AASB 2026-4
August 2026

Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

[AASB 18, AASB 107, AASB 1039, AASB 1049, AASB 1054, AASB 1056 & AASB 2026-2]

Australian Government
Australian Accounting Standards Board

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Australian Accounting Standard AASB 2026-4 *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* is set out in paragraphs 1–26. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2026-4

This Standard makes amendments to the Australian Accounting Standards listed in paragraph 1 of the Standard in respect to the preparation of Tier 1 general purpose financial statements (GPFS), to:

(a) specify how AASB 18 *Presentation and Disclosure in Financial Statements* and related amendments to AASB 107 *Statement of Cash Flows* are to be applied by superannuation entities and not-for-profit (NFP) entities;

(b) make amendments to AASB 1039 *Concise Financial Reports* and AASB 1054 *Australian Additional Disclosures* in respect of the starting point for the operating cash flow reconciliation; and

(c) make related and editorial amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Main features of this Standard

Main requirements

This Standard amends the following Standards in respect to the preparation of Tier 1 GPFS:

(a) AASB 18 – to specify:

  (i) the requirements applicable to superannuation entities and NFP public sector entities in presenting their statement of profit or loss and related disclosures;

  (ii) how various principles (and related terms) should be applied in an NFP entity context; and

  (iii) that NFP public sector entities, other than higher education providers, are not required to identify and disclose information about management-defined performance measures;

(b) AASB 107 – to permit superannuation entities, and NFP public sector entities that are not higher education providers, to:

  (i) classify dividends received and interest paid and received as operating cash flows; and

  (ii) when presenting operating cash flows using the indirect method, to use the profit or loss total presented in the statement of profit or loss as the starting point if the entity does not present an operating profit or loss subtotal in the statement of profit or loss;

(c) AASB 1039 – to align with terminology used in AASB 18 relating to the operating cash flow reconciliation;

(d) AASB 1049 – to reflect amendments to AASB 107 and to align terminology with that used in other Australian Accounting Standards;

(e) AASB 1054 – to specify the starting point for the operating cash flow reconciliation; and

(f) AASB 1056 *Superannuation Entities* – to specify that superannuation entities are required to present their statement of profit or loss and statement of cash flows in the formats required by AASB 1056, rather than the formats set out in AASB 18 and the revised AASB 107 (i.e. the version of AASB 107 incorporating amendments made by AASB 18).

Application date

This Standard applies to annual periods beginning on or after 1 January 2028, except that the amendments to AASB 1039 and AASB 1054 also apply to for-profit entities, other than superannuation entities applying AASB 1056, for annual periods beginning on or after 1 January 2027. Earlier application is permitted.

Accounting Standard AASB 2026-4

The Australian Accounting Standards Board makes Accounting Standard AASB 2026-4 *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* under section 334 of the *Corporations Act 2001*.

Dated 27 August 2026

Keith Kendall
Chair – AASB

Accounting Standard AASB 2026-4
Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation

Objective

1 This Standard amends:

(a) AASB 18 *Presentation and Disclosure in Financial Statements* (June 2024);

(b) AASB 107 *Statement of Cash Flows* (August 2015);

(c) AASB 1039 *Concise Financial Reports* (August 2008);

(d) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007);

(e) AASB 1054 *Australian Additional Disclosures* (May 2011);

(f) AASB 1056 *Superannuation Entities* (December 2023); and

(g) 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* (April 2026);

to specify how AASB 18 and AASB 107 are to be applied by superannuation entities that apply AASB 1056 and by not-for-profit entities, and to make related and editorial amendments.

Application

2 **The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards set out in AASB 1057 *Application of Australian Accounting Standards*.**

3 **This Standard applies to annual periods beginning on or after 1 January 2028, except that the amendments to AASB 1039 and AASB 1054 also apply to for-profit entities, other than superannuation entities applying AASB 1056, to annual periods beginning on or after 1 January 2027. Earlier application is permitted, provided that AASB 18 is also applied to the period.**

4 **This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. 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 18

5 Paragraph Aus9.1 is added to require not-for-profit entities to refer to the common information needs of users of general purpose financial reports of not-for-profit entities described in the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*) when applying AASB 18.

6 Paragraph Aus11.1 is added to allow a superannuation entity applying AASB 1056, and a not-for-profit public sector entity (that is not a higher education provider) applying the relief in paragraph Aus47.2 of AASB 18, to use the label of a total or subtotal defined in AASB 18 with a meaning that differs from the defined meaning. The label is required to faithfully represent the amounts included in the total or subtotal.

