



Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	M213
Topic:	Redeliberation – Disclosures in special purpose financial statements	Agenda Item:	4.3
		Date:	17 June 2025
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		Decision-Making:	High
		Project Status:	Project redeliberations

Objective of this paper

- 1 The objective of this agenda item is for the Board to **decide** how to finalise the proposed requirements exposed in ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* regarding disclosures in special purpose financial statements of not-for-profit (NFP) entities.
- 2 The Board's decisions in Agenda Paper 4.1 regarding scoping may have implications for the staff analysis in this paper.

Structure of this paper

- 3 This paper is set out as follows:
 - (a) background and reasons for bringing this paper to the Board – paragraphs 4 – 6;
 - (b) summary of the proposed requirements for disclosures in special purpose financial statements – paragraph 7 – 8;
 - (c) staff analysis of the feedback received – Table 1 and paragraph 13; and
 - (d) Appendix A: Extract from ED 334 – Amendments to AASB 1054 *Australian Additional Disclosures*.

Background and reasons for bringing this paper to the Board

- 4 ED 334 exposed proposals to extend the application of the *Conceptual Framework for Financial Reporting (Conceptual Framework)* to more NFP private and public sector entities. The proposals would bring a majority of Australian entities under the aegis of the same conceptual framework document for guiding the development of accounting policies.
- 5 At its 1 May 2025 meeting, the Board considered a summary of the feedback received on the Exposure Draft.¹ Having regard to that feedback, the Board decided to continue its Conceptual Framework: Not-for-Profit Amendments project and develop a final Standard based on ED 334.²
- 6 With respect to disclosures in special purpose financial statements, ED 334 exposed the Board's intention to require a new cohort of NFP entities to disclose certain information about the financial statements in their special purpose financial statements, where prepared. The proposed requirements largely mirror those applicable to for-profit private sector entities, and

1 Refer [Agenda Paper 3.2](#) of the 1 May 2025 AASB meeting

2 Refer Agenda Paper 2.2 for draft minutes of the 1 May 2025 AASB meeting

differs in some instances from those currently specified of NFP entities (for example, to no longer require the disclosure of information about audit fees or a reconciliation of cash flows from operating activities to profit or loss). This paper analyses the stakeholder feedback received about the Board's proposals regarding disclosures in special purpose financial statements, and seeks a Board decision as to how to finalise its requirements in this regard.

Summary of the proposed requirements for disclosures in special purpose financial statements

- 7 In ED 334, the Board proposed amending AASB 1054 *Australian Additional Disclosures* and AASB 1057 *Application of Australian Accounting Standards*³ to require a NFP private sector entity that is required only by its constituting document or another document to prepare financial statements that comply with Australian Accounting Standards to disclose the following information:
- (a) the statutory basis or other reporting framework, if any, under which the financial statements are prepared;
 - (b) whether, for the purposes of preparing the financial statements, it is a for-profit or not-for-profit entity;
 - (c) whether the financial statements are general purpose financial statements or special purpose financial statements;
 - (d) the basis on which the decision to prepare special purpose financial statements was made;
 - (e) the following about the material accounting policies applied in the special purpose financial statements, if not already required by another Australian Accounting Standard:
 - (i) the measurement basis (or bases) applied in preparing the special purpose financial statements; and
 - (ii) the other accounting policies applied that are relevant to an understanding of the special purpose financial statements;
 - (f) when a change in a material accounting policy has an effect on the current period or any prior period, disclose the following, if not already required by another Australian Accounting Standard:
 - (i) the nature of the change in accounting policy;
 - (ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
 - (iii) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
 - (A) for the current period;
 - (B) for each prior period presented; and
 - (C) in the aggregate for periods before those presented; and
 - (iv) an explanation if it is impracticable to determine the amounts to be disclosed under paragraph (iii); and
 - (g) where the entity has interests in other entities – either:
 - (i) whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements

3 The scope of AASB 1054 is amended by AASB 1057. The revised requirements that apply are specified in AASB 1054.

set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it shall disclose that fact, and the reasons why; or

- (ii) that the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, provided it is not required by legislation to make such an assessment for the purpose of assessing its financial reporting requirements and has not made such an assessment;
 - (h) for each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Tier 1: Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact; and
 - (i) whether or not the financial statements overall comply with all the recognition and measurement requirements in Tier 1: Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) or that such an assessment has not been made.
- 8 ED 334 also proposed limited revisions to the related implementation guidance and illustrative examples accompanying AASB 1054 to reflect that the disclosure requirements will apply to a different cohort of entities to those presently required to make these disclosures, and to recognise changes in the disclosures specified.
- 9 An extract from ED 334 showing the proposed disclosures in special purpose financial statements and amendments to the related implementation guidance and illustrative examples is included as Appendix A to this paper.

Staff analysis of the feedback received

- 10 As noted in Agenda Paper 3.2 of the Board's 1 May 2025 meeting, almost all stakeholders commenting on the proposed disclosures in special purpose financial statements of specified NFP private sector entities agreed with the proposed amendments.⁴ No specific comments were received about the proposed consequential amendments to the Implementation Guidance and illustrative examples accompanying AASB 1054, or about the disclosures that will be discontinued.
- 11 Stakeholders cited the following as reasons for their support of the proposals:
- (a) the appropriateness of having such disclosure in these financial statements;
 - (b) improved transparency and comparability; and
 - (c) consistency with for-profit private sector entity requirements.
- 12 However, a few stakeholders disagreed with, or raised concerns, about the proposals. Staff have analysed the concerns raised in Table 1 below:

4 42 stakeholders responded to Specific Matter for Comment SMC 5, including 30 polled outreach participants.

