

Explanatory Statement

Accounting Standard AASB 1061 ***General Purpose Financial Statements –*** ***Not-for-Profit Private Sector Tier 3 Entities***

April 2026



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Main Features of AASB 1061

Background

This Standard is issued in response to the review of the financial reporting framework for not-for-profit private sector entities. By introducing a new reporting tier of general purpose financial statements, AASB 1061 aims to provide a proportionate financial reporting response for smaller not-for-profit private sector entities required to prepare financial statements that comply with Australian Accounting Standards.

This Standard responds to stakeholder feedback that the original Australian reporting entity concept is not working, and acknowledges stakeholder concerns that:

- (a) the existing Tier 1 and Tier 2 reporting requirements for preparing general purpose financial statements may be overly complex for application by smaller not-for-profit private sector entities; and
- (b) financial reporting requirements should continue to complement other government initiatives aimed at reducing red tape and lessening the reporting burden for entities.

Main Requirements

This Standard sets out the recognition, measurement, presentation and disclosure requirements for a new tier of reporting requirements (Tier 3) applicable to certain not-for-profit private sector entities. This Standard has been developed through applying a new approach and principles based on considering preparer costs and the information needs of users of general purpose financial statements to determine the requirements that are appropriate for Tier 3 entities. Tier 3 entities are not-for-profit private sector entities that are not publicly accountable and are not prohibited from applying this Standard by legislation or their constituting document or another document.

This Standard requires:

- (a) a statement of financial performance, a statement of financial position, a statement of changes in equity and a statement of cash flows to be presented in Tier 3 general purpose financial statements. A statement of income and retained earnings may be substituted for some of these statements provided certain conditions are met;
- (b) consolidated financial statements to be presented covering the entity and its subsidiaries, unless the entity elects to present separate financial statements in which all of its subsidiaries, associates and jointly controlled entities are classified and accounted for as investments in 'notable relationship' entities. This Standard requires information to be disclosed about the nature of those relationships;
- (c) the initial measurement of non-financial assets at cost, except for donated non-financial assets. Donated non-financial assets may be measured initially at either their cost (which may be nil or a nominal amount) or fair value at the date of donation, with any resulting increase in the carrying amount of the entity's assets recognised as donation income. Property, plant and equipment, investment property and intangible assets are measured subsequently using the cost model or the fair value (revaluation) model;
- (d) financial assets and financial liabilities to be measured initially at fair value and subsequently under the cost model, except for financial assets that are held to generate both income and a capital return for the entity, including all investments in equity instruments. These financial assets are measured subsequently using the fair value model;
- (e) revenue to be recognised immediately on the receipt of cash or other assets unless there is a common understanding between the entity and the transferor that the entity will perform in a particular manner in exchange for the asset. Where such a common understanding exists, revenue is recognised as the entity satisfies its commitment to perform in a particular manner;
- (f) lease payments to be recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the lessee's benefit from the leased asset, with no recognition by lessees of lease assets or lease liabilities in the statement of financial position;
- (g) employee benefit obligations and other provisions to be measured at the entity's best, undiscounted estimate of the amounts to be paid to or in respect of employees; and
- (h) impairment of assets to be assessed, and the carrying amount of assets written down, only when specified indicators are present.

AASB 1061 contains fewer disclosure requirements than AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

This Standard does not specify which entities are permitted to apply Tier 3 reporting requirements. That is a matter for regulatory authorities to determine. This Standard sets out only the recognition, measurement, presentation and

disclosure requirements that are relevant to general purpose financial statements of Tier 3 entities as determined by those authorities.

Application Date

This Standard applies to annual periods beginning on or after 1 July 2029, with earlier application permitted.

Standards Amended by AASB 1061

This Standard also makes consequential amendments to a number of other Australian Accounting Standards, including AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010) and AASB 1057 *Application of Australian Accounting Standards* (July 2015), to acknowledge the additional reporting tier of general purpose financial statements and to specify the application of this Standard.

Marked-up Text

This Standard incorporates marked-up text to clearly identify the amendments to the Australian Accounting Standards. All amendments are incorporated using clean text into the compilations of the pronouncements when they are prepared, based on the legal commencement date of the amendments.

Consultation Prior to Issuing this Standard

In November 2019, the Board commenced the planned second stage of its review of the Australian financial reporting framework, focusing on not-for-profit private sector entities. The stakeholder feedback on AASB Invitation to Comment ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* (May 2018) had indicated that it might be appropriate to develop a different reporting solution for these entities compared to for-profit private sector and public sector entities, especially if the population of entities that are required to prepare general purpose financial statements was increased.

The Board exposed its intention to develop this further reporting tier and the removal of the ability to prepare special purpose financial statements by certain not-for-profit entities in AASB Discussion Paper *Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)* issued in September 2022. Based on broad support from stakeholders, the Board decided to proceed with developing proposals for a Tier 3 accounting standard with simplified accounting requirements for smaller not-for-profit private sector entities. In developing these proposals, the Board had regard to the feedback received on the AASB Discussion Paper. In addition, the AASB sought the input of its Not-for-Profit Project Advisory Panel in forming its proposals. Throughout the development of the project, the AASB undertook liaison with relevant regulators, with such engagement continuing through to the issuance of the Standard.

In October 2024, the AASB issued AASB Exposure Draft ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*, which was open for public comment by 28 February 2025. To facilitate obtaining helpful feedback, ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* was also issued by the AASB for the same comment period, in recognition of the relationship between the two Exposure Drafts.

The AASB conducted five outreach events on ED 334 and ED 335 during the exposure period, as well as developing a webcast and other materials and conducting targeted stakeholder outreach to support engagement on the proposals. Fifty-eight participants attended the virtual outreach sessions and 17 participants attended in-person roundtable sessions. The AASB received 18 formal written submissions and 12 survey responses regarding its ED 335 proposals, and a further two formal written submissions to ED 334 that included feedback relevant to the ED 335 proposals.

After considering the feedback received, the AASB made various changes to the requirements proposed in ED 335 in response to stakeholder feedback. However, the AASB decided that the nature and extent of those changes did not warrant re-exposure of a revised draft pronouncement or the issuance of a 'fatal-flaw review' version of a pronouncement prior to making the Standard.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB 1061 (and the related Standard AASB 2026-2 *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*). The related Standard extends the application of the *Conceptual Framework for Financial Reporting* and Australian Accounting Standards to more not-for-profit entities in the private sector and the public sector. The Office of Impact Analysis considered a preliminary Impact Analysis prepared by the AASB and concluded that a formal Policy Impact Analysis was not required.

Legislative Features of Accounting Standards

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be

construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Copyright

This Standard, like all Accounting Standards promulgated by the AASB, is published with Commonwealth of Australia copyright. Educational, commercial and other publishers are able to request the AASB for permission to reprint all or parts of this Standard, which is given without charge.

Exemption from Sunsetting

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunseting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Australian Accounting Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Accounting Standards are exempt from sunseting because a more stringent review process than sunseting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunseting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 1061 ***General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities***

Overview of the Accounting Standard

This Standard sets out the recognition, measurement, presentation and disclosure requirements for a new tier of reporting requirements (Tier 3) applicable to certain not-for-profit private sector entities. This Standard has been developed through applying a new approach and principles based on considering preparer costs and the information needs of users of general purpose financial statements to determine the requirements that are appropriate for Tier 3 entities. Tier 3 entities are not-for-profit private sector entities that are not publicly accountable and are not prohibited from applying this Standard by legislation or their constituting document or another document.

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Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.