7 Paragraphs Aus23.1 and Aus23.2 are added to require a superannuation entity or a government to present in its primary financial statements all relevant line items required by AASB 1056 or AASB 1049, as applicable.

8 Paragraphs Aus9.1, Aus11.1, Aus23.1 and Aus23.2 are added as follows. Paragraphs 9, 11 and 23 are not amended but are included for reference.

General requirements for financial statements

Objective of financial statements

9 The objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

<u>Aus9.1</u> <u>In respect of not-for-profit entities, users (such as certain existing and potential resource providers) are generally not concerned with obtaining a financial return on an investment in the entity. Rather, they are concerned with the ability of the entity to achieve its objectives (whether financial or non-financial), which in turn may depend, at least in part, on the entity's prospects for future net cash inflows and management's stewardship of the entity's economic resources. Accordingly, where pertinent, references in this Standard to 'assessing prospects for future net cash inflows to the entity' and 'assessing management's stewardship of the entity's economic resources' (and related terms) should be read in the context of the common information needs of users of general purpose financial reports of not-for-profit entities described in the *Conceptual Framework for Financial Reporting* (as identified in AASB 1048 *Interpretation of Standards*).</u>

…

A complete set of financial statements

…

11 The statements listed in paragraphs 10(a)–10(d) (and their comparative information) are referred to as the *primary financial statements*. An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'balance sheet' instead of 'statement of financial position'. In addition, although this Standard uses terms such as '*other comprehensive income*', '*profit or loss*' and '*total comprehensive income*', an entity may use other terms to label the totals, subtotals and line items required by this Standard as long as they are labelled in a way that faithfully represents the characteristics of the items, as required by paragraph 43. For example, an entity may use the term 'net income' to label 'profit or loss'.

<u>Aus11.1</u> <u>A superannuation entity applying AASB 1056 *Superannuation Entities*, or a not-for-profit public sector entity (that is not a *higher education provider*) applying the relief set out in paragraph Aus47.2, may use the label of a total or subtotal defined in this Standard with a meaning that differs from the defined meaning in Appendix A, provided the label faithfully represents the amounts included in the total or subtotal, as required by paragraphs 43 and 74. For example, a not-for-profit public sector entity that does not classify income and expenses into the operating, investing and financing categories in its statement of profit or loss may use the term 'operating profit or loss' as the label for a total or subtotal of income and expenses that does not meet the definition of that term in Appendix A.</u>

…

Information presented in the primary financial statements

…

23 Some Australian Accounting Standards require specific line items to be presented separately in the primary financial statements (for example paragraphs 75 and 103 of this Standard). An

entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements (see paragraph B8).

Aus23.1 Notwithstanding paragraph 23, a superannuation entity applying AASB 1056 shall present all relevant line items required by that Standard in its primary financial statements, including the statement of changes in member benefits.

Aus23.2 Notwithstanding paragraph 23, a government applying AASB 1049 *Whole of Government and General Government Sector Financial Reporting* shall present all relevant line items required by that Standard in its primary financial statements.

9 Paragraph Aus47.1 is added to require a superannuation entity to present its statement of profit or loss in the format specified in AASB 1056 instead of the format specified in AASB 18. Paragraph Aus47.2 is added to provide an accounting policy choice for a not-for-profit public sector entity that is not a higher education provider to elect to not classify income and expenses into the operating, investing and financing categories set out in paragraph 47.

10 Paragraph Aus78.1 is added to require a superannuation entity to classify and present expenses in accordance with AASB 1056 instead of applying the requirements in paragraphs 78 and B80–B82. Paragraph Aus78.2 is added to provide relief for a not-for-profit public sector entity that is not a higher education provider to not consider the matters set out in paragraphs 78 and B80–B82 about determining how to use the characteristics of nature and function to provide the most useful structured summary of expenses.

11 Paragraphs Aus47.1, Aus47.2, Aus78.1 and Aus78.2 are added as follows. Paragraphs 46, 47 and 78 are not amended but are included for reference.

Statement of profit or loss

46 An entity shall include all items of income and expense in a reporting period in the statement of profit or loss unless an Australian Accounting Standard requires or permits otherwise (see paragraphs 88–95 and B86).