Table 1: Analysis of feedback received – disclosures in special purpose financial statements

Concern	Staff analysis and recommendation
<p><u>The prescribed population is too broad</u></p> <ol style="list-style-type: none"> 1. The Board should not extend the application of Australian Accounting Standards to NFP entities that are required only by their constituting document to prepare financial statements that are compliance with Australian Accounting Standards 	<p>Staff think that the stakeholder concerns raised do not provide evidence (for example, evidence of pervasiveness in practice or a new argument against) that should cause the Board to revise its exposed position. In staff's view, the concerns raised are consistent to those already considered by the Board in forming its proposals.</p> <p>As noted in paragraphs BC74 and BC76 of ED 334, in forming its AASB 1054 paragraph 9A proposals, the Board considered:</p> <ul style="list-style-type: none"> • the stakeholder feedback from its recent post-implementation review (PIR) of related AASB 1054 disclosures, and that the feedback did not indicate any stakeholder concerns about the implementation or operability of the paragraph 9A disclosures;⁵
<p><u>The benefit-cost conclusion is not evident</u></p> <ol style="list-style-type: none"> 1. The disclosures impose an additional 'red tape' burden on small NFP charities, for benefits that are not clear 2. The proposed disclosures are challenging to enforce in practice, such that the costs of enforcing the disclosures may outweighed any benefits gained 3. Comparability is unlikely to be the primary concern for users of these special purpose financial statements 4. Disclosure is warranted only where of benefit to users, for example, where the financial statements are publicly available 	<ul style="list-style-type: none"> • the comparability benefits of the disclosure, and that these are likely to be more limited since the applicable financial statements are less likely to be publicly available; and • that the Board does not have empirical or other data demonstrating that the information will (or will not) be useful to users of special purpose financial statements of the specified NFP private sector entities. <p>In ED 334, the Board had tentatively decided that these limitations do not outweigh the potential benefits of the disclosure for users. As set out in paragraphs BC73 and BC76 of ED 334, the following benefits of the disclosure were expected to exceed their costs, as the costs are unlikely to be onerous for entities given the topics of the disclosures and as the Board's proposal is to retain the 'not assessed' option for a gap analysis:</p> <ol style="list-style-type: none"> (a) consistency with transaction neutrality, as the proposed requirements align the requirements of for-profit and NFP private sector entities; and (b) improvement of the transparency of the financial statements to users of the special purpose financial statements of these NFP private sector entities. <p>A similar rationale applies in respect of the disclosures specified by paragraphs 8 and 9 of AASB 1054: the benefits of transaction neutrality and providing useful information at minimal cost, as the information is</p>

5 At its recent 1 May 2025 meeting, the Board discussed how to proceed with this PIR topic. The draft Minutes of that meeting (refer Agenda Paper 2.2) indicate that the Board decided not to propose any amendments to AASB 1054 in respect of the current NFP private sector entity cohort, but that the Board will monitor these disclosure requirements in light of the Board's Conceptual Framework: Not-for-Profit Amendments project (this project).

Concern	Staff analysis and recommendation
<p>5. NFP entities should not be required to provide information additional to that of a for-profit entity</p>	<p>expected to be readily available and could be already expected to be a part of the entity's considerations in preparing the financial statements (refer paragraph BC83 of ED 334).</p> <p>In addition, staff note that:</p> <ul style="list-style-type: none"> (a) the disclosures are equivalent to, or less than, those required of for-profit private sector entities; (b) the disclosures, once made, are unlikely to require change from period to period – further suggesting costs will be minimal; (b) any enforcement of disclosures is a matter between the entity and its auditor/regulator, and not a reason for the Board to not specify a requirement. <p>Consequently, staff recommend making no changes to the proposed cohort and to the proposed disclosure requirements in response to these stakeholder comments and concerns.</p>
<p><u>Appropriateness of the gap analysis disclosure</u></p> <ol style="list-style-type: none"> 1. The absence of a gap analysis, though permitted, could impact fundraising success. Or, it may have been a deliberate decision because of the signal the information might send about its governance to regulators and funders 2. Whether the proposed gap analysis disclosures are made may depend on an accountant's attitude 3. The gap analysis provides useful information, but resourcing and capability might be of issue 	<p>Staff think that these comments are all valid observations as to an entity's attitude towards compliance or otherwise with the disclosure requirements set out in paragraph 9A(d)-(f) of AASB 1054 (refer paragraph 7(g)-(i) above).</p> <p>However, only one stakeholder (outreach participant) specifically disagreed with the Board's proposals in this regard – this stakeholder indicated a preference for the Board not to permit a "choice" (the "not assessed" option) on making this disclosure. Staff note that this matter was considered by the Board in developing its proposals. As described in paragraph BC80 of ED 334, the Board decided to retain the "not assessed" option for the new cohort of NFP private sector entities specifically in response to its concern that the requirements would be otherwise too burdensome for the affected entities.</p> <p>Consequently, staff recommend making no changes to the proposed disclosure requirement in response to these stakeholder comments.</p>

