6</sup> of AASB 1060 are now covered in paragraphs B109 to B111 of AASB 18. Paragraph 43 provides guidance relating to the judgement on whether additional items are presented separately and paragraph 44 requires the subclassifications of line items in the statement of financial position that may be presented either in the statement of financial position or in the notes; and
- (d) the second sentence from paragraph 39 is now included in paragraph B95 of AASB 18. It provides guidance on classifying an asset as current vs non-current when an entity's normal operating cycle is not clearly identifiable.

Refer to Appendix 3 of this staff paper for extracts of the above paragraphs.

#### Questions for Board members

- Q1: Do Board members have any questions or comments?
- Q2: In respect of including the application guidance to AASB 1060, which of the four options do Board members prefer?
- Q3: What approach to the application guidance that currently exists in AASB 1060 (as summarised in paragraph 18) does the Board prefer? Do Board members prefer to retain, remove or replace in AASB 1060?

#### Proposed next steps and timeline

- 19 Subject to the number and nature of changes the Board decides to make to the working draft ED, staff recommend that the Board approves publishing the ED proposing the alignment with AASB 18 presentation and classification requirements, and finalise the drafting of the ED with the subcommittee. Alternatively, the ED can be finalised at the next Board meeting in May 2026.

#### Questions for Board members

- Q4: Do Board members agree with issuing the ED proposing alignment with AASB 18 presentation and classification requirements?
- Q5: Do Board members agree with finalising the ED with the subcommittee? If so, could Board members indicate their interest in participating in the subcommittee?

#### Exposure Draft comment period

- 20 Section 6.5 of the [AASB Due Process Framework for Setting Standards](#) states that the Board would generally provide a 90-day comment period for an ED. Assuming the ED is published in Q2 2026, a 90-day comment period would end in Q3 2026.

#### Question for Board members

- Q6: Do Board members agree with providing a 90-day comment period for the ED?

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6 For the purposes of presenting a full copy of the working draft ED version 1.1, preview of Option 2 and preview of Option 3 in the supplementary pack, staff have temporarily retained paragraph 44 for the reasons outlined in paragraph 10(c) and footnote 1 of this staff paper.

## Proposed timeline

21 The following table contains staff’s proposed timeline for completing the project, assuming the Board would approve establishing a subcommittee to finalise and publish the ED at the March meeting.

Meeting/Deliverable	Project Milestones
Q2 2026	Subject to the Board’s decision in this meeting, the subcommittee of the Board to review and finalise the drafting of the ED for publication in Q2 2026.  Propose a 90-day comment period, which will end in Q3 2026.
Q2 2026	Outreach to stakeholders.
Q3-Q4 2026	Staff to summarise and analyse feedback on the ED.
Q4 2026 Board meeting	Board to consider stakeholder feedback and staff’s recommended changes to the proposals in response to stakeholders’ feedback.
Q1 2027	Board to consider a draft version of the amending Standard, and to decide whether there is a need to publish a Fatal-Flaw Review (FFR) Draft version of the amending Standard for public consultation.
Q2 2027	Finalise the Standard out of session and publish the Standard

### Question for Board members

Q7: Do Board members have any comments about the proposed draft timeline?

**Appendix 1 – Amendments to the draft ED since the last AASB meeting (edits not related to application guidance consideration)**

A1.1 This appendix presents the amendments made to the draft ED since the last AASB meeting as listed in paragraph 10 of Staff paper 7.1. Refer to 7.3 Working Draft ED version 1.1 in the supplementary folder for the full copy of the Working Draft ED with track changes. This appendix does not consider how to include AASB 18 application guidance.

**Updated basis for conclusion and SMC question related to transitional provisions**

A1.2 When preparing the working draft ED for the February Board meeting, staff drafted initial transitional provisions. Since then, staff have added to the Basis for Conclusion new paragraphs BC31 to BC37 related to transitional provisions and also a new SMC question on transition requirements.

A1.3 In the Basis for Conclusions section of the ED, staff have also added “and transition” alongside the effective date before introducing the new BC paragraphs BC31 to BC37.

The edits are presented below.

**Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, AASB 2026-X Amendments to Australian Accounting Standards – Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18*

...

**Effective date and transition**

...

**Retrospective application and disclosure on initial application**

BC31 The AASB proposes that the transition requirements for the amendments made by this [draft] Standard should be consistent with those that apply to entities that are transitioning from AASB 101 to AASB 18. An entity shall apply the amendments retrospectively and restate comparative information to ensure the information presented in the statement of profit or loss is not misleading. Because the requirements affect presentation and disclosure only, an entity will not need to consider periods before the start of the earliest comparative period.

BC32 On initial application of the amendments made by this [draft] Standard, an entity shall disclose a reconciliation for each line item in the statement of profit or loss between:

- (a) the restated amounts presented applying the amendments made by this Standard; and
- (b) the amounts previously presented.

BC33 The AASB further proposes that an entity should be required to disclose the reconciliation for the comparative period immediately preceding the period in which this [draft] Standard is first applied, but not for

- (a) the reporting period in which the amendments are first applied; or
- (b) earlier comparative periods presented.

BC34 The disclosures in BC32 would replace the requirement in paragraph 106(b) requiring an entity to disclose the amount of the adjustment for each line item affected if initial application of any Australian Accounting Standard has an effect on the current or any prior period.

[BC35](#) [The AASB agrees with the IASB’s reasoning<sup>1</sup> that the changes to the structure of the statement of profit or loss introduced by the amendments would make it difficult for users of financial statements to analyse trends without a reconciliation to the amounts previously presented. However, if an entity had to disclose a reconciliation also for the reporting period in which the amendments are first applied, the entity would have to maintain systems for preparing its financial statements in accordance with the previous requirements of AASB 1060 for the duration of the year of initial application. This would increase implementation costs. The AASB also expects the resulting information to be of limited benefit because the amendments are required to be applied retrospectively.](#)

## **Investments in associates and joint ventures**

[BC34](#)[BC36](#) [Finally, the AASB also proposes providing eligible entities that are applying the amendments made by this \[draft\] Standard with an option to change their election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss. The same option is provided to entities that apply AASB 18 for the first time, see paragraph C7 of AASB 18. Measuring the investments at fair value through profit or loss may enable eligible entities to present the income and expenses from those investments in the operating category. In contrast, if the investments are accounted for using the equity method, the income and expenses will always have to be presented in the investing category under the classification requirements as amended by this \[draft\] Standard.<sup>2</sup>](#)

[BC32](#)[BC37](#) [An entity that applies the election is required to account for the applicable investments in the same way in its separate financial statements as required by paragraph 11 of AAS 127. If an entity makes such a change, it applies the change retrospectively applying AASB 108.](#)

## **Specific matters for comment**

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[3](#) [Do you agree that the transition requirements should be the same as those for AASB 18:](#)

- [\(a\)](#) [The amendments should be applied retrospectively.](#)
- [\(b\)](#) [Entities should disclose a reconciliation for each line item in the statement of profit or loss between the restatement amounts and the amounts previously reported for the comparative period, but not for the current period or earlier periods presented. Entities are not required to comply with paragraph 106\(b\) of AASB 1060.](#)
- [\(c\)](#) [When first applying the amendments, eligible entities may change their elections for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss \(see paragraph BC36\)?](#)

[If you disagree, please explain why.](#)

## **Updated SMC question relating to the approach of extending Tier 1 reliefs to Tier 2 within the same sector**

A1.4 In response to the feedback from the Board member questioning the stakeholders’ ability to answer the question on whether relief provided to Tier 1 entities should be extended to Tier 2 entities, staff have reworded the questions to clarify that the SMC seeks views on the approach rather than on the suitability of particular requirements. The edits are outlined below.

## **Specific matters for comment**

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[34](#) [In ED 338, the AASB sought stakeholder feedback on the suitability of applying AASB 18 and the revised AASB 107 \*Statement of Cash Flows\* requirements to not-for-profit \(NFP\) private and public sector entities preparing Tier 1 General Purpose Financial Statements \(GPFS\).](#)

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<sup>1</sup> [See Basis for Conclusions on IFRS 18 \*Presentation and Disclosure in Financial Statements\* paragraphs BC418–BC420](#)  
<sup>2</sup> [See Basis for Conclusions on IFRS 18, paragraphs BC423 and BC121–BC128 for further information.](#)

The ED ~~338~~ proposed that ~~the~~ NFP public sector entities preparing Tier 1 GPFS:

- (a) would not be required to classify income and expenses into operating, investing and financing categories in the income statement, nor to present subtotals for the operating profit or loss and profit or loss before financing and income taxes ~~subtotals~~; and
- (b) would be permitted to elect how to classify dividends received and interest paid and received in the statement of cash flows, and to continue using the 'profit or loss' total as the starting point for the indirect method of reporting than cash flows from operating activities.

Do you agree that if any modifications-reliefs are granted to NFP public sector entities preparing Tier 1 GPFS, should the same modifications-should also be provided to NFP public sector entities preparing Tier 2 GPFS?

If you disagree with this approach, please explain why

45 ED 338 did not propose any other specific ~~modifications-reliefs~~ for NFP private sector entities preparing Tier 1 GPFS, but sought feedback on whether applying AASB 18 and the revised AASB 107 requirements is suitable for these entities. Do you agree with the approach that if the AASB should decide, based on stakeholder feedback, to provide any relief for NFP private sector entities from complying with the new presentation requirements in AASB 18 and AASB 107, if any modifications are granted to NFP private sector entities preparing Tier 1 GPFS, should the same modifications-relief should also be provided to NFP private sector entities preparing Tier 2 GPFS?

If you disagree with this approach, please explain why

## Retaining AASB 1060 paragraph 44

A1.5 AASB 1060 paragraph 44 is a combination of disclosure requirements and guidance. In AASB 18, the comparable paragraph is located in Appendix B as application guidance. ITC 56 recommended replacing AASB 1060 paragraph 44 with AASB 18 paragraph B111. However, the Board did not prefer including references to individual guidance paragraphs in AASB 18. As explained in paragraph 16 of Staff paper 7.1, AASB 1060 paragraph 44 is among those requiring further Board consideration regarding retention or replacement. Given that the paragraph also includes a disclosure requirement, staff decided to temporarily retain it. This action shows in the Working Draft ED as ellipsis ("...") for paragraph 44 of AASB 1060. For demonstration, we have included below the extract from the February Working Draft ED, which shows the requirement of paragraph 44 that was removed in that version.

### ***Working Draft ED (February 2026 Board meeting version)***

21 Paragraphs 42 and 43 are replaced with paragraphs 105 and 106 from AASB 18:

...

43 AASB 18 paragraphs B109 and B111 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the statement of financial position or disclose items in the notes. [AASB 18 paragraph 105]

22 Paragraph 44 is deleted, and paragraph 45 is amended:

### **Information to be presented either in the statement of financial position or in the notes**

44 ~~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.

[Based on *IFRS for SMEs* Standard paragraph 4.11]

**Working Draft ED Version 1.1 (March 2026 Board meeting version)**

21 Paragraphs 42 and 43 are replaced ~~with paragraphs 105 and 106 from AASB 18:~~

...

