

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, AASB 18.*

### Background

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- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's (AASB's) considerations in reaching the conclusions regarding the substantive Australian-specific issues pertinent to IFRS 18 *Presentation and Disclosure in Financial Statements* and the making of AASB 18 *Presentation and Disclosure in Financial Statements*. In making decisions, individual Board members gave greater weight to some factors than to others.
- BC2 In issuing IFRS 18, the International Accounting Standards Board (IASB) replaced its existing Standard IAS 1 *Presentation of Financial Statements* and made consequential amendments to a range of other existing affected IFRS Accounting Standards.

### Australian context

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- BC3 The Australian version of IAS 1, AASB 101 *Presentation of Financial Statements*, applies to all Australian entities preparing Tier 1 general purpose financial statements (GPFS), including not-for-profit private and public sector entities.
- BC4 IFRS 18 was developed by the IASB from the perspective of publicly accountable for-profit private sector entities. Based on outreach conducted by the AASB among Australian stakeholders across a range of sectors using Exposure Draft ED 298 *General Presentation and Disclosures* (January 2020), the Board is aware that many, but potentially not all, aspects of IFRS 18 are suitable for application by all types of Australian entities preparing Tier 1 GPFS.
- BC5 The AASB noted that, while not all the proposals in ED 298 have been retained in IFRS 18 and more guidance has been provided on some matters, a number of concerns raised by entities that are not publicly accountable for-profit private sector entities (such as not-for-profit private and public sector entities) may remain.
- BC6 Based on the feedback received on ED 298 and the changes made by the IASB in finalising IFRS 18, and the post-implementation review of AASB 1056 *Superannuation Entities*, the AASB has been able to give preliminary consideration to the suitability of IFRS 18 for all types of entities preparing Tier 1 GPFS. The AASB decided to:
- (a) make AASB 18 applicable to for-profit entities preparing Tier 1 GPFS, other than superannuation entities, for annual periods beginning on or after 1 January 2027;
  - (b) make AASB 18 applicable to not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities preparing Tier 1 GPFS for annual periods beginning on or after 1 January 2028 and to commence, as soon as feasible, further outreach with stakeholders on applying AASB 18 to these entities; and
  - (c) depending on the outcomes of the outreach, consider making modifications to AASB 18 for application by not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities.
- BC7 The AASB expects that any modifications to AASB 18 for application by entities noted in paragraph BC6(c) could take the form of guidance, exemptions and alternative requirements.

### Not-for-profit entities

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- BC8 The AASB received only limited feedback from not-for-profit stakeholders on ED 298.
- BC9 Nonetheless, the AASB considers there may be issues that need to be clarified in applying AASB 18 to not-for-profit entities. These could include the way in which the income statement categorisations might be applied to:
- (a) transfers of funds or assets to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity; and

- (b) investment income from endowments that is stipulated as to be used to support particular operating activities.
- BC10 These issues are expected to be among those addressed in the AASB's planned outreach with not-for-profit stakeholders.

## Whole of Government and General Government Sector

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- BC11 AASB 1049 *Whole of Government and General Government Sector Financial Reporting* requires Whole of Government (WoG) and General Government Sector (GGS) entities to present consolidated financial statements in a manner that is consistent with the Australian system of Government Finance Statistics (ABS GFS Manual) published by the Australian Bureau of Statistics (ABS).
- BC12 AASB 1049 requires WoG and GGS entities to:
- (a) classify income and expenses as 'transactions' and 'other economic flows', which contrasts with the categories of 'operating', 'investing' and 'financing' in the statement of comprehensive income introduced by AASB 18; and
  - (b) present additional line items and subtotals in primary financial statements related to 'key fiscal aggregates' in addition to the requirements under AASB 101 and AASB 107 *Statement of Cash Flows* (AASB 1049 paragraphs 28, 32 and 36–37).
- BC13 Feedback from key public sector stakeholders on ED 298 identified potential concerns with:
- (a) simultaneously meeting the proposed income statement categorisations and the existing AASB 1049 formats for WoG and GGS financial statements; and
  - (b) how the requirements to disclose management-defined performance measures might affect public sector entities.
- BC14 These issues are expected to be among those addressed in the AASB's planned outreach with public sector stakeholders.

## Superannuation entities

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- BC15 The AASB recently completed a post-implementation review of AASB 1056 *Superannuation Entities*, which included issuing Invitation to Comment ITC 54 *Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge* (July 2023).
- BC16 The feedback received on ITC 54 indicated widespread support for the existing requirements. The AASB concluded that none of the issues raised were sufficiently significant to warrant any standard-setting work at this stage. However, the AASB decided to continue to monitor the application of AASB 1056 and other pronouncements applicable to the superannuation industry as circumstances change, such as changes in:
- (a) prudential, governance and tax legislation;
  - (b) Accounting Standards; and
  - (c) superannuation products.
- BC17 The AASB considered there may be issues that need to be clarified in applying AASB 18 to superannuation entities, which could include clarifying how the income statement categorisations might affect the presentation of line items in the statement of changes in member benefits.

## Effective date

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- BC18 In view of the further due process planned to consider potential modifications of AASB 18 for application by not-for-profit private sector entities, not-for-profit public sector entities and superannuation entities, the AASB decided that the effective date of AASB 18 for such entities would be annual periods beginning on or after 1 January 2028 (instead of 1 January 2027), with earlier application permitted. The AASB considered that these entities should have an implementation period for applying AASB 18, including any modifications the AASB may make to AASB 18, similar to that for for-profit entities preparing Tier 1 GPFS.

## Entities preparing Tier 2 GPFS

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- BC19 AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* maximises the use of relevant International Financial Reporting Standards requirements reflected in the *IFRS for SMEs Standard*. At the time of issuing IFRS 18, the IASB was undertaking a project to develop the third edition of the *IFRS for SMEs Standard*. However, the IASB decided not to consider alignment with IFRS 18 in that project.
- BC20 Accordingly, the AASB decided to undertake stakeholder outreach to gather feedback on whether any of the presentation and disclosure requirements introduced in AASB 18 would be relevant for entities preparing Tier 2 GPFS. AASB 1060 would only be amended following appropriate due process.