Concern	Staff analysis and recommendation
<p><u>The disclosures should be sunset</u></p> <p>1. The proposed special purpose financial statement disclosures should be removed after a period of time</p>	<p>Staff think that this stakeholder suggestion reflects a view that the disclosures are only useful for inclusion in an entity's financial statements for a certain amount of time. However, the specific users of an entity's financial statements may change year-on-year. In addition, disclosures about the extent of an entity's compliance with Australian Accounting Standards could change over time, including when Accounting Standards are revised or are newly applicable.</p> <p>Consequently, staff recommend making no changes to the proposed disclosure requirements in response to the stakeholder view.</p>

- 13 **Staff recommendation.** Having regard to the staff analysis in Table 1 of the stakeholder concerns raised, and the majority support otherwise for the Board's proposals in this regard, staff recommend that the Board finalise the amendments to AASB 1054 exposed in ED 334 (refer Appendix A).
- 14 Notwithstanding the staff recommendation and while no drafting or other editorial comments were received from the public consultation, staff propose review the drafting of the amendments – including the related Implementation Guidance and illustrative examples – subsequent to incorporating any amendments necessary to reflect all the Board's decisions regarding an Amending Standard. Staff will bring any proposed changes in this regard to a future meeting as part of the Board's consideration of a draft Amending Standard (expected November 2025).

Question to Board members

- Q1 Do Board members agree with the staff recommendation in paragraph 13 above for the Board finalise the amendments to AASB 1054 exposed in ED 334 (refer Appendix A)?
- If not, what do Board members suggest?

APPENDIX A: Extracts from ED 334 – Amendments to AASB 1054 and AASB 1057

The following extracts from ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* set out the exposed proposals regarding disclosures in special purpose financial statements.

Underlining, striking out and other typographical material was used to identify some of the amendments to a pronouncement, in order to make the amendments more understandable. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to AASB 1057 *Application of Australian Accounting Standards*

73 Paragraph AusCF1 is amended as follows:

AusCF1 AusCF entities are:

- (a) ~~not for profit entities; and~~
- (b) ~~for profit~~ entities that are not applying the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).

For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 *Application of Australian Accounting Standards* and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* also applies. ~~For profit~~ Entities applying the *Conceptual Framework for Financial Reporting* are set out in paragraph Aus1.1 of the *Conceptual Framework*.

74 Paragraphs 2, 5, 5A, 7, 9, 10, 11A, 18, 18A, 19, 20, 20A, 22, 24 and 25 are amended as follows:

...

18A AASB 1054 *Australian Additional Disclosures* applies to:

- (a) ~~each not for profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;~~
- (b) ~~general purpose financial statements of each not for profit entity that is a reporting entity;~~
- (c) ~~each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;~~
- (da) for-profit private sector entities and not-for-profit entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; ~~and~~
- (eb) other for-profit private sector entities and not-for-profit entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards; and
- (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements.

Amendments to AASB 1054 *Australian Additional Disclosures*

63 The table in paragraph 2 is amended, and a footnote added, as follows:

2 The following table identifies the disclosure requirements that, in accordance with this Standard, apply to each type of entity to which this Standard applies:

Type of entity to which the paragraph is applicable	Subject of paragraphs	Paragraph numbers
<i>Entities preparing general purpose financial statements</i>		
For-profit entities and not-for-profit entities, whether in the private sector or the public sector	Compliance with Australian Accounting Standards	7
	Reporting framework	8

Type of entity to which the paragraph is applicable	Subject of paragraphs	Paragraph numbers
	General purpose or special purpose financial statements	9
	Audit fees	10, 11
	Imputation credits	12–15
	Operating cash flow reconciliation	16
	IFRS Standard not yet issued in Australia	17
Entities preparing special purpose financial statements¹		
For-profit private sector entities required only by their constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards	Reporting framework	8
	General purpose or special purpose financial statements	9
	Information about special purpose financial statements	9C, 9D
Not for-profit private sector entities required to comply with this Standard <u>Not-for-profit private sector entities required only by their constituting document or another document (created before [date] and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards</u>	Compliance with Australian Accounting Standards	7
	Reporting framework	8
	General purpose or special purpose financial statements	9
	Information about special purpose financial statements	9A, 9B
	Audit fees	10, 11
	Imputation credits	12–15
	Operating cash flow reconciliation	16
	IFRS Standard not yet issued in Australia	17

¹ These entities may elect to prepare general purpose financial statements instead

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Paragraph 9A is amended as follows:

Information about special purpose financial statements

9A ~~A not for-profit private sector entity that prepares special purpose financial statements~~ The special purpose financial statements of a not-for-profit private sector entity that is required only by its constituting document or another document to prepare financial statements that comply with Australian Accounting Standards shall:

- (a) disclose the basis on which the decision to prepare special purpose financial statements was made;
- (b) disclose the following about the material accounting policies applied in the special purpose financial statements, if not already required by another Australian Accounting Standard:
 - (i) the measurement basis (or bases) applied in preparing the special purpose financial statements; and
 - (ii) the other accounting policies applied that are relevant to an understanding of the special purpose financial statements;
- (c) when a change in a material accounting policy has an effect on the current period or any prior period, disclose the following, if not already required by another Australian Accounting Standard:
 - (i) the nature of the change in accounting policy;
 - (ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
 - (iii) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately;

- (A) for the current period;
 (B) for each prior period presented; and
 (C) in the aggregate for periods before those presented; and
 (iv) an explanation if it is impracticable to determine the amounts to be disclosed under paragraph (iii).