43 AASB 18 paragraphs B109 and B111+0 and paragraph 44 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the statement of financial position or disclose items in the notes. [AASB 18 paragraph 105]

22 Paragraph ~~44 is deleted and paragraph~~ 45 is amended:

**Information to be presented either in the statement of financial position or in the notes**

44 ...

**Reducing repetition in AASB 1060 paragraphs 36 and 43**

A1.6 In paragraphs 19 and 21 of the ED, in response to the feedback from a Board member about a repetition of the requirements in AASB 1060 paragraphs 36 and 43, staff have made the following edits

- 19 ...
- 36 An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity’s financial position. ~~AASB 18 paragraphs B109 and B111 set out requirements on how an entity uses its judgement to determine whether to present additional items in the statement of financial position (see paragraph 43). [Based on *IFRS for SMEs Accounting* Standard paragraph 4.3]~~
- 21 ...
- 43 AASB 18 paragraphs B109 and B111+0 and paragraph 44 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the statement of financial position or disclose items in the notes. [AASB 18 paragraph 105]

**Other edits**

A1.7 In reviewing the working draft ED from the February meeting, staff made the following referencing correction:

- (a) In paragraph 14 of the ED, replacing referencing to AASB 18 paragraphs with AASB 1060 paragraphs.

14 Paragraphs 21 and 22 are replaced, a new paragraph 22A is added, paragraph 23 and the related heading to this section are amended as follows:

...

21 For the purposes of this Standard, an item is an asset, liability, equity instrument or reserve, income, expense or cash flow or any aggregation or disaggregation of such assets, liabilities, equity, income, expenses or cash flows. A line item is an item that is presented separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would override specific aggregation or disaggregation requirements in Australian Accounting Standards, an entity shall (see AASB 18 paragraphs B16–B23):

- (a) classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on shared characteristics;
- (b) disaggregate items based on characteristics that are not shared;
- (c) aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries (see ~~AASB 18~~ paragraph 30B+6);
- (d) aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information (see ~~AASB 18~~ paragraph 30C+7);  
and
- (e) ensure that aggregation and disaggregation in the financial statements do not obscure material information (see AASB 18 paragraph B3).

...

- (b) In paragraph 17 of the ED, deleting reference to paragraph 9. Paragraph reference in the February version was incorrect. AASB 1060 doesn't have a paragraph setting out the objective of financial statements but refers to the Conceptual Framework instead. As such, staff propose to do the same here. ED 338 proposed to add AASB 18 para AusB5.1 for the NFP sectors as guidance. If the amendments proposed by ED 338 are finalised as proposed, paragraph AusB5.1 will need to be added to the guidance in paragraph 30A.

17 Paragraphs 30A to 30H are added:

### **The roles of the primary financial statements and the notes**

30A To achieve the objective of financial statements set out in the *Conceptual Framework for Financial Reporting* (see paragraph 9), an entity presents information in the primary financial statements and discloses information in the notes. An entity need only present or disclose material information (see paragraph 23 and AASB 18 paragraphs B1–B5). [Based on AASB 18 paragraph 15]

...

A1.8 To improve consistency and flow of the draft ED, staff made the following edits:

- (a) In paragraphs 19 and 21 of the ED, the explicit references to the specific AASB 18 paragraphs replacing AASB 1060 paragraphs have been removed. As similar details were not provided for other paragraphs that have been replaced, we need to maintain consistency throughout the ED.

19 Paragraph 35 is replaced ~~with paragraphs 103 and 104 from AASB 18;~~ paragraph 35A is added and paragraph 36 is amended:

...

21 Paragraphs 42 and 43 are replaced ~~with paragraphs 105 and 106 from AASB 18:~~

...

- (b) In paragraph 24 of the ED, the content of paragraph 55 was replaced with an ellipsis ("...") to indicate that the paragraph remains unchanged and contains no amendments. Paragraph 55 should have been omitted from the Working Draft ED (February 2026 Board

meeting version), as it introduced no change to the content and was included inadvertently by staff.

24 Paragraph 52 and 56 will be deleted and paragraphs 53 and 54 amended:

...

### **Requirements applicable to both approaches**

55 ~~... Under AASB 108, the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise. [IFRS for SMEs Accounting Standard paragraph 5.8]~~

...

- (c) In paragraph 32 of the ED, adding B1 and an ellipsis (“...”) before paragraph B2 signals that earlier paragraphs exist in the Effective Date section and remain unchanged.

32 The title of Appendix B is amended and paragraphs B2-B5 are added:

...

### **Effective date**

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B1 .....

B2 AASB 2026-X Amendments to Australian Accounting Standards – Updating AASB 1060 to Align the Presentation and Classification Requirements with AASB 18, issued in Month 2026, made the amendments set out in paragraphs 1–32. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 202X. Earlier application of the amendments is permitted. If any entity applies the amendments for an earlier period, it shall disclose that fact

## **Appendix 2 – AASB 18 Appendix B application guidance (with shaded paragraphs not relevant to presentation and classification requirements)**

A2.1 This appendix provides an extract of the AASB 18 Appendix B application guidance. As most AASB 18 Appendix B-paragraphs are relevant, staff have shaded in grey the paragraphs that we **do not propose** to include in AASB 1060 at this stage.

A2.2 B-paragraphs that are highlighted in yellow relate to the additional consideration for the Board regarding the AASB 1060 existing paragraphs that can be either retained, removed or replaced (refer to Staff paper 7.1 paragraphs 16 to 18). These are as follows:

- (i) paragraphs B1 to B5 relating to “materiality”;
- (ii) paragraph B87 relating to the “other comprehensive income”;
- (iii) paragraph B111 relating to AASB 1060 paragraph 44; and
- (iv) paragraph B95 relating to the second sentence from paragraph 39 of AASB 1060.

A2.3 All unshaded paragraphs are considered as relevant and staff have included these B-paragraphs in 7.4 Preview of Option 2 and 7.5 Preview of Option 3 in the supplementary pack.

## Appendix B Application guidance

*This appendix is an integral part of the Standard. It describes the application of paragraphs 1–132 and has the same authority as the other parts of the Standard.*

### General requirements for financial statements

#### Materiality

- B1 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.
- B2 Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.
- B3 Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:
- (a) material information about an item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
  - (b) material information about an item, transaction or other event is scattered throughout the financial statements;
  - (c) dissimilar items, transactions or other events are inappropriately aggregated;
  - (d) similar items, transactions or other events are inappropriately disaggregated; and
  - (e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.
- B4 Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.
- 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.

**Commented [LL1]: Note for Board members:** Paragraphs B1-B5 are currently included in the definition of 'material' in AASB 1060 Appendix A. The Board may need to decide whether the existing definition of material should stay in the Appendix A among definitions or align the wording with AASB 18 and treat it consistently with other guidance from AASB 18. Further details are explained in paragraph 16 to 18 of Staff paper 7.1.

#### The roles of the primary financial statements and the notes

- B6 Applying paragraph 17(a), an entity provides in the notes information necessary for users of financial statements to understand the line items presented in the primary financial statements. Examples of such information include:
- (a) disaggregation of the line items presented in the primary financial statements;
  - (b) descriptions of the characteristics of the line items presented in the primary financial statements; and
  - (c) information about the methods, assumptions and judgements used in recognising, measuring and presenting the items included in the primary financial statements.
- B7 Applying paragraph 17(b), an entity supplements the primary financial statements with additional information necessary to achieve the objective of financial statements – that is:
- (a) information specifically required by Australian Accounting Standards (see paragraph 19) – for example:

- (i) information required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* about an entity's unrecognised contingent assets and contingent liabilities; and
  - (ii) information required by AASB 7 *Financial Instruments: Disclosures* about an entity's exposure to various types of risks, such as credit risk, liquidity risk and market risk; and
- (b) information additional to that specifically required by Australian Accounting Standards (see paragraph 20).

### Information presented in the primary financial statements

- B8 Paragraph 23 explains that an entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even if the line item is required by Australian Accounting Standards. For example, an entity need not present a line item listed in paragraph 75 if doing so is not necessary for the statement of profit or loss to provide a useful structured summary of income and expenses, or a line item listed in paragraph 103 if doing so is not necessary for the statement of financial position to provide a useful structured summary of assets, liabilities and equity. If an entity does not present the line items listed in paragraphs 75 and 103, it shall disclose the items in the notes if the resulting information is material (see paragraph 42).
- B9 Conversely, applying paragraph 24, an entity shall present additional line items to those listed in paragraphs 75 and 103 if such presentations are necessary for the statement of profit or loss to provide a useful structured summary of income and expenses or for the statement of financial position to provide a useful structured summary of assets, liabilities and equity (see paragraphs B78–B79 and B109–B111).

### Identification of the financial statements

- B10 Paragraph 25 requires an entity to clearly identify the financial statements and distinguish them from other information in the same published document. An entity meets these requirements by providing appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of providing such information. For example, if an entity provides the financial statements electronically, an entity considers other ways to meet the requirements – for example, by appropriate digital tagging of information provided in the financial statements.
- B11 An entity often makes financial statements more understandable by providing information in thousands or millions of units of the presentation currency. This practice is acceptable as long as the entity discloses the level of rounding and does not omit material information.

### Consistency of presentation, disclosure and classification

- B12 Paragraph 30(a) requires an entity to change the presentation, disclosure or classification of items in the financial statements if it is apparent that another presentation, disclosure or classification would be more appropriate. For example, a significant acquisition or disposal, or a review of the financial statements, might suggest that the financial statements need to be changed. An entity is permitted to change the presentation, disclosure or classification of items in its financial statements only if the change provides information that is more useful to users of financial statements and if the entity is likely to continue using the revised presentation, disclosure or classification, so that inter-period comparability is not impaired. When making such changes, an entity reclassifies its comparative information in accordance with paragraphs 33–34.

### Comparative information

#### Required comparative information

- B13 In some cases, narrative information provided in the financial statements for the preceding reporting period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users of financial statements might benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

#### Additional comparative information

- B14 An entity may provide comparative information in addition to the comparative information required by Australian Accounting Standards, as long as that information is prepared in accordance with Australian

**Commented [LL2]:** Note for Board members: additional comparatives and a 3<sup>rd</sup> balance sheet are not required under AASB 1060, as such para B14 and B15 will be excluded in AASB 1060.

Accounting Standards. This additional comparative information may consist of one or more of the primary financial statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall disclose in the notes information for those additional primary financial statements.

- B15 For example, an entity may present a third statement (or statements) of financial performance (thereby presenting the current reporting period, the preceding period and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third statement of cash flows or a third statement of changes in equity (that is, an additional primary financial statement comparative). The entity is required to disclose in the notes the comparative information related to that additional statement(s) of financial performance.

## **Aggregation and disaggregation**

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### **Principles of aggregation and disaggregation**

#### **Process of aggregation and disaggregation**

- B16 Financial statements result from entities processing large numbers of transactions and other events. These transactions and other events give rise to assets, liabilities, equity, income, expenses and cash flows.
- B17 To apply the requirements in paragraph 41, an entity shall aggregate items based on shared characteristics (that is, aggregate items that have similar characteristics) and disaggregate items based on characteristics that are not shared (that is, disaggregate items that have dissimilar characteristics). In doing so, an entity shall:
- (a) identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events;
  - (b) classify and aggregate assets, liabilities, equity, income, expenses and cash flows into items based on their characteristics (for example, their nature, their function, their measurement basis or another characteristic) so as to result in the presentation in the primary financial statements of line items and disclosure in the notes of items that have at least one similar characteristic; and
  - (c) disaggregate items based on dissimilar characteristics:
    - (i) in the primary financial statements, as necessary to provide useful structured summaries (as described in paragraph 16); and
    - (ii) in the notes, as necessary to provide material information (as described in paragraph 17).
- B18 An entity may apply the steps in paragraphs B17(a)–B17(c) in varying order to apply the principles of aggregation and disaggregation in paragraph 41.