Categories in the statement of profit or loss

47 An entity shall classify income and expenses included in the statement of profit or loss in one of five categories (see paragraph B29):

(a) the operating category (see paragraph 52);

(b) the investing category (see paragraphs 53–58);

(c) the financing category (see paragraphs 59–66);

(d) the income taxes category (see paragraph 67); and

(e) the discontinued operations category (see paragraph 68).

Aus47.1 For the purposes of paragraph 46 and notwithstanding paragraph 47, a superannuation entity applying AASB 1056 shall not classify income and expenses into the operating, investing and financing categories in its statement of profit or loss. A superannuation entity shall:

(a) not apply paragraphs 48–66, 69(a), 69(b), 70–71, 73–74 and B29–B77; and

(b) treat references in this Standard to ‘operating expenses’ (and related terms) as expenses presented in the statement of profit or loss.

Aus47.2 For the purposes of paragraph 46 and notwithstanding paragraph 47, a not-for-profit public sector entity that is not a higher education provider is not required to classify income and expenses into the operating, investing and financing categories in its statement of profit or loss. An entity that elects to apply this relief:

(a) is not required to apply paragraphs 48–66, 69(a), 69(b), 70–71, 73–74 and B29–B77; and

(b) shall treat references in this Standard to ‘operating expenses’ (and related terms) as expenses presented in the statement of profit or loss, in particular for the purposes of paragraphs 75(a)(ii) and 79–85.

…

Presentation and disclosure of expenses classified in the operating category

78 In the operating category of the statement of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of these characteristics (see paragraphs B80–B85):

(a) the nature of expenses; or

(b) the function of the expenses within the entity.

<u>Aus78.1</u> <u>Notwithstanding paragraph 78, a superannuation entity applying AASB 1056 classifies and presents expenses in accordance with AASB 1056 and shall not apply paragraphs 78 and B80–B82.</u>

<u>Aus78.2</u> <u>Notwithstanding paragraph 78, a not-for-profit public sector entity that is not a higher education provider is permitted to classify and present expenses in line items in the statement of profit or loss based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. An entity that elects to apply this classification and presentation basis is not required to apply paragraphs 78 and B80–B82.</u>

12 Paragraph Aus123.1 is added as follows to provide relief for a not-for-profit public sector entity that is not a higher education provider to not identify and disclose information about management-defined performance measures. Paragraph 122 is not amended but is included for reference.

Notes

…

Disclosure of management-defined performance measures

…

122 An entity shall disclose information about all measures that meet the definition of management-defined performance measures in paragraph 117 in a single note (see paragraphs B132–B133). This note shall include a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.

…

<u>Aus123.1</u> **<u>A not-for-profit public sector entity that is not a higher education provider is not required to identify and disclose information about management-defined performance measures. An entity that elects to apply this relief is not required to apply paragraphs 117–123, 124–125 and B113–B142.</u>**

13 A definition of 'higher education provider' is added in Appendix A Defined terms, under the Australian defined terms subheading, as follows:

Australian defined terms

<u>higher education provider</u>	<u>A body approved under Division 16 of the *Higher Education Support Act 2003*.</u>

14 Paragraph AusB5.1 is added as follows to Appendix B Application guidance to clarify the users of financial information about a not-for-profit reporting entity. Paragraphs AusB8.1 and AusB8.2 are added as follows to require a superannuation entity or a government to present in its primary financial statements all relevant line items required by AASB 1056 or AASB 1049, as applicable. Paragraphs B5 and B8 are not amended but are included for reference.

General requirements for financial statements

Materiality

…

B5 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

AusB5.1 Among the users of financial information about a not-for-profit reporting entity are existing and potential resource providers (such as donors and other funders, taxpayers, lenders and other creditors, and investors), recipients of goods and services (such as beneficiaries, for example members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament). In relation to not-for-profit entities, where pertinent, all references in this Standard to 'existing and potential investors, lenders and other creditors' (and related terms) should be read as a reference to this broader range of users.

The roles of the primary financial statements and the notes

…

Information presented in the primary financial statements

B8 Paragraph 23 explains that an entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even if the line item is required by Australian Accounting Standards. For example, an entity need not present a line item listed in paragraph 75 if doing so is not necessary for the statement of profit or loss to provide a useful structured summary of income and expenses, or a line item listed in paragraph 103 if doing so is not necessary for the statement of financial position to provide a useful structured summary of assets, liabilities and equity. If an entity does not present the line items listed in paragraphs 75 and 103, it shall disclose the items in the notes if the resulting information is material (see paragraph 42).