Financial statements of subsequent periods need not repeat these disclosures;

- (b) where the entity has interests in other entities – disclose either:
- (i) whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it shall disclose that fact, and the reasons why; or
 - (ii) that the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, provided it is not required by legislation to make such an assessment for the purpose of assessing its financial reporting requirements and has not made such an assessment;
- (ee) for each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Tier 1: Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact; and
- (ff) disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Tier 1: Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) or that such an assessment has not been made.

65 Paragraphs IG1–IG3 are amended as follows:

IG1 The AASB has prepared this guidance and examples to explain and illustrate the application of the requirements in paragraph 9A of this Standard ~~and their relationship to the requirements in AASB 18 *Presentation and Disclosure in Financial Statements* for the disclosure of a not for profit private sector entity's material accounting policy information. These requirements apply to entities applying this Standard, including those required by legislation to comply. An entity preparing special purpose financial statements that is not specifically required to comply with AASB 1054 may elect not to comply with these requirements, however, is encouraged to do so.~~

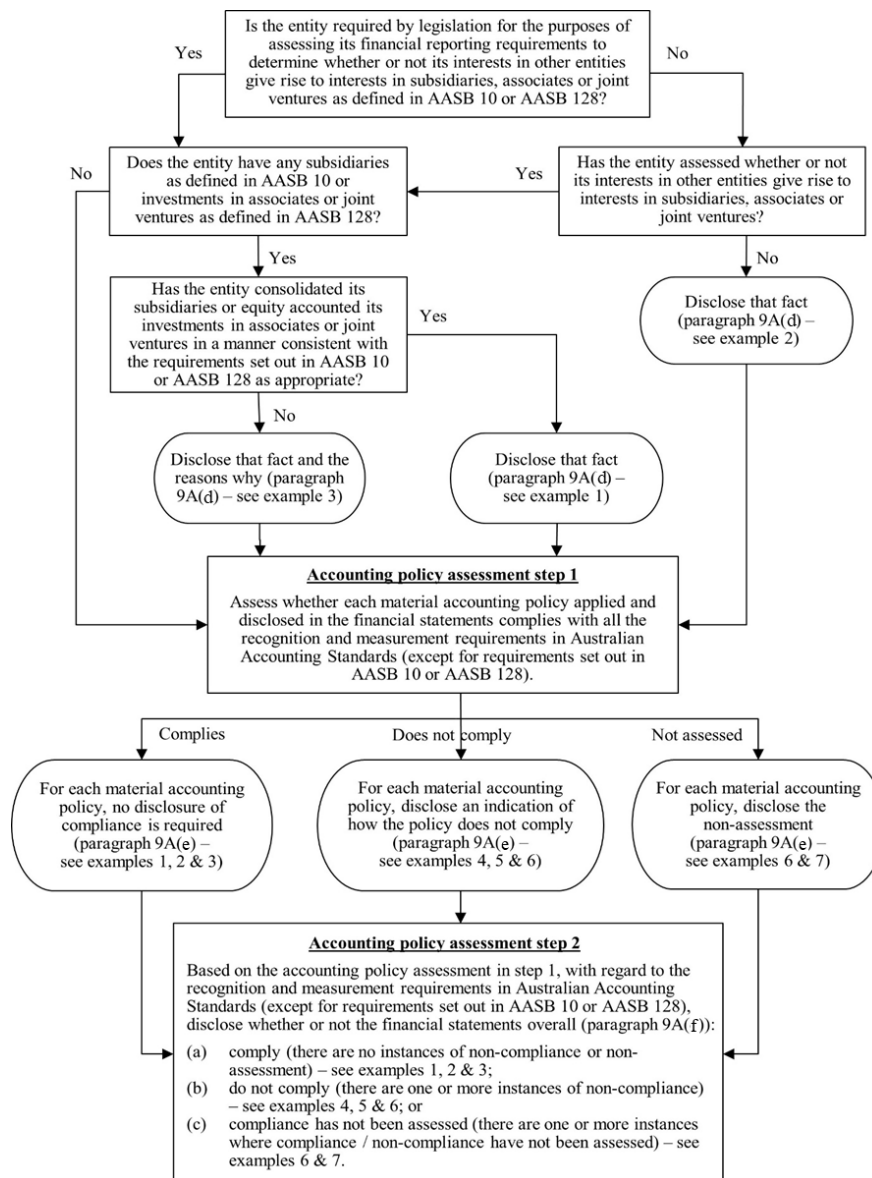
IG2 The table below has been provided for ease of reference to illustrate the types of entities that would ~~be generally be within or outside the scope of the requirements in paragraph 9A of this Standard, but some entities may have different specific requirements.~~

#	Entity	In scope/out of scope of <u>paragraph 9A</u>
1	For-profit private and for-profit public sector entities preparing special purpose financial statements	Not in scope
2	Not-for-profit private sector entities <u>preparing special purpose financial statements</u>	
	<u>Not-for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – provided that the relevant document was created before [operative date of AASB 20XX-X] and not amended on or after that date</u> <i>eg a trust, other than a charitable trust, established in 2024</i>	<u>In scope. Additionally, paragraphs 8–9 apply</u>
	<u>Not-for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – but the relevant document was created or amended on or after [operative date of AASB 20XX-X]</u> <i>eg a trust, other than a charitable trust, established in 2031</i>	<u>Not in scope – compliance with Australian Accounting Standards results in the entity preparing general purpose financial statements</u>