#### **Basis of aggregation and disaggregation**

- B19 Paragraphs B16–B18 explain that an entity uses its judgement to aggregate and disaggregate assets, liabilities, equity, income, expenses and cash flows from individual transactions and other events based on similar and dissimilar characteristics. Paragraphs B78 and B110 set out examples of characteristics an entity considers in making its judgements.
- B20 The more similar the characteristics of assets, liabilities, equity, income, expenses and cash flows are, the more likely it is that aggregating them will fulfil the role of the primary financial statements (that is, to provide useful structured summaries as described in paragraph 16) or the notes (that is, to provide material information as described in paragraph 17). The more dissimilar the characteristics of assets, liabilities, equity, income, expenses and cash flows are, the more likely it is that disaggregating the items will fulfil the roles of the primary financial statements or the notes.
- B21 The items aggregated and presented as line items in the primary financial statements shall have at least one similar characteristic other than meeting the definition of assets, liabilities, equity, income, expenses or cash flows. However, because the role of the primary financial statements is to provide useful structured summaries, the line items in the primary financial statements are also likely to aggregate items that have sufficiently dissimilar characteristics that information about the disaggregated items is material.
- B22 Applying paragraph 41, an entity shall disaggregate items that have dissimilar characteristics when the resulting information is material. A single dissimilar characteristic could result in information about disaggregated items being material.

- B23 For example, an entity might present in the statement of financial position financial assets that comprise equity investments and debt investments separately from non-financial assets. The financial assets have dissimilar characteristics because they have different measurement bases – some are measured at fair value through profit or loss and others at amortised cost. The entity might therefore determine that to provide a useful structured summary it is necessary to present line items that disaggregate the financial assets based on those measurement bases. That disaggregation results in a line item comprising equity investments and debt investments measured at fair value through profit or loss and a line item comprising debt investments measured at amortised cost. Because equity investments are dissimilar to debt investments in that each exposes the entity to different risks, the entity would assess whether further disaggregation in the statement of financial position of financial assets measured at fair value through profit or loss into equity investments and debt investments is needed to provide a useful structured summary. If not, and if the resulting information were material, the entity would need to disclose in the notes the equity investments separately from the debt investments. In addition if, for example, the equity investments had other dissimilar characteristics, the entity would be required to disaggregate further those equity investments in the notes if the resulting information were material.

### Description of items

- B24 Paragraph 43 requires an entity to label and describe items presented or disclosed in a way that faithfully represents the characteristics of the item. Such items will often be aggregations of items arising from individual transactions or other events and could vary in whether they are aggregations of items for which information is material and items for which information is immaterial. Specifically, in either the primary financial statements or in the notes:
- (a) an item for which information is material could be aggregated with other items for which information is also material – an entity might provide such an aggregation to summarise information but would also be required to disclose information about each item;
  - (b) an item for which information is material could be aggregated with items for which information is not material – an entity would be required to provide information about disaggregated items only if immaterial information obscured the material information; or
  - (c) an item for which information is not material could be aggregated with other items for which information is not material – an entity might provide such an aggregation to complete a list of items and would not be required to disclose information about disaggregated items, subject to paragraph B26(b).
- B25 An entity shall label items presented or disclosed as ‘other’ only if it cannot find a more informative label. Examples of how an entity might find a more informative label are:
- (a) if an item for which information is material is aggregated with items for which information is not material, finding a label that describes the item for which information is material; and
  - (b) if items for which information is not material are aggregated:
    - (i) aggregating items that share similar characteristics and describing them in a way that faithfully represents the similar characteristics; or
    - (ii) aggregating items with other items that do not share similar characteristics and describing them in a way that faithfully represents the dissimilar characteristics of the items.
- B26 If an entity cannot find a more informative label than ‘other’:
- (a) for any aggregation – the entity shall use a label that describes the aggregated item as precisely as possible, for example, ‘other operating expenses’ or ‘other finance expenses’.
  - (b) for an aggregation comprising only items for which information is not material – the entity shall consider whether the aggregated amount is sufficiently large that users of financial statements might reasonably question whether it includes items for which information could be material. If so, information to resolve that question is material information. Accordingly, in such cases, the entity shall disclose further information about the amount – for example:
    - (i) an explanation that no items for which information would be material are included in the amount; or
    - (ii) an explanation that the amount comprises several items for which information would not be material, with an indication of the nature and amount of the largest item.

## Offsetting

- B27 Paragraph 44 prohibits an entity from offsetting assets and liabilities or income and expenses unless required or permitted by an Australian Accounting Standard. For example, AASB 15 *Revenue from Contracts with Customers* requires an entity to measure revenue from contracts with customers at the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. The amount of revenue recognised reflects any trade discounts and volume rebates the entity allows. In contrast, an entity might undertake, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The entity would present in the primary financial statements or disclose in the notes the results of such transactions, when this presentation or disclosure reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:
- (a) an entity presents in the primary financial statements or discloses in the notes gains and losses on the disposal of non-current assets by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses; and
  - (b) an entity may net expenditure related to a provision that is recognised in accordance with AASB 137 and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.
- B28 In addition, an entity presents on a net basis gains and losses arising from a group of similar transactions – for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading that are included in the same category of the statement(s) of financial performance applying paragraphs 47–68. However, an entity shall disclose such gains and losses separately in the notes if doing so provides material information.

## Statement of profit or loss

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### Categories in the statement of profit or loss

- B29 Paragraph 47 requires an entity to classify income and expenses included in the statement of profit or loss in one of five categories. The operating category comprises all income and expenses included in the statement of profit or loss that are not classified in the other categories (see paragraph 52). Income and expenses classified in the discontinued operations category applying paragraph 68 are not subject to the requirements for classifying items of income and expense in the categories listed in paragraphs 47(a)–(d). Income and expenses classified in the income taxes category applying paragraph 67 are not subject to the requirements for classifying items of income and expense in the categories listed in paragraphs 47(a)–(c).

### Assessment of specified main business activities

- B30 Paragraph 49 requires an entity to assess whether it invests in assets or provides financing to customers as a main business activity. An entity may have more than one main business activity. For example, an entity that manufactures a product and also provides financing to customers may determine that both its manufacturing activity and customer-finance activity are main business activities. To classify income and expenses into the categories of operating, investing and financing as required by this Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to customers are main business activities.
- B31 Examples of entities that might invest in assets as a main business activity include:
- (a) investment entities as defined by AASB 10 *Consolidated Financial Statements*;
  - (b) investment property companies; and
  - (c) insurers.
- B32 Examples of entities that might provide financing to customers as a main business activity include:
- (a) banks and other lending institutions;
  - (b) entities that provide financing to customers to enable those customers to buy the entity's products; and
  - (c) lessors that provide financing to customers in finance leases.
- B33 Whether investing in assets or providing financing to customers is a main business activity of the entity is a matter of fact and not merely an assertion. An entity shall use its judgement to assess whether investing in

assets or providing financing to customers is a main business activity and that assessment shall be based on evidence.

- B34 In general, investing in assets or providing financing to customers is likely to be a main business activity of an entity if the entity uses a particular type of subtotal as an important indicator of operating performance. The particular type of subtotal is a subtotal similar to gross profit (see paragraph B123) that includes income and expenses that would be classified in the investing or financing categories if investing in assets or providing financing to customers were not main business activities.
- B35 Evidence that subtotals similar to gross profit described in paragraph B123 are important indicators of operating performance includes using such subtotals to:
- (a) explain operating performance externally; or
  - (b) assess or monitor operating performance internally.
- B36 Information about segments may provide evidence that investing in assets or providing financing to customers is a main business activity if an entity applies AASB 8 *Operating Segments*. Specifically:
- (a) if a reportable segment comprises a single business activity, this indicates that the performance of the reportable segment is an important indicator of the entity's operating performance and that the business activity of the reportable segment is a main business activity of the entity; and
  - (b) if an operating segment comprises a single business activity, this indicates that the business activity might be a main business activity of the entity if the performance of the operating segment is an important indicator of the entity's operating performance as described in paragraph B34.
- B37 An entity shall assess whether investing in assets or providing financing to customers is a main business activity for the reporting entity as a whole. Accordingly, the assessment of whether investing in assets or providing financing to customers is a main business activity by a reporting entity that is a consolidated group and a reporting entity that is one of the subsidiaries in the consolidated group could have different outcomes.
- B38 An entity shall assess whether it invests as a main business activity in associates, joint ventures and unconsolidated subsidiaries not accounted for using the equity method (see paragraphs B43(b)–(c) and B44(b)–(c)) by individual asset or using groups of assets with shared characteristics. If an entity prepares separate financial statements as specified in AASB 127 *Separate Financial Statements* and performs the assessment for groups of assets, the entity shall use groups of assets that are consistent with the categories used to determine their measurement basis applying paragraph 10 of AASB 127. An entity need not assess whether it invests as a main business activity in associates, joint ventures and non-consolidated subsidiaries accounted for using the equity method (see paragraphs B43(a) and B44(a)) because it is required to classify the income and expenses from those investments in the investing category (see paragraph 55(a)).
- B39 An entity need not assess whether it invests as a main business activity in cash and cash equivalents (see paragraph 53(b)). An entity is required to classify income and expenses from cash and cash equivalents in the investing category unless paragraphs 56(a) or 56(b) apply.
- B40 An entity shall assess whether it invests as a main business activity in other assets that generate a return individually and largely independently of the entity's other resources (see paragraph 53(c)) by assessing an individual asset or groups of assets with shared characteristics. When performing the assessment for groups of financial assets an entity shall use groups of financial assets that are consistent with the classes of financial assets identified by the entity in applying paragraph 6 of AASB 7.
- B41 An entity shall assess whether investing in assets or providing financing to customers is a main business activity based on the facts at the time, so a change in the outcome of the assessment does not change the outcome of the previous assessments. Accordingly, an entity classifies and presents income and expenses applying the change in the outcome of the assessment prospectively from the date of the change and does not reclassify amounts presented before the date of the change. Unless it is impracticable to do so, paragraph 51(c)(ii) requires an entity to disclose the amount and classification of items of income and expense before and after the date of the change in the outcome of the assessment in the current period and the amount and classification in the prior period for items for which the classification has changed because of the change in the outcome of the assessment.

### Operating

- B42 The requirements in paragraphs 47–66 result in an entity classifying income and expenses from its main business activities in the operating category of the statement of profit or loss, except for any such income and expenses from investments accounted for using the equity method. Furthermore, the operating category is not limited to income and expenses from an entity's main business activities. It includes all income and expenses that are not classified by an entity in the other categories applying paragraphs 53–68, including such income or expenses that are volatile or non-recurring.