AusB8.1 Notwithstanding paragraph B8, consistent with paragraph Aus23.1, a superannuation entity applying AASB 1056 shall present all relevant line items required by that Standard in its primary financial statements, including the statement of changes in member benefits.

AusB8.2 Notwithstanding paragraph B8, consistent with paragraph Aus23.2, a government applying AASB 1049 shall present all relevant line items required by that Standard in its primary financial statements.

15 Paragraph AusB80.1 is added as follows to specify how paragraph B80 should be applied in a not-for-profit entity context. Paragraph B80 is not amended but is included for reference.

Statement of profit or loss

…

Presentation and disclosure of expenses classified in the operating category

Use of characteristics of nature and function

B80 In determining how to use the characteristics of nature and function to provide the most useful structured summary as required by paragraph 78, an entity shall consider:

(a) what line items provide the most useful information about the main components or drivers of the entity's profitability. For example, for a retail entity a main component or driver of profitability might be cost of sales. Presenting a cost of sales line item might provide relevant information about whether the revenue generated from the sale of goods covers what, for retailers, are mainly direct costs, and by what margin. However, cost of sales is unlikely to provide relevant information about the important components or drivers of profitability if the link between revenue and costs is less direct. For example, for some service entities, information about operating expenses classified by nature, such as employee benefits, might be more relevant to users of financial statements because these expenses are the main drivers of profitability.

(b) what line items most closely represent the way the business is managed and how management reports internally. For example, a manufacturing entity managed on the basis of major functions might classify expenses by function for internal reporting purposes. In contrast, an entity that has a single predominant function, such as providing financing to customers, might determine that line items comprising expenses classified by nature provide the most useful information for internal reporting purposes.

(c) what standard industry practice entails. If expenses are classified in the same way by entities in an industry, users of financial statements can more easily compare expenses between entities in the same industry.

(d) whether the allocation of particular expenses to functions would be arbitrary to the extent that the line items presented would not provide a faithful representation of the functions. In such cases, an entity shall classify these expenses by nature.

AusB80.1 For the purposes of paragraph B80(a), consistent with paragraph Aus9.1, a not-for-profit entity applying paragraph 78 shall consider what line items provide the most useful information to users of financial statements about its operations or principal activities.

16 Paragraph AusC1.1 in Appendix C Effective date and transition is amended as follows. Paragraph C1 is not amended but is included for reference.

Effective date

C1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an entity applies this Standard for an earlier period, it shall disclose that fact in the notes.

AusC1.1 Notwithstanding paragraph C1, the following entities shall apply this Standard for annual reporting periods beginning on or after 1 January 2028:

(a) not-for-profit private sector entities;

(b) not-for-profit public sector entities; and

(c) superannuation entities applying AASB 1056 ~~*Superannuation Entities*~~.

Earlier application is permitted. If such an entity applies this Standard for an earlier period, it shall disclose that fact in the notes.

Amendments to AASB 107

17 Paragraph 6 is amended by the addition of a subheading and a definition of 'higher education provider' as follows. Paragraph Aus6.1 is added as follows to specify the definition of investing activities for superannuation entities and not-for-profit public sector entities that elect to classify the receipt of interest and dividends as operating activities. The definition of investing activities is not amended but is included for reference.

Definitions

6 The following terms are used in this Standard with the meanings specified:

…

Investing activities **are the acquisition and disposal of long-term assets and other investments not included in cash equivalents and the receipt of interest and dividends as described in paragraphs 34A–34D.**

…

Australian defined terms

Higher education provider means a body approved under Division 16 of the *Higher Education Support Act 2003.*

Aus6.1 **Notwithstanding the definition of 'investing activities' in paragraph 6, a superannuation entity applying AASB 1056 *Superannuation Entities*, or a not-for-profit public sector entity that is not a higher education provider, is permitted by paragraph Aus34D.1 to classify the receipt of interest and dividends as operating activities rather than investing activities.**

18 Paragraph Aus20.1 is added and paragraph Aus20.2 is amended as follows, to specify the starting point for superannuation entities and not-for-profit public sector entities that are not higher education providers to use for the indirect method of reporting operating cash flows. Paragraphs 18 and 20 are not amended but are included for reference.