#	Entity	In scope/out of scope of paragraph 9A
	Not-for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with accounting standards or generally accepted accounting principles or practices <i>eg a limited partnership whose partnership agreement does not clearly require the preparation of financial statements that comply with Australian Accounting Standards</i>	Not in scope – these entities are not within the scope of AASB 1054 (refer paragraph 18A of AASB 1057)
	Not-for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards	Not in scope – compliance with the Standards requires general purpose financial statements
	<i>Charities registered with the Australian Charities and Not-for-profits Commission (ACNC)</i>	
	— medium and large charities preparing special purpose financial statements and required to comply with the ACNC reporting requirements for such financial statements	In scope, must comply with AASB 1054
	— small charities	Not in scope
	— medium and large charities preparing special purpose financial statements and not required to comply with the ACNC reporting requirements for such financial statements	Not in scope
	<i>Not for profit entities not registered with ACNC</i>	
	— lodging special purpose financial statements with the Australian Securities and Investments Commission (ASIC) under the <i>Corporations Act 2001</i> (eg companies limited by guarantee)	In scope, must comply with AASB 1054
	— required by Federal or State/Territory legislation to prepare financial statements in accordance with Australian Accounting Standards or accounting standards (eg incorporated associations, co-operatives and charitable fundraising organisations), that are preparing special purpose financial statements and not specifically required to comply with AASB 1054	Not in scope
3	<u>Other not-for-profit entities, including not-for-profit public sector entities, entities not specified above and entities not required to comply with AASB 1054 by legislation or otherwise Not-for-profit public sector entities preparing special purpose financial statements</u>	Not in scope

IG3 The following flowchart summarises some of the key decisions in determining how to apply the disclosure requirements in paragraph 9A(d)-(f) of this Standard in relation to special purpose financial statements.

The paragraph references in Chart 1 (following paragraph IG4) are amended to read as follows:



Paragraph IG5 is amended and paragraph IG5A is added as follows:

IG5 ~~Not for profit private sector entities required to apply AASB 1054 in their special purpose financial statements (including those lodged with ASIC or the ACNC), whether consolidated or unconsolidated, are also required to apply AASB 18 and AASB 108 *Basis of Preparation of Financial Statements*, including:~~

- ~~(a) paragraph 6A of AASB 108, which requires the fair presentation of financial statements;~~
- ~~(b) paragraphs 10–12 of AASB 108, which address the selection of accounting policies in the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition; and~~
- ~~(c) paragraph 27A of AASB 108, which requires disclosure of material accounting policy information comprising the measurement basis (or bases) and the other accounting policies used that are relevant to an understanding of the financial statements.~~

As a result, Not-for-profit private sector entities preparing special purpose financial statements are required to include sufficient information to enable users of those special purpose financial statements to obtain an understanding of the material accounting policies applied in the preparation of the special purpose financial statements, including changes in those policies adopted is required to be disclosed. This includes where an entity has selected and applied accounting policies that differ from the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*).

IG5A The disclosure of this information may be required by another Australian Accounting Standard, such as AASB 18 *Presentation and Disclosure in Financial Statements* or AASB 108 *Basis of Preparation of Financial Statements*. Where this is the case, the entity also complies with the requirements of that other Standard.

68 Paragraphs IG6 and IG9–IG12 are amended as follows:

IG6 Paragraph 9A(~~e~~)(e) of this Standard requires an entity, for each material accounting policy applied and disclosed in the financial statements to first assess, based on already known information, whether that policy complies with the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), does not comply, or compliance has not been assessed. An entity is not expected to perform a detailed assessment of recognition and measurement differences if that has not already been performed.

...

IG9 Based on the assessment in paragraph 9A(~~e~~)(e), paragraph 9A(~~d~~)(f) then requires an entity to disclose whether or not overall the material accounting policies applied and disclosed in the financial statements comply (that is there are no instances of non-compliance or non-assessment) (see Examples 1, 2 and 3 below) or do not comply (there are one or more instances of non-compliance) with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) (see Examples 4, 5 and 6 below), or that an assessment has not been made (there are one or more instances of compliance / non-compliance not having been assessed) (see Examples 6 and 7 below).

IG10 ~~Based on the AASB's research, some of the most frequent~~ Some common examples of non-compliance with recognition and measurement requirements in Tier 1: Australian Accounting Standards include:

(a) ...

IG11 In relation to paragraph 9A(~~b~~)(d) of this Standard, information about the accounting for subsidiaries and investments in associates and joint ventures is fundamental for a user's understanding of the scope of the financial statements. Some entities are required to determine their financial reporting requirements based on the application of recognition and measurement requirements in Australian Accounting Standards, including consolidation, ~~for example a proprietary company subject to section 45A of the Corporations Act 2001 is required to determine whether it is a small or large proprietary company on a consolidated basis (ie the parent and the entities it controls (subsidiaries)) in accordance with the accounting standards even if the standards do not otherwise apply to some or all of the companies concerned.~~ Other entities, typically lodging financial reports with the ACNC, make their assessments based on individual entity circumstances only. In instances where legislation does not require assessment on a consolidated basis, and an entity has not made an assessment of whether its interests in other entities are subsidiaries, associates or joint ventures, an entity shall make a statement that they have not been assessed (see Example 2 below).