## Investing

### *Investments in associates, joint ventures and unconsolidated subsidiaries*

- B43 Paragraphs 53 and 55 set out requirements for the classification of income and expenses from investments in associates and joint ventures. These investments comprise:
- (a) investments in associates and joint ventures accounted for using the equity method in accordance with paragraph 16 of AASB 128 *Investments in Associates and Joint Ventures* and paragraph 10(c) of AASB 127;
  - (b) investments in associates and joint ventures (or a portion thereof) that an entity elects to measure at fair value through profit or loss in accordance with AASB 9 applying paragraphs 18–19 of AASB 128 and paragraph 11 of AASB 127; and
  - (c) investments in associates and joint ventures in separate financial statements that are accounted for at cost applying paragraph 10(a) of AASB 127 or in accordance with AASB 9 applying paragraph 10(b) of AASB 127.
- B44 Paragraphs 53 and 55 also set out requirements for the classification of income and expenses from unconsolidated subsidiaries. Investments in unconsolidated subsidiaries comprise:
- (a) investments in subsidiaries in separate financial statements accounted for using the equity method in accordance with paragraph 10(c) of AASB 127;
  - (b) investments in subsidiaries held by an investment entity that are measured at fair value through profit or loss in accordance with paragraph 31 of AASB 10 and paragraph 11A of AASB 127; and
  - (c) investments in subsidiaries in separate financial statements that are accounted for at cost applying paragraph 10(a) of AASB 127 or in accordance with AASB 9 applying paragraph 10(b) of AASB 127.

### *Assets that generate a return individually and largely independently of the entity's other resources*

- B45 Paragraph 53(c) requires an entity to identify assets that generate a return individually and largely independently of the entity's other resources. The return could be positive or negative.
- B46 Assets that generate a return individually and largely independently of the entity's other resources in paragraph 53(c) typically include:
- (a) debt or equity investments; and
  - (b) investment properties, and receivables for rent generated by those properties.
- B47 Income and expenses specified in paragraph 54 from such assets typically include:
- (a) interest;
  - (b) dividends;
  - (c) rental income;
  - (d) depreciation;
  - (e) impairment losses and reversals of impairment losses;
  - (f) fair value gains and losses; and
  - (g) income and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs B60–B64).

### *Assets that do not generate a return individually and largely independently of the entity's other resources*

- B48 Assets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources. Such assets typically include:
- (a) property, plant and equipment;
  - (b) assets that arise from the production or supply of goods and services for which the income and expenses are classified in the operating category (for example, receivables for such goods and services); and

- (c) if the entity provides financing to customers as a main business activity, any loans to a customer.
- B49 Income and expenses from the assets described in paragraph B48 are classified in the operating category – for example:
- (a) revenue for goods or services produced or supplied by the entity using a combination of assets;
  - (b) interest income;
  - (c) depreciation and amortisation;
  - (d) impairment losses and reversals of impairment losses;
  - (e) income and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs B60–B64); and
  - (f) income and expenses arising on a business combination that includes assets that will give rise to income and expenses that will be classified in the operating category, such as a gain on a bargain purchase and remeasurements of contingent consideration.

## Financing

### *Liabilities arising from transactions that involve only the raising of finance*

- B50 Paragraph 59(a) requires an entity to identify liabilities that arise from transactions that involve only the raising of finance. In such transactions, an entity:
- (a) receives finance in the form of cash, or an extinguishment of a financial liability, or receipt of the entity's own equity instruments; and
  - (b) at a later date, will return in exchange cash or its own equity instruments.
- B51 Liabilities arising from transactions that involve only the raising of finance include:
- (a) a debt instrument that will be settled in cash, such as debentures, loans, notes, bonds and mortgages – an entity receives cash and will return cash in exchange;
  - (b) a liability under a supplier finance arrangement when the payable for goods or services is derecognised – an entity is discharged of the financial liability for the goods or services and will return cash in exchange;
  - (c) a bond that will be settled through delivery of an entity's shares – an entity receives cash and will return its own equity instruments in exchange; and
  - (d) an obligation for an entity to purchase its own equity instruments – an entity receives its own equity instruments and will return cash in exchange.
- B52 Examples of income and expenses from such liabilities that paragraph 60 requires an entity to classify in the financing category include:
- (a) interest expenses (for example, on debt instruments issued);
  - (b) fair value gains and losses (for example, on a liability designated at fair value through profit or loss);
  - (c) dividends on issued shares classified as liabilities; and
  - (d) income and expenses from the derecognition of the liability (see paragraph B61).

### *Liabilities arising from transactions that do not involve only the raising of finance*

- B53 Paragraph 59(b) requires an entity to identify liabilities that arise from transactions that do not involve only the raising of finance. Such liabilities include:
- (a) payables for goods or services that will be settled in cash – an entity receives goods or services, not finance in the form described in paragraph B50(a);
  - (b) contract liabilities – an entity will return goods and services, not cash or its own equity instruments as described in paragraph B50(b);
  - (c) lease liabilities – an entity receives a right-of-use asset, not finance in the form described in paragraph B50(a);
  - (d) defined benefit pension liabilities – an entity receives employee services, not finance in the form described in paragraph B50(a);

- (e) decommissioning or asset restoration provisions – an entity receives an asset that is not finance in the form described in paragraph B50(a); and
- (f) a litigation provision – an entity does not receive finance as described in paragraph B50(a).

B54 Examples of income and expenses from such liabilities that paragraph 61 requires an entity to classify in the financing category include:

- (a) interest expenses on payables arising from the purchase of goods or services, applying AASB 9;
- (b) interest expenses on a contract liability with a significant financing component as specified by AASB 15;
- (c) interest expenses on a lease liability, applying AASB 16;
- (d) net interest expense (income) on a net defined benefit liability (asset), applying AASB 119; and
- (e) the increase in the discounted amount of a provision arising from the passage of time and the effect of any change in the discount rate on provisions, applying AASB 137.

B55 Examples of income and expenses that arise from transactions that do not involve only the raising of finance but that are not in the scope of paragraph 61, and accordingly are classified in the operating category, include:

- (a) expenses recognised for consumption of the purchased goods or services described in paragraph B54(a);
- (b) current and past service cost arising from a defined benefit plan, applying AASB 119; and
- (c) remeasurements of the fair value of a liability for contingent consideration in a business combination recognised applying AASB 3 *Business Combinations*.

***Classification of income and expenses from hybrid contracts containing a host that is a liability***

B56 How an entity classifies income and expenses from a hybrid contract with a host that is a liability depends on whether the embedded derivative is separated from the host contract. If the embedded derivative:

- (a) is separated from the host liability:
  - (i) for the separated host liability – an entity applies the requirements for income and expenses from liabilities, as specified in paragraphs 52, 59–61, 64(b) and 65–66; and
  - (ii) for the separated embedded derivative – an entity applies the requirements for income and expenses from derivatives, as specified in paragraphs B70–B76;
- (b) is not separated from the host liability and if the hybrid contract arises from a transaction that involves only the raising of finance – an entity applies the requirements for liabilities that arise from such transactions, as specified in paragraphs 52, 60 and 65–66;
- (c) is not separated from the host liability and if the hybrid contract does not arise from a transaction that involves only the raising of finance:
  - (i) if the host liability is a financial liability within the scope of AASB 9 that is measured at amortised cost – an entity classifies in the financing category income and expenses specified in paragraph 60 from the contract after initial recognition (instead of the income and expenses specified in paragraph 61) (see paragraph B59);
  - (ii) if the hybrid contract is an insurance contract within the scope of AASB 17 – an entity applies the requirements in paragraphs 52 and 64(b); and
  - (iii) otherwise – an entity applies the requirements for income and expenses from liabilities that arise from such transactions, as specified in paragraphs 52 and 61.

B57 An entity shall apply paragraphs B56(b) and B56(c) to all hybrid contracts containing a host liability for which the embedded derivative is not separated, regardless of whether the embedded derivative is not separated by the entity applying paragraph 4.3.3 of AASB 9 or applying paragraph 4.3.5 of AASB 9.

***Liabilities arising from issued investment contracts with participation features***

B58 Paragraph 64(a) sets out requirements for income and expenses from liabilities arising from issued investment contracts with participation features recognised applying AASB 9. Examples of such investment contracts are:

- (a) an investment contract with participation features issued by an insurer that does not meet the definition in AASB 17 of an investment contract with discretionary participation features; and

- (b) an investment contract with participation features issued by an investment entity.

***Income and expenses classified in the operating category by an entity that provides financing to customers as a main business activity***

- B59 Paragraph 65 requires an entity that provides financing to customers as a main business activity to classify in the operating category income and expenses from some or all liabilities that arise from transactions that involve only the raising of finance. An entity shall also apply the requirements in that paragraph to income and expenses from a derivative relating to a transaction that involves only the raising of finance specified in paragraph B73(a), but not to the income and expenses from a hybrid contract specified in paragraph B56(c)(i).

**Derecognition and changes in classification**

***Derecognition of an asset or liability, or classification and remeasurement of an asset as held for sale***

- B60 Paragraphs B47(g) and B49(e) refer to income and expenses from the derecognition of an asset, or its classification as held for sale. An entity shall classify income and expenses on the derecognition of an asset, or its classification as held for sale and any subsequent measurement while held for sale, in the same category as it classified the income and expenses from the asset immediately before its derecognition. For example, an entity shall classify gains and losses:

- (a) on the disposal of property, plant and equipment – in the operating category;
- (b) on the disposal of an investment property that an entity does not invest in as a main business activity – in the investing category; and
- (c) from the remeasurement of an investment in an associate previously accounted for using the equity method on the step acquisition of a subsidiary – in the investing category.

- B61 An entity shall classify income and expenses from the derecognition of a liability by applying the requirements in paragraphs 52 and 59–60. For example, the entity classifies income and expenses from the derecognition of a liability:

- (a) in the financing category – if the liability arises from a transaction that involves only the raising of finance by an entity that does not provide financing to customers as a main business activity; and
- (b) in the operating category – if as part of a supplier finance arrangement an entity derecognises a payable to a supplier and recognises a liability under that arrangement.

***Change in use of an asset***

- B62 A transaction or other event might change the category in the statement of profit or loss in which an entity classifies income and expenses from an asset, without the asset being derecognised. In such cases, an entity shall classify the income and expenses from the transaction or other event in the category in which it classified income and expenses from the asset immediately before the transaction or event. For example, an entity shall classify in the operating category any income or expenses recognised in the statement of profit or loss on the transfer of property from the scope of AASB 116 to investment property in the scope of AASB 140.

***Groups of assets and liabilities***

- B63 Paragraphs B60–B62 set out requirements for income and expenses from an asset or liability from its derecognition, classification and subsequent measurement while held for sale, or from its change in use. A transaction or other event might result in these outcomes for a group of assets (or a group of assets and liabilities) that generated income and expenses that an entity classified in different categories immediately before the transaction or other event. An entity shall classify income or expenses from such a transaction or other event:

- (a) in the investing category if, other than any income tax assets, all the assets in the group generated income and expenses that the entity classified in the investing category immediately before the transaction or other event; and
- (b) in the operating category otherwise.