Reporting cash flows from operating activities

18 An entity shall report cash flows from operating activities using either:

(a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or

(b) the indirect method, whereby operating profit or loss is adjusted for:

(i) the effects of transactions of a non-cash nature;

(ii) any deferrals or accruals of past or future operating cash receipts or payments;

(iii) income or expenses classified in the operating category in the statement of profit or loss for which the associated cash flows are classified as cash flows from either investing or financing activities; and

(iv) cash flows from operating activities for which the associated income or expenses are not classified in the operating category of the statement of profit or loss.

…

20 Under the indirect method, the net cash flow from operating activities is determined by adjusting operating profit or loss for the effects of:

(a) changes during the period in inventories and operating receivables and payables;

(b) non-cash items such as depreciation, provisions and unrealised foreign currency gains and losses classified in the operating category;

(c) income or expenses classified in the operating category in the statement of profit or loss for which the cash effects are investing or financing cash flows; and

(d) operating cash flows, such as income tax (in accordance with paragraph 35), for which the corresponding income or expenses are not classified in the operating category in the statement of profit or loss.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses classified in the operating category in the statement of profit or loss, the changes during the period in inventories and operating receivables and payables and any other operating cash flows for which the corresponding income or expenses are not classified in the operating category.

…

Aus20.1 Notwithstanding paragraphs 18(b) and 20, an entity that is:

(a) a superannuation entity applying AASB 1056; or

(b) a not-for-profit public sector entity (that is not a higher education provider) applying the relief set out in paragraph Aus47.2 of AASB 18 that does not present an operating profit or loss subtotal as defined in AASB 18;

shall, when determining the net cash flow from operating activities under the indirect method, adjust the profit or loss total presented in its statement of profit or loss for:

(c) the effects of transactions of a non-cash nature, such as depreciation, provisions, deferred taxes and unrealised foreign currency gains and losses;

(d) any deferrals or accruals of past or future operating cash receipts or payments, including changes during the period in inventories and operating receivables and payables; and

(e) items of income or expense associated with investing or financing cash flows.

Aus20.2 Notwithstanding paragraph Aus20.1, not-for-profit ~~Not-for-profit~~ entities that use the direct method and that highlight the net cost of services in their statement of ~~comprehensive income for the reporting period~~ profit or loss shall disclose in the complete set of financial statements a reconciliation of cash flows ~~arising~~ from operating activities to net cost of services as reported in the statement of ~~comprehensive income~~ profit or loss.

19 Paragraph Aus34D.1 is added as follows to permit superannuation entities and not-for-profit public sector entities that are not higher education providers to classify interest paid and received and dividends received as cash flows from operating activities. Paragraphs 31–34D are not amended but are included for reference.

Interest and dividends

31 Cash flows from interest and dividends received and paid shall each be presented separately. Each shall be classified in a consistent manner from period to period applying paragraphs 32, 33A and 34A–34D.

32 The total amount of interest paid during a period is included in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with AASB 123 *Borrowing Costs*.

33 [Deleted]

33A An entity shall classify dividends paid as cash flows from financing activities.

34 [Deleted]

34A An entity, other than those entities described in paragraph 34B, shall classify:

(a) interest paid (as described in paragraph 32) as cash flows from financing activities.

(b) interest and dividends received as cash flows from investing activities.

34B An entity that invests in assets or provides financing to customers as a main business activity (as determined applying paragraphs B30–B41 of AASB 18) shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how – applying AASB 18 – it classifies dividend income, interest income and interest expenses in the statement of profit or loss. An entity shall classify the total of each of these cash flows in a single category in the statement of cash flows (that is, either as operating, investing or financing activities).

34C In applying paragraph 34B, if an entity classifies the total of each of dividend income, interest income and interest expenses in a single category of the statement of profit or loss, the entity shall classify the total of each of dividends received, interest received and interest paid as cash flows arising from the associated activity in the statement of cash flows. For example, if an entity classifies all its interest expenses in the financing category of the statement of profit or loss, the entity would classify all its interest paid as cash flows from financing activities.

34D In applying AASB 18, an entity may be required to classify each of dividend income, interest income and interest expenses in more than one category of the statement of profit or loss. In such a case, in applying paragraph 34B the entity shall make an accounting policy choice to classify the related cash flows in one of the associated activities in the statement of cash flows. For example, if an entity classifies interest expenses in the operating category and the financing category of the statement of profit or loss, the entity would classify all its interest paid in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities.

Aus34D.1 Notwithstanding paragraphs 34A–34D, an entity that is:

(a) a superannuation entity applying AASB 1056; or

(b) a not-for-profit public sector entity that is not a higher education provider;

is permitted to classify interest paid and received and dividends received as cash flows from operating activities.