IG12 Exemptions from consolidation of subsidiaries are provided in AASB 10, paragraphs 4(a) and Aus4.1 (as modified by paragraph Aus4.2), including when the entity is a wholly-owned subsidiary and its ultimate parent produces consolidated financial statements that are available for public use and comply with accounting standards. ~~Directors~~ Those charged with governance preparing special purpose financial statements might have other reasons for non-consolidation of some or all of an entity's subsidiaries, and paragraph 9A(~~b~~)(d) requires these reasons to be disclosed (see Example 3 below).

69 A heading 'Illustrative Examples' is added above paragraph IG13, and the table in paragraph IG13 is amended as follows:

Scenario/Example		1	2	3	4	5	6	7
Reporting Framework	<u>ACNC Trust deed</u>	✓	✓	✓		✓		✓
	<u>Corporations Act 2001</u>				✓		✓	
	<u>Other document</u>	✓						
Subsidiaries	Yes	✓	Not assessed	✓				
	No				✓	✓	✓	✓
Consolidated	Yes	✓	n/a		n/a	n/a	n/a	n/a
	No							
	Partially			✓				

Scenario/Example		1	2	3	4	5	6	7
Associates / Joint Ventures	Yes	✓	Not assessed	✓				
	No				✓	✓	✓	✓
Equity accounted	Yes	✓			n/a	n/a	n/a	n/a
	No		✓					
	Partially			✓				
Material accounting policies comply with all recognition and measurement requirements (except for AASB 10 or AASB 128)	Yes	✓	✓	✓				
	No				✓	✓	✓	
	Not assessed						✓	✓
Financial statements overall comply with all recognition and measurement requirements (except for AASB 10 or AASB 128)	Yes	✓	✓	✓				
	No				✓	✓	✓	
	Not assessed							✓

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Paragraph IG14 and the illustrative examples that follow the paragraph are amended as follows, and paragraph IG14A is added:

IG14 The following examples illustrate how an entity might apply the disclosure requirements in paragraph 9A of this Standard ~~within the context of the requirements in AASB 101 and AASB 108 referred to in paragraph IG5 above to the special purpose financial statements they prepare~~, on the basis of the limited facts presented. Although some aspects of the examples might be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern need to be evaluated when applying disclosure requirements of this the Standard.

IG14A In Examples 1 and 3, the not-for-profit entity has interests in subsidiaries, associates and joint ventures; in Example 2 the not-for-profit entity did not determine whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures. If the not-for-profit entities in Examples 1 and 3 applied the Tier 3 reporting requirements for interests in such entities set out in [Draft] AASB 10XX *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* (either in general purpose financial statements they elected to prepare in accordance with [Draft] AASB 10XX or in special purpose financial statements for which they concluded the Tier 3 requirements are appropriate for meeting their users' information needs), those interests in subsidiaries, associates and joint ventures would be identified under [Draft] AASB 10XX (Section 8) as interests in 'notable relationship entities'. [Draft] AASB 10XX identifies a notable relationship as existing whenever the entity has at least significant influence over an entity in which it holds an interest. Section 8 of [Draft] AASB 10XX specifies certain disclosures to be made about notable relationships of not-for-profit private sector Tier 3 entities, regardless of whether the entity identifies the category of each notable relationship (ie whether control, joint control or significant influence).

#	Example	Illustrative disclosure
1	<p><i>Compliance with all recognition and measurement requirements in Australian Accounting Standards including AASB 10 and AASB 128</i></p> <p>Charity A Inc ABC Building Fund, a not-for-profit parent, prepares consolidated special purpose financial statements that:</p> <ul style="list-style-type: none"> consolidate all its subsidiaries in a manner consistent with the requirements set out in AASB 10; equity account all its investments in associates and joint ventures in a manner consistent with the requirements set out in AASB 128; and apply accounting policies that comply with all the recognition and 	<p>Charity A Inc ABC Building Fund is a not-for-profit entity. The Members of the Governing / Management Committee responsible officers of the Fund are of the opinion that there are unlikely to be users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs the Association is not a reporting entity as users may obtain the financial information they require upon request. These special purpose financial statements have therefore been prepared in order to meet the requirements of the terms that established the Fund [Australian Charities and Not for profits Commission Act 2012/ insert further details of the not for profit reporting framework under which the financial statements are prepared].</p> <p>Charity A Inc ABC Building Fund has consolidated all its subsidiaries consistent with the requirements set out in AASB 10 <i>Consolidated Financial Statements</i> and equity accounted for its investments in associates and joint ventures in a manner consistent with the requirements set out in AASB 128 <i>Investments in Associates and Joint Ventures</i>.</p>