- B64 For example, an entity classifies:

- (a) in the operating category – gains and losses on the disposal of a consolidated subsidiary, if the subsidiary included assets that generated income and expenses that the entity classified in the

operating category immediately before the disposal. The gains and losses include the reclassification from equity to profit or loss of foreign exchange differences required by paragraph 48 of AASB 121.

- (b) in the operating category – an impairment loss arising on the classification of a disposal group as held for sale by the entity applying AASB 5, if the disposal group included assets that generated income and expenses that the entity classified in the operating category immediately before its classification as held for sale.
- (c) in the investing category – gains and losses on disposal of a consolidated subsidiary, if the only assets of the subsidiary were investment property that the consolidated reporting entity did not invest in as a main business activity and related income tax assets. The gains and losses include the reclassification from equity to profit or loss of foreign exchange differences required by paragraph 48 of AASB 121.

### **Classification of foreign exchange differences and the gain or loss on the net monetary position**

B65 To apply paragraph 47, an entity shall classify foreign exchange differences included in the statement of profit or loss applying AASB 121 in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort (see paragraph B68).

B66 For example, an entity classifies foreign exchange differences on:

- (a) a receivable described in paragraph B48(b) denominated in a foreign currency, in the same category as the income and expenses from that asset – that is, in the operating category; and
- (b) a debt instrument that is a liability described in paragraph B51(a) denominated in a foreign currency, in the same category as the income and expenses on that liability – that is, in the financing category (unless the entity provides financing to customers as a main business activity and classifies the income and expenses from the liability in the operating category applying paragraph 65).

B67 An entity might classify in more than one category income and expenses from a transaction that does not involve only the raising of finance. For example, the purchase of services in a transaction denominated in a foreign currency and negotiated on extended credit terms could give rise to an expense for the purchase of the services classified in the operating category (see paragraph B55(a)) and interest expenses classified in the financing category (see paragraph B54(a)). In such cases, subject to paragraph B68, an entity shall use its judgement to determine whether the foreign exchange difference relates to the amount classified in the financing category – and classify it in that category – or whether it relates to the amount classified in another category – and classify it in that category. An entity shall not allocate between categories a foreign exchange difference arising on a liability from a transaction that does not involve only the raising of finance. In making its judgements about how to classify the foreign exchange differences, an entity need not classify in the same category the foreign exchange differences on all such liabilities. However, an entity shall classify in the same category foreign exchange differences on similar liabilities.

B68 If applying the requirements in paragraphs B65 and B67 would involve undue cost or effort, an entity shall instead classify the affected foreign exchange differences in the operating category. An entity shall assess whether classifying foreign exchange differences as described in paragraphs B65 and B67 involves undue cost or effort for each item that gives rise to foreign exchange differences. The assessment is specific to the facts and circumstances related to each item. If the same facts and circumstances relate to a number of items, an entity could apply the same assessment to each of the items.

B69 Applying paragraph 28 of AASB 129 *Financial Reporting in Hyperinflationary Economies*, an entity might present the gain or loss on the net monetary position with other income and expense items associated with the net monetary position, such as interest income and expenses and foreign exchange differences. If the entity does not present the gain or loss on the net monetary position with the associated income and expenses, it shall classify the gain or loss in the operating category.

### **Classification of gains and losses on derivatives and designated hedging instruments**

B70 Paragraph 47 requires an entity to classify income and expenses in categories in the statement of profit or loss. To apply paragraph 47, an entity shall classify gains and losses included in the statement of profit or loss on a financial instrument designated as a hedging instrument applying AASB 9 in the same category as the income and expenses affected by the risks the financial instrument is used to manage. However, if doing so would require the grossing up of gains and losses, an entity shall classify all such gains and losses in the operating category (see paragraphs B74–B75).

- B71 An entity shall classify gains and losses on an undesignated component of a designated hedging instrument in the same category as gains and losses on the designated component. An entity shall classify ineffective portions of a gain or loss in the same category as the effective portions.
- B72 An entity shall also apply the requirements in paragraph B70 to gains and losses on a derivative that is not designated as a hedging instrument applying AASB 9, but is used to manage identified risks. However, if doing so would require the grossing up of gains or losses (see paragraphs B74–B75) or involve undue cost or effort, the entity shall instead classify all gains and losses on the derivative in the operating category.
- B73 An entity shall classify gains and losses on a derivative that is not used to manage identified risks:
- (a) in the financing category, if the derivative relates to a transaction that involves only the raising of finance (for example, a purchased call option that allows the issuing entity to exchange a fixed amount of a foreign currency for a fixed number of the entity's equity instruments), unless the entity that provides financing to customers as a main business activity classifies the gains and losses in the operating category applying paragraph B59; and
  - (b) in the operating category, if the conditions in (a) are not met.
- B74 Paragraphs B70 and B72 prohibit the grossing up of gains and losses on financial instruments designated as hedging instruments and derivatives not designated as hedging instruments. The grossing up of gains and losses might arise from situations in which:
- (a) an entity uses such financial instruments to manage the risks of a group of items with offsetting risk positions (see paragraph 6.6.1 of AASB 9 for the criteria for a group of items to be an eligible hedged item); and
  - (b) the risks managed affect line items in more than one category of the statement of profit or loss.
- B75 For example, an entity may use a derivative to manage both the net foreign currency risk on revenue (classified in the operating category) and interest expenses (classified in the financing category). In such cases, the foreign exchange differences on the revenue are offset by the foreign exchange differences on the interest expenses and the gains or losses on the derivative. However, the entity classifies the foreign exchange differences on the revenue in a different category from the foreign exchange differences on the interest expenses. To present the gain or loss on the derivative in each category, an entity would need to present in each category a larger gain or loss than occurred on the derivative. Applying the requirements in paragraphs B70–B73, an entity shall not gross up the gains or losses in this manner and instead shall classify any gain or loss on the derivative in the operating category.
- B76 The requirements in paragraphs B70–B75 specify only how to classify income and expenses into categories of the statement of profit or loss. They do not prescribe the line item (or line items) in which to include such income and expenses, nor do they override the requirements in other Australian Accounting Standards.

### **Items to be presented in the statement of profit or loss or disclosed in the notes**

- B77 An entity may be required to present a line item listed in paragraph 75, or specified in another Australian Accounting Standard, in more than one of the categories listed in paragraph 47. For example, an entity that does not invest in assets or provide financing to customers as a main business activity may be required to present the line item specified in paragraph 75(b)(ii) of impairment losses determined in accordance with Section 5.5 of AASB 9 in:
- (a) the operating category – if it relates to receivables for goods and services as described in paragraph B48(b); and
  - (b) the investing category – if it relates to financial assets that generate a return individually and largely independently of the entity's other resources as described in paragraph B46.
- B78 Paragraphs 24 and 41(c) require an entity to present additional line items in the statement of profit or loss if doing so is necessary to provide a useful structured summary of the entity's income and expenses. An entity uses its judgement to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 75). Paragraphs 20 and 41(d) require an entity to disaggregate items to disclose material information in the notes. An entity also uses its judgement to make this determination. Paragraph 41 requires the entity to base its judgements on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include:
- (a) nature (see paragraph 80);
  - (b) function (role) within the entity's business activities (see paragraph 81);

- (c) persistence (including the frequency of the item of income or expense or whether it is recurring or non-recurring);
- (d) measurement basis;
- (e) measurement uncertainty or outcome uncertainty (or other risks associated with an item);
- (f) size;
- (g) geographical location or regulatory environment;
- (h) tax effects (for example, if different tax rates apply to items of income or expense); and
- (i) whether the income or expenses arise on initial recognition of a transaction or event or from a subsequent change in estimate relating to the transaction or event.

B79 Income and expenses that might have sufficiently dissimilar characteristics that presentation in the statement of profit or loss is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include:

- (a) write-downs of inventories, as well as reversals of such write-downs;
- (b) impairment losses for property, plant and equipment, as well as reversals of such impairment losses;
- (c) income and expenses from restructurings of an entity's activities and reversals of any provisions for restructuring;
- (d) income and expenses from disposals of property, plant and equipment;
- (e) income and expenses from disposals of investments;
- (f) income and expenses from litigation settlements;
- (g) reversals of provisions; and
- (h) non-recurring income and expenses not included in (a)–(g).

### **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.
- (b) what line items most closely represent the way the business is managed and how management reports internally. For example, a manufacturing entity managed on the basis of major functions might classify expenses by function for internal reporting purposes. In contrast, an entity that has a single predominant function, such as providing financing to customers, might determine that line items comprising expenses classified by nature provide the most useful information for internal reporting purposes.
- (c) what standard industry practice entails. If expenses are classified in the same way by entities in an industry, users of financial statements can more easily compare expenses between entities in the same industry.
- (d) whether the allocation of particular expenses to functions would be arbitrary to the extent that the line items presented would not provide a faithful representation of the functions. In such cases, an entity shall classify these expenses by nature.

B81 In some cases, an entity considering the factors set out in paragraph B80 could determine that classifying and presenting some expenses by nature and other expenses by function provides the most useful structured summary. For example:

- (a) the factors in paragraphs B80(a)–(b) might indicate that classifying and presenting expenses by function provides the most useful structured summary, except for particular expenses for which the allocation to functions would be arbitrary (see paragraph B80(d)); and
- (b) an entity having two different types of main business activities might classify and present some expenses by function and other expenses by nature to provide information about the main drivers of its profitability.

B82 If an entity classifies and presents some expenses by nature and other expenses by function in the statement of profit or loss, it shall label the resulting line items in a way that clearly identifies what expenses are included in each line item. For example, if an entity includes some employee benefits in a function line item and other employee benefits in a nature line item, the label for the nature line item would clearly identify that it does not include all employee benefits (for example, ‘employee benefits other than those included in cost of sales’).

B83 Applying paragraph 30, an entity shall classify and present expenses consistently from one reporting period to the next unless paragraphs 30(a) or 30(b) apply. For example, if an entity presents impairment of goodwill as a nature line item in one reporting period, it shall also present any similar impairment of goodwill as a nature line item in subsequent reporting periods unless paragraphs 30(a) or 30(b) apply. If there is no similar impairment of goodwill in a subsequent period, the fact that there is an expense of nil in that subsequent period does not constitute a change in classification and presentation.

B84 An entity will either present expenses by nature, or applying paragraph 83, disclose some expenses by nature. The amounts presented or disclosed need not be the amounts recognised as an expense in the period. They could include amounts that have been recognised as part of the carrying amount of an asset. If an entity:

- (a) presents amounts that are not the amounts recognised as an expense in the period, it will also present an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 39 of AASB 102, an entity might present a line item for changes in inventories of finished goods and work in progress.

(b) discloses, applying paragraph 83(b), amounts that are not the amounts recognised as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.

**Commented [LL3]:** Notes for Board members: As paragraph B84(b) is a disclosure guidance paragraph, it will not be included in AASB 1060 for aligning presentation and classification requirements.

### Aggregation of operating expenses

B85 To apply paragraph 78, an entity shall consider what level of aggregation for operating expenses provides the most useful structured summary. For example, an entity might have various administrative activities (such as human resources, information technology, legal and accounting). To provide a useful structured summary, the entity might aggregate operating expenses relating to those activities based on their shared characteristic – all are expenses for resources consumed in administrative activities. Accordingly the entity might present them in a line item labelled as ‘administrative expenses’. The entity might also have expenses for resources consumed in selling activities. These expenses have a dissimilar characteristic from the administrative expenses – selling expenses arise from resources consumed in selling activities and administrative expenses arise from resources consumed in administrative activities. These characteristics are sufficiently dissimilar that disaggregation – presentation in separate line items for selling expenses and administrative expenses – might be necessary to provide a useful structured summary of the entity’s expenses.

