

AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 240

7 July 2025

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 3 July 2025. At the meeting, the Board made key decisions in relation to:

[Presentation and Disclosure in Financial Statements by Not-for-Profit and Superannuation Entities](#)

[Conceptual Framework – Not-for-Profit Amendments](#)

[Not-for-Profit Private Sector Financial Reporting Framework \(Tier 3\)](#)

The Board also discussed the following topics:

[Climate-related Financial Disclosures](#)

[Research Update](#)

Presentation and Disclosure in Financial Statements by Not-for-Profit and Superannuation Entities

The Board discussed the revisions to AASB 107 *Statement of Cash Flows* made by AASB 18 *Presentation and Disclosure in Financial Statements*. The Board considered stakeholder feedback received from targeted outreach with not-for-profit (NFP) public sector and superannuation entity stakeholders about the possible need to depart from the revised AASB 107 (i.e. the version of AASB 107 that would incorporate the amendments made by AASB 18). The Board decided to propose in the Exposure Draft the following approaches for the various types of entities.

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Dividends received and interest paid and received

Regarding the classification of dividends received and interest paid and received, the Board decided to propose:

- (a) as an interim step, retaining the current policy choice for classifying dividends received and interest paid and received for NFP public sector entities, including entities applying AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and local government entities;
- (b) retaining the current policy choice for classifying dividends received and interest paid and received for superannuation entities. The Board noted this would be expected to result in superannuation entities classifying these items as operating cash flows, which would, in principle, be the classification achieved by applying the revised AASB 107 due to the nature of superannuation entity activities; and
- (c) requiring for-profit public sector entities to classify dividends received and interest paid and received in accordance with the revised AASB 107 without modification. The Exposure Draft would seek input on the following matters:
 - (i) whether it would be more important for the cash flow statements of these entities to be comparable with for-profit entities in the private sector or with NFP public sector entities;
 - (ii) the importance of these entities having a consistent classification of dividend and interest transactions between the income statement and the cash flow statement; and
 - (iii) the cost and effort required to adjust the cash flow classifications of these entities to facilitate whole of government consolidation and how they weigh against the benefits of complying with the revised AASB 107.

Indirect method of reporting cash flows from operating activities

Regarding the starting point for the indirect method of reporting cash flows from operating activities, the Board decided to propose amending:

- (a) AASB 1054 *Australian Additional Disclosures* to require entities, other than NFP public sector and superannuation entities, to use the 'operating profit or loss' subtotal (as defined in AASB 18) as the starting point for the reconciliation of the net cash flow from operating activities, to align with the indirect method set out in the revised AASB 107; and
- (b) the revised AASB 107 to permit NFP public sector and superannuation entities to use the 'profit or loss' subtotal as the starting point, consistent with the Board's decision to propose that these entities do not present an 'operating profit or loss' subtotal in their income statement.

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The Board revised its May 2025 decision about universities and decided they would be required to apply AASB 18 and the revised AASB 107 without modification on the basis that the requirements are as relevant to universities as they are to for-profit private sector entities. The Board noted that the limited feedback received from stakeholders in targeted outreach about university reporting did not provide sufficient justification to support departing from AASB 18 or the revised AASB 107.

The Board noted that the proposals may need to be presented in one or more Exposure Drafts to best target stakeholders and obtain useful feedback.

Conceptual Framework – Not-for-Profit Amendments

In its redeliberations of the proposals in Exposure Draft ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, the Board decided that:

- (a) the *Conceptual Framework for Financial Reporting (Conceptual Framework)* and Australian Accounting Standards, as exposed in ED 334, should apply to not-for-profit (NFP) entities that:
 - (i) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards;
 - (ii) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended on or after the date a Standard containing these proposals first becomes effective; or
 - (iii) elect to prepare general purpose financial statements;
- (b) the *Conceptual Framework* should include the 'Aus' paragraphs exposed in ED 334, except that proposed paragraph Aus6.56.1 regarding the relationship between cash flows and measurement bases should be redrafted to improve its clarity and alignment to the related IASB-originated paragraphs; and
- (c) the special purpose financial statements of NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards should include the AASB 1054 disclosures exposed in ED 334.

Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

The Board continued its redeliberations of certain proposals exposed in Exposure Draft ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*. The Board decided to finalise the following Tier 3 requirements as exposed in ED 335 for:

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- (a) Section 1: *Objective, Scope and Application*, except to clarify that the requirements of the topic-based Accounting Standards referred to in paragraph 1.3 apply only to those specified transactions, events and other conditions within that Standard's scope;
- (b) Section 2: *Financial Statement Presentation*;
- (c) Section 3: *Statement of Financial Position*, except to include additional guidance in paragraph 3.11 on the disclosures required about an entity's liabilities with covenants;
- (d) Section 4: *Statement of Profit or Loss and Other Comprehensive Income*, except to permit the presentation of the analysis of expenses using a classification based on both the nature and function of expenses if this provides information that is the most useful structured summary of an entity's expenses;
- (e) Section 5: *Statement of Changes in Equity and Statement of Income and Retained Earnings*;
- (f) Section 6: *Statement of Cash Flows*, except to clarify:
 - (i) in paragraph 6.4(g) – that cash receipts from investments, and cash receipts and payments from loans, are cash flows from operating activities when those investments or loans are held for dealing or trading purposes; and
 - (ii) the difference between the alternative approaches to present cash flows from operating activities under the indirect method, by including “relevant” before “revenue and expenses” in paragraph 6.9;
- (g) Section 7: *Notes to the Financial Statements*;
- (h) Section 9: *Accounting Policies, Estimates and Errors*, except to require the ‘full’ retrospective correction of prior period errors and for the related disclosures to align with those specified by Tier 2 reporting requirements;
- (i) Section 11: *Fair Value Measurement*, except for removing “in general” from paragraph 11.7 to limit when an entity would need to consider when a different use by market participants would maximise the value of the asset;
- (j) Section 12: *Inventories*, except to:
 - (i) clarify that the accounting policy choice for the initial measurement of non-financial assets acquired at significantly less than fair value can be made for each individual item;
 - (ii) remove the reference to education/training course materials under development from paragraph 12.2;

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- (iii) add a reference to net realisable value in paragraph 12.4; and
- (iv) relocate paragraph 12.6 and paragraph 12.7 on measuring a loss of service potential for inventories to Section 23 and clarify that the measurement of a loss of service potential for inventories is required when one of the impairment indicators in paragraph 23.3 is present;
- (k) Section 14: *Investment Property* and Section 15: *Property, Plant and Equipment*, except to:
 - (i) clarify in paragraph 15.1 that parts of Section 15 also apply to investment property for which an entity has chosen the cost model;
 - (ii) remove the reference to software, and include land and buildings as an example class of assets, in paragraph 15.11; and
 - (iii) not require the disclosure of commitments for repairs, maintenance or enhancements for investment property;
- (l) Section 18: *Leases*, except that lessees shall not separate the cost of services from lease payments;
- (m) Section 19: *Provisions and Contingencies*, except to clarify that provisions shall be measured at the entity's best estimate of the undiscounted amount to be paid;
- (n) Section 21: *Expenses*;
- (o) Section 22: *Borrowings*;
- (p) Section 24: *Employee Benefits*;
- (q) Section 25: *Income Taxes*;
- (r) Section 26: *Foreign Currency Translation*, except to clarify that exchange rate gains or losses on translating monetary asset and liability balances at the end of the reporting period are recognised in profit or loss;
- (s) Section 27: *Events Occurring after the Reporting Period*; and
- (t) Appendix A: *Glossary of Terms*, except to also include the equivalent Tier 2 terminology within the glossary of terms or within the body of the Tier 3 Standard where the Tier 3 requirements do not deviate from the Tier 2 terminology.

In addition, the Board made several editorial decisions regarding these Sections in response to the stakeholder feedback received.

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Climate-related Financial Disclosures

The Board received an update on the ISSB's forthcoming Exposure Draft on *Proposed amendments to the SASB Standards* (SASB Exposure Draft) as part of their *Enhancing the SASB Standards* project.

The Board decided:

- (a) not to issue a domestic wraparound of the SASB Exposure Draft;
- (b) to support ISSB-led engagement with Australian stakeholders on the proposed technical amendments in the SASB Exposure Draft; and
- (c) to engage in targeted outreach with Australian stakeholders to inform a comment letter to the ISSB on the strategic considerations in the SASB Exposure Draft.

This topic is expected to be considered further at the October 2025 meeting.

Research Update

The Board noted recent and upcoming Research Centre activities, including:

- (a) progress on the following projects:
 - (i) Cash Flows Statement and Related Matters;
 - (ii) the upcoming agenda consultation;
 - (iii) NFP Public Sector Entities Climate-related Financial Disclosures; and
 - (iv) Intangible Assets.
- (b) progress on the post-implementation review projects;
- (c) the release of the AASB Research Report 23 (a joint research project with the Malaysian Accounting Standards Board and CPA Australia) *Addressing Key Accounting Challenges*;
- (d) the release of the following AASB SSRN Working Papers:
 - (i) Working Paper No. 25-04: *Materiality Revised – Preparer and Auditing Conceptualisations in Financial and Sustainability Contexts*; and
 - (ii) Working Paper No. 25-05: *Connectivity and Boundaries of Climate-related Disclosures in Annual Reports*;
- (e) the upcoming 2025 AASB Research Forum, which will be held in Melbourne on 17 November 2025; and

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- (f) the recent April 2025 Dialogue Series session, which discussed issues regarding the statement of cash flows. The next session is scheduled for July 2025, focusing on segment reporting.

Recently Approved Documents

Since last reported (Action Alert, 7 May 2025), the Board has not approved any Standards, Exposure Drafts or other proposal documents.

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	ED 93 Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)	—	—	14 July 2025
AASB	ITC 55 Post-implementation Review of AASB 16 Leases	ITC 55	5 September 2025	15 October 2025

AASB Board Future Meeting Dates

19 August 2025

7 October 2025

20–21 November 2025

Next AASB Meeting

The Board is expected to address the following agenda items:

AASB Agenda Consultation

Climate-related Financial Disclosure

Contracts Referencing Nature-dependent Electricity (Tier 2)

Definition of Public Accountability

Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

Post-implementation Review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*

References to the *Framework for the Preparation and Presentation of Financial Statements*