#	Example	Illustrative disclosure
	measurement requirements in Australian Accounting Standards.	These consolidated special purpose financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards.
2	<p><i>Compliance with all recognition and measurement requirements in Australian Accounting Standards except for AASB 10 and AASB 128 (interests in other entities not assessed)</i></p> <p>Charity B Inc DEF Trust, a not-for-profit entity, prepares special purpose financial statements that:</p> <ul style="list-style-type: none"> do not consolidate or equity account any entities as Charity B Inc DEF Trust did not determine whether its interests in other entities give rise to interests in subsidiaries or investments in associates or joint ventures; and apply accounting policies that comply with all the recognition and measurement requirements in Australian Accounting Standards. <p>The legislative framework in which Charity B Inc DEF Trust operates does not require it to identify subsidiaries, associates or joint ventures to determine its financial reporting requirements.</p>	<p>Charity B Inc DEF Trust is a not-for-profit entity. <u>It has prepared special purpose financial statements as</u> in the opinion of the Management Committee trustee, Charity B Inc is not a reporting entity as its users may it is unlikely that there are users of these financial statements who are not in a position to request the financial information they need. These special purpose financial statements have been prepared to satisfy the trustee's reporting requirements under the trust deed for distribution to members and for the purposes of fulfilling the reporting requirements under the [Australian Charities and Not for profits Commission Act 2012] <u>insert further details of the not for profit reporting framework under which the financial statements are prepared</u>.</p> <p>Charity B Inc DEF Trust has not assessed whether it has relationships with other entities which, for financial reporting purposes, might be considered subsidiaries, associates or joint ventures as it is not required by the [Australian Charities and Not for profits Commission Act 2012] <u>any relevant legislative framework</u> to do so.</p> <p>These special purpose financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards (except for the requirements set out in AASB 10 Consolidated Financial Statements or AASB 128 Investments in Associates and Joint Ventures).</p>
3	<p><i>Compliance with all recognition and measurement requirements in Australian Accounting Standards except for AASB 10 and AASB 128 (some subsidiaries not consolidated and some associates and joint ventures not equity accounted)</i></p> <p>MNO Ltd, a parent that is a charity, GHI as trustee of the GHI Alumni Association prepares partially consolidated special purpose financial statements that:</p> <ul style="list-style-type: none"> consolidate some but not all of its subsidiaries (and are therefore inconsistent with the requirements set out in AASB 10); do not equity account all its investments in associates and investments in joint ventures in a manner consistent with the requirements set out in AASB 128; and apply accounting policies to those partially consolidated financial statements that comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128). 	<p>MNO Ltd GHI as Trustee of the GHI Alumni Association, a not-for-profit entity, has prepared special purpose financial statements <u>consolidating the GHI Alumni Association, as,</u> In the opinion of the Directors trustee, it is unlikely there are users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs. Accordingly, these financial statements have been prepared to satisfy the Directors' trustee's reporting requirements under the [Australian Charities and Not for profits Commission Act 2012] <u>insert further details of the not for profit reporting framework under which the financial statements are prepared</u> trust deed.</p> <p>These financial statements do not consolidate all of MNO Ltd's GHI's subsidiaries or equity account all its investments in associates and investments in joint ventures as the Directors <u>trustee</u> [did not perform a detailed assessment of all of MNO Ltd's relationships with other entities, and instead trustee has elected to only consolidate those entities MNO Ltd GHI has a 100% ownership interest in / insert an explanation of why some subsidiaries, associates and joint ventures are not consolidated / equity accounted.]</p> <p>MNO Ltd's The partially consolidated special purpose financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards (except for the requirements set out in AASB 10 Consolidated Financial Statements or AASB 128 Investments in Associates and Joint Ventures).</p>
4	<p><i>Known non-compliance with all recognition and measurement requirements in Australian Accounting Standards that is not extensive</i></p> <p>XYZ Twins Ltd, a not-for-profit entity that is not a charity a partnership, determined that it does not have any subsidiaries, associates or joint ventures (and therefore requirements set out in AASB 10 and AASB 128 are not</p>	<p>XYZ Ltd Twins, a not-for-profit entity, has prepared special purpose financial statements <u>as, in the opinion of the Directors, it is unlikely there are users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs. Accordingly, these financial statements have been prepared to satisfy the Directors' partners' reporting requirements under the</u> Corporations Act 2001 <u>partnership agreement.</u></p> <p>These special purpose financial statements do not comply with all the recognition and measurement requirements in Australian</p>

