



Australian Government

Australian Accounting
Standards Board

Consultation

Simplifying Australia's Not-for-Profit Financial Reporting Framework

Proposals at a glance

Consultation closes 28 February 2025



What is this consultation about?

This consultation includes two key proposals:

Exposure Draft 334 proposes to simplify the Not-for-Profit (NFP) financial reporting framework by removing the self-assessment component from the Reporting Entity concept.

This will mean all NFP entities will be required to prepare **general purpose financial statements** (GPFS) if they are required to prepare financial statements in accordance with Australian Accounting Standards.

Exposure Draft 335 proposes the development of a **new Tier 3 accounting standard** for smaller NFP private sector entities. This includes entities like charities, incorporated associations, trusts, and co-operatives. It is important to note that size thresholds for these entities are set and administered by Commonwealth and State or Territory regulators.

What could these changes mean for you?

If you are a NFP public or private sector entity that is required to by legislation or constituting document to prepare financial statements in accordance with Australian Accounting Standards, it may mean you will no longer be able to prepare **special purpose financial statements** and will instead need to prepare **general purpose financial statements** that are Tier 1 GPFS, Tier 2 GPFS or the proposed new Tier 3 GPFS.

Who needs to be aware of this?

These proposals are relevant for anyone involved with preparing, reviewing or approving financial statements for NFP entities.

It is also relevant for donors, funders/grant providers, and other stakeholders who are interested in the financial statements of NFP entities.

How to provide feedback



Submissions can be made via any of the following:

- Participate in our [survey](#)
- Attend a [virtual or in-person outreach event](#)
- Email standard@asb.gov.au

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Why are we doing this?

Not for Profit (NFP) organisations contribute an estimated \$156 billion dollars to the Australian economy. The financial reports produced by NFP organisations provide vital information to a wide range of stakeholders including donors, funders and volunteers. The accounting standards set by the Australian Accounting Standards Board (AASB) ensure stakeholders can have confidence in the information being provided and that financial reports are consistent and comparable.

Under the current framework, many NFP entities that are similar in size and structure are producing financial reports that apply different reporting requirements.

This creates a number of issues including a lack of consistency and reduced comparability between reporting entities.

Our proposal to introduce a single accounting standard for Tier 3 NFP entities recognises that Tier 1 and Tier 2 reporting requirements may not present a proportionate cost/benefit for smaller NFP entities that may be affected by the proposals in ED 334.

Key benefits

- ✓ Increased consistency
- ✓ Greater comparability
- ✓ Right sized reporting

Timeframes



Following this consultation, the AASB will review all stakeholder feedback and make a recommendation to the AASB Board.

We anticipate entities will have two to three years lead time before any changes take effect.

Overview of the proposed Tier 3 accounting standard

Tier 3 reporting entities would produce a set of financial statements that would include:

- Financial position
- Profit or loss and other comprehensive income
- Changes in equity (required only in particular circumstances)
- Cash flows
- Notes to the financial statements.

The proposed Tier 3 standard also simplifies recognition and measurement requirements through some of the following:

- ✓ An accounting policy choice to present consolidated or separate financial statements
- ✓ No restatement of comparative period information for changes in accounting policies or corrections of prior period errors
- ✓ The ability to defer revenue recognition if there is a common understanding that is evidenced between the provider and the entity on how the assets received should be used
- ✓ No requirement to recognise lease assets or lease liabilities



- ✓ An accounting policy choice to measure donated non-financial assets at cost or at their fair value
- ✓ Measuring loans, including concessional loans, at their face value without discounting to its present value
- ✓ Measuring provisions including short and long-term employee benefits on an undiscounted basis
- ✓ Simplified and limited indicators of impairment of non-financial assets
- ✓ The option to apply a book value method for all entity combinations

Transitioning to the new requirements



Proposed first-time transition from:

SPFS → Tier 3 GPFS

Comparative information is not restated. Rather, any necessary adjustments to reflect the retrospective application of accounting policies are made against the opening balances of the entity's first GPFS reporting period. The correction of a prior period error need not be distinguished from these changes in accounting policy.

Comparative information does not need to be presented in the entity's first Tier 3 GPFS, if the entity did not make comparable disclosures in the prior period's SPFS.

Tier 1 or Tier 2 GPFS → Tier 3 GPFS

Is the same as for SPFS to Tier 3 GPFS, except an entity may continue applying in its Tier 3 GPFS, those Tier 1 or Tier 2 recognition and measurement accounting policies and disclosures to some or all the assets and liabilities existing at the date of transition to Tier 3 GPFS.

SPFS → Tier 2 GPFS

Comparative information must be restated, except where the entity applies the final proposals ahead of the effective date of those proposals. Then, any necessary adjustments to reflect the effects of the retrospective application of accounting policies may instead be made against the opening balances of the entity's first GPFS reporting period.

The correction of a prior period error need not be distinguished from these changes in accounting policy.

SPFS → Tier 1 GPFS

Comparative information must be restated for the effects of the retrospective application of accounting policies.





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Over to you...

We're keen to get your feedback on these proposals.

Feedback can be provided through any of the following:

- Participate in our [survey](#)
- Attend a [virtual or in-person outreach event](#)
- Email standard@asb.gov.au

If you'd like to dive a little deeper into the proposals, the following resources provide more detailed information:

- [Webcast](#) overview
- [Summary](#) of the Tier 3 proposals
- [Key facts](#) document

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