20 The preamble text of the Illustrative examples accompanying AASB 107 is amended as follows to specify that the illustrative examples are relevant to entities classifying income and expenses into the operating, investing and financing categories as set out in AASB 18.

Illustrative examples

These illustrative examples accompany, but are not part of, AASB 107.

The examples are relevant to entities classifying income and expenses into the operating, investing and financing categories as set out in AASB 18.

Amendments to AASB 1039

21 Paragraph 21 is amended as follows to be consistent with the amendments made to AASB 1054 regarding the starting point to use in preparing the operating cash flow reconciliation.

Financial Statements

…

21 All the notes to the financial statements required by other Accounting Standards are not required in the concise financial report. For example, this Standard does not require an entity that uses the direct method in the statement of cash flows to provide a reconciliation of cash flows arising from operating activities to ~~profit or loss~~ 'operating profit or loss' or 'profit or loss', as the case may be. However, information required in some notes by other Accounting Standards is required when specified in this Standard.

Amendments to AASB 1049

22 Paragraph 14(f) is amended as follows to delete redundant text relating to dividends paid and instead to explain the effect of AASB 1049 paragraph 13 on the application of the accounting policy choice provided in paragraph Aus34D.1 in AASB 107 regarding the classification of cash flows from interest paid and received and dividends received. Paragraphs 14(g) and 31(a)(ii) are amended as follows to align with terminology used in other Australian Accounting Standards.

Compliance with Australian Accounting Standards and the ABS GFS Manual

…

14 Examples of particular optional treatments in Australian Accounting Standards that paragraph 13 of this Standard has the effect of limiting, include:

…

(f) ~~dividends paid by entities within the PNFC sector and PFC sector that may be classified by those sectors as a financing cash flow or as a component of cash flows from operating activities under AASB 107. Because classification as a financing cash flow is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring classification of dividends paid as a financing cash flow~~ under AASB 107, a not-for-profit public sector entity that is not a higher education provider is permitted to classify interest paid as financing or operating cash flows and interest and dividends received as investing or operating cash flows. Because classification as an operating cash flow is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring classification of these items as operating cash flows; and

(g) government grants accounted for by entities within the PNFC sector and PFC sector in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with paragraphs 52(b)(i) and 53 of this Standard, information about the PNFC sector and PFC sector disclosed for the whole of government is prepared in a manner consistent with the accounting policies adopted in the whole of government statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Therefore, the options in AASB 120 are not adopted and instead the principles in AASB 1058 *Income of Not-for-Profit Entities* ~~AASB 1004 *Contributions*~~ are applied.

…

Whole of government and GGS statements of comprehensive income

…

31 The following examples illustrate how the approach in paragraphs 30 and 30A applies to particular items:

(a) in both a whole of government and GGS financial reporting context, where GAAP and GFS both recognise the item in the reporting period:

…

(ii) changes in the fair value of financial instruments measured at fair value, that do not arise from undistributed interest or dividends, are classified as other economic flows, irrespective of whether the instruments are classified as 'fair value through profit or loss' or 'fair value through other comprehensive income' ~~'available-for-sale'~~;

Amendments to AASB 1054

23 Paragraph 16 and its heading are amended as follows to modify the starting point to use in preparing the operating cash flow reconciliation.

Reconciliation of Net Operating Cash Flow ~~to Profit (Loss)~~

16 When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities ~~to profit (loss)~~. The reconciliation shall be to:

(a) the operating profit or loss subtotal presented in the statement of profit or loss in accordance with paragraph 69(a) of AASB 18; or

(b) the profit or loss total presented in the statement of profit or loss, if the entity is a superannuation entity applying AASB 1056 *Superannuation Entities*, or a not-for-profit public sector entity (that is not a higher education provider as defined in AASB 18) applying the relief set out in paragraph Aus47.2 of AASB 18 that does not present an operating profit or loss subtotal as defined in AASB 18.

Amendments to AASB 1056

24 Paragraphs 10A and 12A are added as follows to specify how the requirements set out in AASB 18 are applied by a superannuation entity. Paragraphs 9–12 are not amended but are included for reference.