## Statement presenting comprehensive income

### Other comprehensive income

B86 Some Australian Accounting Standards specify circumstances when an entity includes particular items outside the statement of profit or loss in the current reporting period. AASB 108 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other Australian Accounting Standards require or permit an entity to exclude from profit or loss components of other comprehensive income that meet the *Conceptual Framework for Financial Reporting*’s definition of income or expenses (see paragraph B87).

AusCFB86 Notwithstanding paragraph B86, in respect of AusCF entities, some Australian Accounting Standards specify circumstances when an entity includes particular items outside the statement of profit or loss in the current reporting period. AASB 108 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other Australian Accounting Standards require or permit an entity to exclude from profit or loss components of other

comprehensive income that meet the *Framework's*<sup>AusCF1</sup> definition of income or expenses (see paragraph B87).

B87 Appendix A defines 'other comprehensive income'. The components of other comprehensive income include:

- (a) changes in revaluation surplus (see AASB 116 and AASB 138);
- (b) remeasurements of defined benefit plans (see AASB 119);
- (c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121);
- (d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9;
- (e) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9;
- (f) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 (see Chapter 6 of AASB 9);
- (g) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of AASB 9);
- (h) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of AASB 9);
- (i) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9);
- (j) insurance finance income and expenses from contracts issued within the scope of AASB 17 excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of AASB 17; and
- (k) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation, applying paragraph 88(b) of AASB 17.

B88 Reclassification adjustments arise, for example, on disposal of a foreign operation (see AASB 121) and when some hedged forecast cash flows affect profit or loss (see paragraph 6.5.11(d) of AASB 9 in relation to cash flow hedges).

B89 Paragraph 90 requires an entity to present in the statement presenting comprehensive income or disclose in the notes reclassification adjustments relating to components of other comprehensive income. Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with AASB 116 or AASB 138 or on remeasurements of defined benefit plans recognised in accordance with AASB 119. An entity recognises these components in other comprehensive income and does not reclassify them to profit or loss in subsequent reporting periods. An entity may transfer changes in revaluation surplus to retained earnings in subsequent periods as the asset is used or when it is derecognised (see AASB 116 and AASB 138). In accordance with AASB 9, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) results in amounts that an entity removes from the cash flow hedge reserve or a separate component of equity, respectively, and includes directly in the initial cost or other carrying amount of an asset or a liability. An entity transfers these amounts directly to assets or liabilities.

**Commented [LL4]: Note for Board members:** Paragraph B87 is currently included in the definition of 'Other comprehensive income' in AASB 1060 Appendix A.

The Board will need to decide whether the components list that is currently part of the definition of OCI should be retained or replaced.

Further details are explained in paragraphs 16 to 18 of Staff paper 7.1.

**Commented [LL5]: Note for Board members:** Para B88-B89 expand on the requirement of para 90 of AASB 18 which requires reclassification adjustments to be presented in the OCI or disclosed in the notes.

IFRS for SMEs does not include a separate presentation or disclosure requirement for reclassification adjustments, therefore similar requirements have not been included in AASB 1060.

As we do not include the main requirement (i.e. AASB 18.90) in AASB 1060, we also proposed to exclude relevant guidance.

AusCF1 The *Framework for the Preparation and Presentation of Financial Statements* was amended by the AASB in December 2013.

## Statement of financial position

### Classification of assets and liabilities as current or non-current

- B90 In applying paragraph 96, when an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities in the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. Such separate classification also highlights assets that an entity expects to realise within the current operating cycle and liabilities that are due for settlement within the same period.
- B91 For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides a more useful structured summary than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.
- B92 In applying paragraph 96, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when doing so provides a more useful structured summary. The need for a mixed basis of presentation might arise when an entity has diverse operations.
- B93 Information about expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. AASB 7 requires disclosure of the maturity analysis of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables. Information on the expected date of recovery of non-monetary assets, such as inventories, and the expected date of settlement for liabilities, such as provisions, is also useful, whether assets and liabilities are classified as current or as non-current. For example, an entity discloses in the notes the amount of inventories that it expects to recover more than 12 months after the reporting period.

### Current assets

- B94 Paragraph 100 requires an entity to classify as non-current all assets not classified as current. This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.

- B95 The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When an entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of held for trading in AASB 9) and the current portion of non-current financial assets.

### Current liabilities

#### *Normal operating cycle (see paragraph 101(a))*

- B96 Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in an entity's normal operating cycle. An entity classifies such items as current liabilities even if they are due to be settled more than 12 months after the reporting period. The same normal operating cycle applies to the classification of the entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months.

#### *Held primarily for the purpose of trading (see paragraph 101(b)) or due to be settled within 12 months (see paragraph 101(c))*

- B97 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within 12 months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in AASB 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (that is, are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within 12 months after the reporting period are non-current liabilities, subject to paragraphs B99–B103.
- B98 An entity classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if:

**Commented [LL6]: Note for Board members:** The second sentence from paragraph 39 is now included in paragraph B95 of AASB 18. It provides guidance on classifying an asset as current vs non-current when an entity's normal operating cycle is not clearly identifiable.

Board will need to consider whether the second sentence in AASB 1060 paragraph 39 is to be retained or replaced, refer to paragraphs 16 to 18 of staff paper 7.1 (M219) for more details.

- (a) the original term was for a period longer than 12 months; and
- (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

*Right to defer settlement for at least 12 months (paragraph 101(d))*

- B99 An entity's right to defer settlement of a liability for at least 12 months after the reporting period must have substance and, as illustrated in paragraphs B100–B103, must exist at the end of the reporting period.
- B100 An entity's right to defer settlement of a liability arising from a loan arrangement for at least 12 months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 101(d), such covenants:
- (a) affect whether that right exists at the end of the reporting period – as illustrated in paragraphs B102–B103 – if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's financial position at the end of the reporting period but assessed for compliance only after the reporting period).
  - (b) do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's financial position six months after the end of the reporting period).
- B101 If an entity has the right, at the end of the reporting period, to roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the entity has no such right, the entity does not consider the potential to refinance the obligation and classifies the obligation as current.
- B102 When an entity breaches a covenant of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least 12 months after that date.
- B103 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.
- B104 Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period. If a liability meets the criteria in paragraphs 101–102 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within 12 months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorised for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 6C(c) of AASB 108 and B105(d)).
- B105 If the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events in accordance with AASB 110 *Events after the Reporting Period*:
- (a) refinancing on a long-term basis of a liability classified as current (see paragraph B98);
  - (b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph B102);
  - (c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph B103); and
  - (d) settlement of a liability classified as non-current (see paragraph B104).
- B106 In applying paragraphs 101–102 and B96–B103 an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months after the reporting period (see paragraph B100(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, including:
- (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.

- (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants – for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity’s circumstances at the end of the reporting period.

**Settlement (paragraphs 101(a), 101(c) and 101(d))**

- B107 For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:
  - (a) cash or other economic resources – for example, goods or services; or
  - (b) the entity’s own equity instruments, unless paragraph B108 applies.
- B108 Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments do not affect its classification as current or non-current if, applying AASB 132, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

**Items to be presented in the statement of financial position or disclosed in the notes**

- B109 Paragraphs 24 and 41(c) require an entity to present additional line items in the statement of financial position if doing so is necessary to provide a useful structured summary of the entity’s assets, liabilities and equity. An entity uses its judgement to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 103). Paragraph 41 requires the entity to base its judgements on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). For additional line items for assets and liabilities, an entity bases its judgements on an assessment of the nature or function of the assets or liabilities. The characteristics listed in paragraphs B110(c)–(k) might assist an entity in identifying the nature or function of assets and liabilities.

**B110** Paragraphs 20 and 41(d) require an entity to disaggregate items to disclose material information in the notes. An entity uses its judgement to do this based on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include:

- (a) nature;
- (b) function (role) in the entity’s business activities;
- (c) duration and timing of recovery or settlement (including whether an asset or liability is classified as current or non-current or whether its recovery or settlement forms part of the entity’s operating cycle);
- (d) liquidity;
- (e) measurement basis;
- (f) measurement uncertainty or outcome uncertainty (or other risks associated with an item);
- (g) size;
- (h) geographical location or regulatory environment;
- (i) type, for example, the type of good, service or customer;
- (j) tax effects – for example, if assets or liabilities have different tax bases; and
- (k) restrictions on the use of an asset or on the transferability of a liability.

**B111** Assets, liabilities and items of equity that might have sufficiently dissimilar characteristics that presentation in the statement of financial position is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include:

- (a) property, plant and equipment disaggregated into classes in accordance with AASB 116;
- (b) receivables disaggregated into amounts receivable from trade customers, amounts receivable from related parties, prepayments and other amounts;
- (c) inventories disaggregated, applying AASB 102, into items such as merchandise, production
- (d) trade payables disaggregated, applying AASB 107, to provide separately the amounts of those payables that are part of supplier finance arrangements;

**Commented [LL7]: Note for Board members:** Previously, the February 2026 working draft ED proposed removing the reference to AASB 18 paragraph B110 on the basis that it relates to disclosures.

Following further internal review, staff observed that AASB 18 paragraph B110 provides important guidance on determining when information should be presented on the face of the primary financial statements versus disclosed in the notes. This guidance supports the application of AASB 1060 paragraph 21(d) (which is based on AASB 18 paragraph 41(d)). As such, staff now recommend retaining the reference to (or inclusion of) paragraph B110.

**Commented [LL8]: Note for Board members:** Previously, ITC 56 recommended replacing AASB 1060 paragraph 44 with AASB 18 paragraph B111. The Board did not prefer including references to individual AASB 18 Appendix B guidance paragraphs. Considering that AASB 1060 paragraph 44 is a combination of disclosure requirements and guidance, staff decided to temporarily retain it until the Board decides whether to retain or replace it.

Paragraph 44 requires disclosure of further subclassifications of line items either in the statement of financial position, or in the notes.

Extracts of AASB 1060 paragraph 44 and AASB 18 paragraph B111 are included in Appendix 3 of this staff paper.

- (e) provisions disaggregated according to their nature, such as, provisions for employee benefits, decommissioning liabilities, or other items; and
- (f) equity capital and reserves disaggregated into various classes, such as paid-in capital, share premium and reserves.

## Notes

### Structure

- B112 Paragraph 114 requires an entity to present notes in a systematic manner, so far as is practicable. Examples of systematic ordering or grouping of the notes include:
- (a) giving prominence to the areas of its activities that an entity considers to be most important to an understanding of its financial performance and financial position, such as grouping together information about particular business activities;
  - (b) grouping together information about items measured similarly such as assets measured at fair value; or
  - (c) following the order of the line items in the statement(s) of financial performance and the statement of financial position, such as:
    - (i) statement of compliance with Australian Accounting Standards (see paragraph 6B of AASB 108);
    - (ii) material accounting policy information (see paragraph 27A of AASB 108);
    - (iii) supporting information for items presented in the statement of financial position, the statement(s) of financial performance, the statement of changes in equity and the statement of cash flows, in the order in which each statement is provided and each line item is presented; and
    - (iv) other disclosures, including:
      - (1) contingent liabilities (see AASB 137) and unrecognised contractual commitments; and
      - (2) non-financial disclosures – for example an entity’s financial risk management objectives and policies (see AASB 7).