#	Example	Illustrative disclosure
	applicable) and prepares special purpose financial statements that apply material accounting policies that do not comply with all the recognition and measurement requirements in Australian Accounting Standards. The differences are not extensive.	Accounting Standards. The recognition and measurement requirements that have not been complied with are those specified in AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> as, in accounting for income, recognition of all grant income has been deferred [[until the related expenses are incurred without assessing whether there are enforceable performance obligations to transfer a good or service to a third party which are sufficiently specific to know when the performance obligation has been satisfied] / [where the grant is for multi-years without assessing whether there is a performance obligation or the grantor retains control of the remainder of the grant at the end of each year] / insert further details including an indication of how material recognition and measurement requirements in Australian Accounting Standards have not been complied with].
5	<i>Known non-compliance with all recognition and measurement requirements in Australian Accounting Standards that is extensive</i> Charity D Inc JKL Family Trust, a not-for-profit entity, does not have any subsidiaries, associates or joint ventures (and therefore requirements set out in AASB 10 and AASB 128 are not applicable) and prepares special purpose financial statements that apply material accounting policies that do not comply with all the recognition and measurement requirements in Australian Accounting Standards. Although the differences have not been quantified, they are extensive and an indication of the differences are is presented with the appropriate note disclosing the accounting policy.	Charity D Inc JKL Family Trust, a not-for-profit entity, has prepared special purpose financial statements as, in the opinion of the Management Committee trustees, it is unlikely there are users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs. Accordingly, these financial statements have been prepared to satisfy the Management Committee's trustees' reporting requirements under the [Australian Charities and Not-for-profits Commission Act 2012 / insert further details of the not for profit reporting framework under which the financial statements are prepared] trust deed. These special purpose financial statements do not comply with all the recognition and measurement requirements in Australian Accounting Standards. [The material accounting policies adopted in the special purpose financial statements are set out in notes X-Y and indicate how the recognition and measurement requirements in Australian Accounting Standards have not been complied with. ... Note X: Revenue ... All grant income has been deferred upon receipt and not recognised as revenue until the related expenses are incurred, without assessing whether enforceable performance obligations exist Trust income is recognised on a cash basis. This does not comply with AASB 15 <i>Revenue from Contracts with Customers</i> or AASB 1058 <i>Income of Not-for-Profit Entities</i> Note Y: Employee Benefits ... Long-term provision recognised for long service leave has been measured on the undiscounted basis which does not comply with AASB 119 <i>Employee Benefits</i>]
6	<i>At least one material accounting policy not assessed for compliance with recognition and measurement requirements in Australian Accounting Standards (combined with known non-compliance with recognition and measurement requirements in Australian Accounting Standards)</i> MLK Pty Ltd, a not-for-profit entity small proprietary company, does not have any subsidiaries, or investments in associates or joint ventures (and therefore requirements set out in AASB 10 and AASB 128 are not applicable) and is <u>required by its company charter to prepare financial statements for distribution to its shareholders.</u> MLK Pty	MLK Pty Ltd is a not-for-profit entity. In the opinion of the directors Charity E Ltd is not a reporting entity as its users may request the financial information they need it is unlikely that there are users of these financial statements who are not in a position to <u>require the preparation of reports tailored to their information needs.</u> These special purpose financial statements have been prepared for distribution to members and for the purposes of fulfilling the requirements of the Corporations Act 2001 shareholders consistent with the requirement in the company <u>charter.</u> These special purpose financial statements do not comply with all the recognition and measurement requirements in Australian Accounting Standards. The material accounting policies adopted in the special purpose financial statements include: - [deferring all grant income upon receipt and not recognising as revenue until the related expenses are incurred, without

#	Example	Illustrative disclosure
	<p>Ltd prepares special purpose financial statements that apply some material accounting policies that do not comply with the recognition and measurement requirements in Australian Accounting Standards and some material accounting policies that have not been assessed for compliance with the recognition and measurement requirements in Australian Accounting Standards.</p>	<p>assessing whether enforceable performance obligations exist, which does not comply with AASB 15 <i>Revenue from Contracts with Customers</i> or AASB 1058 <i>Income of Not-for-Profit Entities</i>;</p> <ul style="list-style-type: none"> - insert further details including an indication of how material recognition and measurement requirements in Australian Accounting Standards have not been complied with]. <p>The material accounting policies disclosed in note X that have not been assessed for compliance with the recognition and measurement requirements of Australian Accounting Standards include:</p> <ul style="list-style-type: none"> - Long-service leave; and - Impairment of assets.
7	<p><i>At least one material accounting policy not assessed for compliance with recognition and measurement requirements in Australian Accounting Standards (all other material accounting policies comply with recognition and measurement requirements in Australian Accounting Standards)</i></p> <p>Trust MNO Charity F Inc, a not-for-profit entity, does not have any subsidiaries, or investments in associates or joint ventures (and therefore requirements set out in AASB 10 and AASB 128 are not applicable) and prepares special purpose financial statements that apply some material accounting policies that have not been assessed for compliance with the recognition and measurement requirements in Australian Accounting Standards. All other material accounting policies comply with the recognition and measurement requirements in Australian Accounting Standards.</p>	<p>Charity F Inc Trust MNO, a not-for-profit entity, has prepared special purpose financial statements as, in the opinion of the Management Committee trustee, it is unlikely there are users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs. Accordingly, these financial statements have been prepared to satisfy the Management Committee's trustee's reporting requirements under [the Australian Charities and Not-for-profits Commission Act 2012 / insert details of the not for profit reporting framework under which the financial statements are prepared] the trust deed.</p> <p>Charity F Inc Trust MNO has not assessed whether these special purpose financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards.</p> <p>[The material accounting policies disclosed in note X that have not been assessed for compliance with Australian Accounting Standards include:</p> <ul style="list-style-type: none"> - Recognition of income; and - Long-service leave.] <p>OR</p> <p>[The material accounting policies adopted in the special purpose financial statements are set out in notes X-Y and indicate how they have not been assessed for compliance with the recognition and measurement requirements in Australian Accounting Standards.</p> <p>...</p> <p>Note X: Revenue</p> <p>All grant income has been deferred upon receipt and not recognised as revenue until the related expenses are incurred, and Trust income is recognised when receivable. This accounting policy has not been assessed for compliance with the recognition and measurement requirements in Australian Accounting Standards.</p> <p>...</p> <p>Note Y: Employee Benefits</p> <p>...</p> <p>Long-term provision recognised for long service leave has been measured to reflect the directors trustee's best estimate of the amounts payable for those employees expected to achieve seven years of service at the reporting date, and has not been assessed for compliance with the recognition and measurement requirements in Australian Accounting Standards.]</p>