### Management-defined performance measures

#### Identification of management-defined performance measures

- B113 Paragraph 117 defines management-defined performance measures. An entity might have no management-defined performance measures, one management-defined performance measure or more than one. For example, an entity that publicly communicates its financial performance to users of financial statements using only totals and subtotals required to be presented or disclosed by Australian Accounting Standards does not have a management-defined performance measure.
- B114 To meet the definition of a management-defined performance measure, the measure must communicate to users of financial statements management’s view of an aspect of the financial performance of the entity as a whole. For example, if a subtotal of income and expenses that relates to a reportable segment disclosed in accordance with AASB 8 does not provide information about an aspect of the financial performance of the entity as a whole, that subtotal cannot meet the definition of a management-defined performance measure.
- B115 However, sometimes a subtotal of income and expenses that relates to a reportable segment could provide information about an aspect of the financial performance of the entity as a whole. For example, if a reportable segment contains a single main business activity of the entity and a subtotal of income and expenses relating to that segment is presented in the statement of profit or loss, that would indicate that the subtotal provides information about an aspect of the financial performance of the entity as a whole. In such cases, a subtotal of income and expenses related to that reportable segment would meet the definition of a management-defined performance measure if it met the other parts of the definition of a management-defined performance measure.

**Commented [LL9]: Note to Board members:** MPMs are disclosure requirements, to be considered in the 2<sup>nd</sup> part of the project where we will look at whether to amend AASB 1060 to include the new disclosure requirements from SMEs and AASB 18. As such, para B113 to B142 are excluded in this ED.

***Subtotals of income and expenses***

- B116 A management-defined performance measure is a subtotal of income and expenses. Examples of measures that are not management-defined performance measures because they are not subtotals of income and expenses include:
- (a) subtotals of only income or only expenses (for example, a stand-alone measure of adjusted revenue that is not part of a subtotal that also includes expenses);
  - (b) assets, liabilities, equity or combinations of these elements;
  - (c) financial ratios (for example, return on assets) (see paragraph B117);
  - (d) measures of liquidity or cash flows (for example, free cash flow); or
  - (e) non-financial performance measures.
- B117 A financial ratio is not a management-defined performance measure because it is not a subtotal of income and expenses. However, a subtotal that is the numerator or denominator in a financial ratio is a management-defined performance measure if the subtotal would meet the definition of a management-defined performance measure if it were not part of a ratio. Accordingly, an entity shall apply the disclosure requirements in paragraphs 121–125 to such a numerator or denominator.
- B118 A subtotal of income and expenses that meets the definition of a management-defined performance measure in paragraph 117 is a management-defined performance measure whether or not it is presented in the statement of profit or loss.

***Public communications***

- B119 A subtotal meets the definition of a management-defined performance measure only if an entity uses it in public communications outside its financial statements. Public communications include management commentary, press releases and investor presentations. For the purpose of defining management-defined performance measures, public communications exclude oral communications, written transcripts of oral communications and social media posts.
- B120 Management-defined performance measures relate to the same reporting period as the financial statements. Specifically, a subtotal:
- (a) relating to interim financial statements but not to the annual financial statements can only be a management-defined performance measure in the interim financial statements; and
  - (b) relating to annual financial statements but not to interim financial statements can only be a management-defined performance measure in the annual financial statements.
- B121 An entity shall consider only public communications related to the reporting period to identify management-defined performance measures for the reporting period, unless as part of its financial reporting process it routinely issues such public communications after the date of issue of its financial statements. If that is the case, an entity shall consider public communications related to the previous reporting period to identify management-defined performance measures for the current reporting period.
- B122 However, a measure used in the public communications related to the previous reporting period is not required to be identified as a management-defined performance measure for the current reporting period if there is evidence that indicates it will not be included in the public communications to be issued relating to the current reporting period. If such a measure had been disclosed as a management-defined performance measure in the previous reporting period and is not identified as such for the current reporting period, that would be a change to, or a cessation of, a management-defined performance measure to which the disclosure requirements in paragraph 124 apply.

***Subtotals similar to gross profit***

- B123 In accordance with paragraph 118(a), subtotals similar to gross profit are not management-defined performance measures. A subtotal is similar to gross profit when it depicts the difference between a type of revenue and directly related expenses incurred in generating that revenue. Examples include:
- (a) net interest income;
  - (b) net fee and commission income;
  - (c) insurance service result;
  - (d) net financial result (investment income minus insurance finance income and expenses); and

- (e) net rental income.

*Presumption about communicating management's view*

B124 Paragraph 119 states that a subtotal of income and expenses used in public communications outside its financial statements is presumed to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole. Applying paragraph 120, an entity is permitted to rebut that presumption if it has reasonable and supportable information available that demonstrates that:

- (a) the subtotal does not communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole (see paragraphs B125–B128); and
- (b) the entity has a reason for using the subtotal in its public communications other than communicating management's view of an aspect of the financial performance of the entity as a whole (see paragraph B129).

B125 Examples of reasonable and supportable information that demonstrate that a subtotal does not communicate to users of financial statements management's view of an aspect of the financial performance of an entity as a whole are:

- (a) an entity communicating the subtotal without prominence (see paragraph B126); and
- (b) management not using the subtotal internally to assess or monitor the entity's financial performance (see paragraphs B127–B128).

B126 Whether an entity communicates a subtotal without prominence is a matter of judgement based on a number of factors, for example:

- (a) the extent of references to the subtotal – few references indicate a lack of prominence, numerous references indicate prominence; and
- (b) the content of commentary or analysis about or relying on the subtotal, for example:
  - (i) a description of the subtotal as information that does not communicate management's view and that is provided only in response to frequent requests from some users of financial statements indicates a lack of prominence;
  - (ii) use of the subtotal to support management analysis and commentary on the entity's financial performance and to provide explanations of the reasons for changes in the subtotal from period to period indicates prominence; and
  - (iii) a comparison of the subtotal to competitors' subtotals or industry benchmarks indicates prominence.

B127 Management's use of a subtotal to assess or monitor an aspect of the financial performance of the entity as a whole demonstrates that the subtotal communicates management's view of an aspect of the financial performance of the entity as a whole. However, if management uses a subtotal internally but not in an entity's public communications, the subtotal does not meet the definition of a management-defined performance measure.

B128 An entity might adjust a subtotal communicated in its public communications for use internally by management to assess or monitor the entity's financial performance. In such cases, the entity shall use its judgement to assess whether the subtotal it uses internally is sufficiently similar to the subtotal it uses in its public communications so that paragraph B127 applies. The more similar the subtotals are, the more likely it is that the subtotal used in the entity's public communications communicates to users of financial statements management's view of an aspect of the financial performance of the entity as a whole.

B129 Examples of reasonable and supportable information that demonstrates an entity has a reason for using a subtotal in its public communications other than to communicate to users of its financial statements management's view of an aspect of the financial performance of the entity as a whole are that the subtotal:

- (a) is required in a public communication by law or regulation;
- (b) communicates performance related to financial statements prepared in accordance with an accounting framework other than Australian Accounting Standards;
- (c) is used in a public communication to satisfy a request from an external party; or
- (d) is used in a public communication for the purpose of communicating information other than financial performance.

B130 Paragraph 120 applies to a subtotal and not to individual items of income and expense that comprise the subtotal. Accordingly, an entity cannot assert that a subtotal does not communicate management's view of an

aspect of the financial performance of the entity as a whole based on information that demonstrates that an individual item (or items) of income or expense within the subtotal does not represent such a view.

- B131 An entity might change its use of a subtotal to communicate to users of its financial statements management's view of an aspect of the financial performance of the entity as a whole. As a result a subtotal might become, or cease to be, a management-defined performance measure. Judgement is required to identify whether a measure not originally identified as a management-defined performance measure has become one, or whether a measure previously identified as a management-defined performance measure has ceased to be one. For example, an entity might be required by a regulator to report a particular subtotal that, when first used, does not communicate management's view of an aspect of the financial performance of the entity as a whole. Over time the process of producing the subtotal might lead to management using the measure internally to assess and monitor the entity's financial performance or expanding the commentary and explanations in public communications beyond the regulatory requirements, with the result that the measure meets the definition of a management-defined performance measure.

### Disclosure of management-defined performance measures

#### *Single note for information about management-defined performance measures*

- B132 Paragraph 122 requires an entity to include in a single note all information about management-defined performance measures required by paragraphs 121–125. If an entity also discloses other information in that note, the information in the note shall be labelled in a way that clearly distinguishes the information required by paragraphs 121–125 from the other information.

- B133 For example, if an entity applies AASB 8 and the reportable segment information includes a management-defined performance measure, the entity may disclose the required information about the management-defined performance measure in the same note as other reportable segment information, provided the entity either:

- (a) includes in that note the information required by paragraphs 121–125 for all its management-defined performance measures and, to fulfil the requirements in paragraph B132, labels the information in the note in a way that clearly distinguishes the information required by paragraphs 121–125 from the information required by AASB 8; or
- (b) provides a separate note that includes the information required for all its management-defined performance measures, including those for which the entity includes information in the reportable segment information.

#### *A clear and understandable manner*

- B134 Paragraph 123 requires an entity to label and describe its management-defined performance measures in a clear and understandable manner that does not mislead users of financial statements. To provide such a description, an entity shall disclose information that enables a user of financial statements to understand the items of income or expense included and excluded from the subtotal. Therefore, an entity shall:

- (a) label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 (see paragraph B135); and
- (b) provide information specific to management-defined performance measures – that is:
  - (i) if the entity has calculated the measure other than by using the accounting policies it used for items in the statement(s) of financial performance, the entity shall state that fact and the calculations it has used for the measure; and
  - (ii) if, in addition, the calculation of the measure differs from accounting policies required or permitted by Australian Accounting Standards, the entity shall state that additional fact and, if necessary, an explanation of the meaning of terms it uses (see paragraph B135(b)).

- B135 To label and describe the measure in a way that faithfully represents its characteristics, an entity shall:

- (a) label the measure in a way that represents the characteristics of the subtotal (for example, using the label 'operating profit before non-recurring expenses' only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring); and
- (b) explain the meaning of terms it uses in its descriptions that are necessary to understand the aspect of financial performance being communicated (for example, explaining how the entity defines 'non-recurring expenses').

***Reconciliation to the most directly comparable total or subtotal***

**B136** Paragraph 123(c) requires an entity to reconcile each management-defined performance measure to the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by Australian Accounting Standards. For example, an entity that discloses in the notes a management-defined performance measure of adjusted operating profit or loss shall reconcile that measure to operating profit or loss. In aggregating or disaggregating the reconciling items disclosed, an entity shall apply the requirements in paragraphs 41–43.

**B137** For each reconciling item, an entity shall disclose:

- (a) the amount(s) related to each line item in the statement(s) of financial performance; and
- (b) a description of how the item is calculated and contributes to the management-defined performance measure providing useful information (see paragraphs B138–B140), if necessary to provide the information required by paragraphs 123(a) and 123(b).

**B138** The description required in paragraph B137(b) is required if there is more than one reconciling item and each item is calculated using a different method or contributes to providing useful information in a different way. For example, an entity might exclude from a management-defined performance measure several items of expense, some because they were identified as outside management’s control and others because they were identified as non-recurring. In such cases, disclosure of which items contributed to which type of adjustment would be required to explain how the management-defined performance measure provides useful information.

**B139** A single explanation might apply to more than one item or might apply to all reconciling items collectively. For example, an entity might exclude several items of income or expense in calculating a management-defined performance measure based on an entity-specific application of ‘non-recurring’. In such a case, a single explanation that includes the entity’s definition of ‘non-recurring’ that applies to all reconciling items might satisfy the requirement in paragraph B137(b).

**B140** Applying paragraph 123(c), an entity is permitted to reconcile a management-defined performance measure to a total or subtotal that is not presented in the statement(s) of financial performance. In such cases, an entity:

- (a) shall reconcile that total or subtotal to the most directly comparable total or subtotal presented in the statement(s) of financial performance; and
- (b) is not required to disclose the information required by paragraphs 123(d) and 123(e) for the reconciliation in (a).

***Income tax effect for each item disclosed in the reconciliation***

**B141** An entity is required by paragraph 123(d) to disclose the income tax effect for each item disclosed in the reconciliation between a management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by Australian Accounting Standards. An entity shall determine the income tax effect required by paragraph 123(d) by calculating the income tax effects of the underlying transaction(s):

- (a) at the statutory tax rate(s) applicable to the transaction(s) in the tax jurisdiction(s) concerned;
- (b) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or
- (c) by using another method that achieves a more appropriate allocation in the circumstances.

**B142** If, applying paragraph B141, an entity uses more than one method to calculate the income tax effects of reconciling items, it shall disclose how it determined the tax effects for each reconciling item.

### **Appendix 3 – AASB 1060 existing paragraphs that can be either retained, removed or replaced**

A3.1. This appendix lists the existing paragraphs in AASB 1060 that are considered as guidance in AASB 18 and, as such, are included in AASB 18 Appendix B. The paragraph extracts in this appendix are to facilitate the Board’s consideration of whether this guidance should be retained, removed or replaced with the updated guidance from AASB 18 (refer to Staff paper 7.1 paragraphs 16 to 18 for more details).

A3.2. The following table provides an extract from ITC 56 containing:

- (a) extract of the existing AASB 1060 paragraphs that contain guidance on presentation;
- (b) extracts of the corresponding paragraphs in AASB 18 and AASB 18 Appendix B; and
- (c) ITC 56 recommendation.

AASB 1060 (extract from ITC 56)	AASB 18
<p>43 The judgement on whether additional items are presented separately is based on an assessment of all of the following:</p> <ul style="list-style-type: none"> <li>(a) the amounts, nature and liquidity of assets;</li> <li>(b) the function of assets within the entity; and</li> <li>(b) the amounts, nature and timing of liabilities.</li> </ul> <p>[IFRS for SMEs Standard paragraph 4.10]</p> <p><b>ITC 56 recommendation (page 85):</b> Guidance from paragraph 43 of AASB 1060 is now included in paragraph B110 of AASB 18. To align with the new structure of AASB 18, the AASB proposes to replace paragraph 43 of AASB 1060 with paragraph 105 of AASB 18.</p>	<p>105 Paragraphs B109–B111 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the statement of financial position or disclose items in the notes.</p> <p><b>Appendix B</b></p> <p>B109 Paragraphs 24 and 41(c) require an entity to present additional line items in the statement of financial position if doing so is necessary to provide a useful structured summary of the entity’s assets, liabilities and equity. An entity uses its judgement to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 103). Paragraph 41 requires the entity to base its judgements on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). For additional line items for assets and liabilities, an entity bases its judgements on an assessment of the nature or function of the assets or liabilities. The characteristics listed in paragraphs B110(c)–(k) might assist an entity in identifying the nature or function of assets and liabilities.</p> <p>B110 Paragraphs 20 and 41(d) require an entity to disaggregate items to disclose material information in the notes. An entity uses its judgement to do this based on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include:</p> <ul style="list-style-type: none"> <li>(a) nature;</li> <li>(b) function (role) in the entity’s business activities;</li> <li>(c) duration and timing of recovery or settlement (including whether an asset or liability is classified as current or non-current or whether its recovery or settlement forms part of the entity’s operating cycle);</li> <li>(d) liquidity;</li> <li>(e) measurement basis;</li> <li>(f) measurement uncertainty or outcome uncertainty (or other risks associated with an item);</li> <li>(g) size;</li> <li>(h) geographical location or regulatory environment;</li> </ul>

AASB 1060 (extract from ITC 56)	AASB 18
	<ul style="list-style-type: none"> <li>(i) type, for example, the type of good, service or customer;</li> <li>(j) tax effects – for example, if assets or liabilities have different tax bases; and</li> <li>(k) restrictions on the use of an asset or on the transferability of a liability.</li> </ul>
<p>44 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:</p> <ul style="list-style-type: none"> <li>(a) property, plant and equipment in classifications appropriate to the entity;</li> <li>(b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties and contract assets from contracts with customers;</li> <li>(c) inventories, showing separately amounts of inventories: <ul style="list-style-type: none"> <li>(i) held for sale in the ordinary course of business;</li> <li>(ii) in the process of production for such sale; and</li> <li>(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.</li> </ul> </li> <li>(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;</li> <li>(e) provisions for employee benefits and other provisions; and</li> <li>(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.</li> </ul> <p>[Based on <i>IFRS for SMEs</i> Standard paragraph 4.11]</p> <p><b>ITC 56 recommendation (page 73):</b> The AASB proposes removing paragraph 44 of AASB 1060. The guidance from paragraph 44 of AASB 1060 is now presented as guidance in paragraph B111 of AASB 18.</p>	<p>B111 Assets, liabilities and items of equity that might have sufficiently dissimilar characteristics that presentation in the statement of financial position is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include:</p> <ul style="list-style-type: none"> <li>(a) property, plant and equipment disaggregated into classes in accordance with AASB 116;</li> <li>(b) receivables disaggregated into amounts receivable from trade customers, amounts receivable from related parties, prepayments and other amounts;</li> <li>(c) inventories disaggregated, applying AASB 102, into items such as merchandise, production supplies, materials, work in progress and finished goods;</li> <li>(d) trade payables disaggregated, applying AASB 107, to provide separately the amounts of those payables that are part of supplier finance arrangements;</li> <li>(e) provisions disaggregated according to their nature, such as, provisions for employee benefits, decommissioning liabilities, or other items; and</li> <li>(f) equity capital and reserves disaggregated into various classes, such as paid-in capital, share premium and reserves.</li> </ul>

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<p>39 An entity shall classify all other assets as non-current. <i>When the entity’s normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.</i></p> <p><i>[IFRS for SMEs Standard paragraph 4.6]</i></p> <p><b>ITC 56 recommendation (page 49 of website appendices):</b> To align with the new AASB 18 structure, the AASB proposes [...] to delete the second sentence from paragraph 39, as this is now covered in paragraph B95 of AASB 18.</p>	<p>B95 The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When an entity’s normal operating cycle is not clearly identifiable, it is assumed to be 12 months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of held for trading in AASB 9) and the current portion of non-current financial assets.</p>
<p><b>Appendix A</b> <b>Defined terms</b></p> <p>...</p> <p><b>Material:</b></p> <p><b>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.</b></p> <p>Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.</p> <p>Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:</p> <ul style="list-style-type: none"> <li>(a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;</li> <li>(b) information regarding a material item, transaction or other event is scattered throughout the financial statements;</li> <li>(c) dissimilar items, transactions or other events are inappropriately aggregated;</li> <li>(d) similar items, transactions or other events are inappropriately disaggregated; and</li> </ul>	<p><b>Materiality</b></p> <p>B1 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.</p> <p>B2 Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.</p> <p>B3 Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:</p> <ul style="list-style-type: none"> <li>(a) material information about an item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;</li> <li>(b) material information about an item, transaction or other event is scattered throughout the financial statements;</li> <li>(c) dissimilar items, transactions or other events are inappropriately aggregated;</li> <li>(d) similar items, transactions or other events are inappropriately disaggregated; and</li> <li>(e) the understandability of the financial statements is reduced as a result of</li> </ul>

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<p>(e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.</p> <p>Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.</p> <p>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.</p> <p><b>ITC recommendation (pages 95–96):</b> AASB 18 relocated part of the definition of 'Material' from AASB 101 to paragraphs B1–B5 of the application guidance in Appendix B. Only the first paragraph is included as the definition in Appendix A of AASB 18. The AASB proposes to replace the definition of 'material' in AASB 1060 with AASB 18's 'Material information' definition and add a reference to paragraphs B1–B5 of AASB 18 for further guidance.</p>	<p>material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.</p> <p>B4 Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.</p> <p>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</p>
<p><b>Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.</b></p> <p>The components of other comprehensive income include:</p> <p>(a) changes in revaluation surplus (see AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i>);</p> <p>(b) remeasurements of defined benefit plans (see AASB 119 <i>Employee Benefits</i>);</p> <p>(c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i>);</p>	<p>B87 Appendix A defines 'other comprehensive income'. The components of other comprehensive income include:</p> <p>(a) changes in revaluation surplus (see AASB 116 and AASB 138);</p> <p>(b) remeasurements of defined benefit plans (see AASB 119);</p> <p>(c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121);</p> <p>(d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9;</p> <p>(e) gains and losses on financial assets measured at fair value through other</p>

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<p>(d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 <i>Financial Instruments</i>;</p> <p>(da) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9;</p> <p>(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 (see Chapter 6 of AASB 9);</p> <p>(f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of AASB 9);</p> <p>(g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of AASB 9);</p> <p>(h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9);</p> <p>(i) insurance finance income and expenses from contracts issued within the scope of AASB 17 <i>Insurance Contracts</i> excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of AASB 17; and</p> <p>(j) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17.</p>	<p>comprehensive income in accordance with paragraph 4.1.2A of AASB 9;</p> <p>(f) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 (see Chapter 6 of AASB 9);</p> <p>(g) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of AASB 9);</p> <p>(h) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of AASB 9);</p> <p>(i) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9);</p> <p>(j) insurance finance income and expenses from contracts issued within the scope of AASB 17 excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of AASB 17; and</p> <p>(k) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation, applying paragraph 88(b) of AASB 17.</p>

AASB 1060 (extract from ITC 56)	AASB 18
<p><b>ITC 56 recommendation (page 97–99):</b> AASB 18 relocated the components of other comprehensive income to paragraph B87 in the application guidance. The AASB proposes to replace the definition of ‘Other comprehensive income’ in AASB 1060 with AASB 18’s ‘Other comprehensive income’ definition and add a reference to paragraph B87 of AASB 18 for further guidance.</p>	

A3.3. For the existing guidance paragraphs listed in the table above, the Board should consider whether this guidance should be retained, removed or replaced with the updated guidance from AASB 18 (refer to Staff paper 7.1 paragraphs 16 to 18). The same approach should apply to all relevant paragraphs to ensure consistency.