Presentation of financial statements

…

Income statement

9 The income statement shall include line items that present, when applicable, the following amounts for the period:

(a) income, in aggregate or subclassified, subject to paragraph 10;

(b) expenses, in aggregate or subclassified, subject to paragraph 10;

(c) net benefits allocated to *defined contribution member* accounts;

(d) the net change in *defined benefit member* liabilities;

(e) net result, subject to paragraph 10; and

(f) income tax expense or benefit attributable to net result.

10 When a superannuation entity acts in the capacity of an insurer in respect of defined contribution members, the income statement or notes to the financial statements shall separately present insurance premiums, claim expenses, reinsurance expenses, reinsurance recoveries, and the net result from insurance activities.

<u>10A</u> <u>As required by paragraph Aus47.1 of AASB 18 *Presentation and Disclosure in Financial Statements*, a superannuation entity shall not classify income and expenses into the operating, investing and financing categories set out in paragraph 47 of AASB 18 nor present the subtotals set out in paragraphs 69(a) and 69(b) of AASB 18.</u>

Statement of changes in member benefits

11 A statement of changes in member benefits shall present opening and closing balances for member liabilities and, when applicable, include the following line items for the period:

(a) employer contributions;

(b) member contributions;

(c) taxes on contributions;

(d) benefits transferred into the entity from other superannuation entities;

(e) benefits to members or their beneficiaries;

(f) insurance premiums charged to defined contribution member accounts;

(g) net benefits allocated to defined contribution member accounts;

(h) net changes to defined benefit member accrued benefits; and

(i) amounts allocated to members from reserves.

12 Current tax and deferred tax shall be charged or credited directly to member liabilities and presented in the statement of changes in member benefits when the tax relates to items that are credited or charged, in the same or a different period, directly to member liabilities.

<u>12A</u> <u>A superannuation entity shall treat its statement of changes in member benefits (including its comparative information) as a primary financial statement for the purposes of applying AASB 18, including the requirements for comparative information, labelling, and aggregation and disaggregation.</u>

Amendments to AASB 2026-2

25 Paragraph 31 is amended as follows to reinstate the "Australian defined terms" subheading in Appendix A of AASB 18.

Amendments to AASB 18 *Presentation and Disclosure in Financial Statements*

…

31 In Appendix A, the defined terms 'government', 'government department' and 'local government' and the related ~~heading "Australian defined terms" and~~ preamble are deleted.

Commencement of the legislative instrument

26 For legal purposes, this legislative instrument commences as follows:

(a) this paragraph commences on 31 December 2026;

(b) paragraphs 1(c), 1(e) and 2–4, the amendments to AASB 1039 in paragraph 21 and the amendments to AASB 1054 in paragraph 23 commence on:

  (i) 31 December 2026 – in relation to for-profit entities (other than superannuation entities applying AASB 1056); and

  (ii) 31 December 2027 – in relation to not-for-profit entities and superannuation entities applying AASB 1056; and

(c) all other paragraphs commence on 31 December 2027.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2026-4 Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's (AASB's) considerations in reaching the conclusions in AASB 2026-4 *Amendments to Australian Accounting Standards – Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation*. It sets out the reasons why the AASB developed the Standard, the approach taken to develop it and the bases for the key decisions made. Individual Board members gave greater weight to some factors than to others.

BC2 AASB 2026-4 is relevant only to entities preparing Tier 1 general purpose financial statements (GPFS). The AASB is undertaking a separate project to determine the applicability of AASB 18 *Presentation and Disclosure in Financial Statements* to the presentation and disclosure of financial statements prepared in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. This was discussed in Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2* (September 2025) and ED 341 *Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18* (June 2026).

Reasons for undertaking the Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities project

BC3 In June 2024, the AASB issued AASB 18, which incorporates IFRS 18 *Presentation and Disclosure in Financial Statements* issued by the International Accounting Standards Board (IASB). When effective, AASB 18:

(a) replaces AASB 101 *Presentation of Financial Statements*;

(b) amends AASB 107 *Statement of Cash Flows*; and

(c) amends AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, including changing its title to *Basis of Preparation of Financial Statements*.

BC4 AASB 18 mainly affects the following aspects in comparison with the requirements of AASB 101 and the previous version of AASB 107:

(a) the presentation of income and expenses in the statement of profit or loss;

(b) aggregating and disaggregating information to be presented and disclosed in GPFS;

(c) disclosures in GPFS relating to management-defined performance measures (MPMs); and

(d) the classification of items in the statement of cash flows.

BC5 When issuing AASB 18, the AASB agreed to undertake the Presentation and Disclosure in Financial Statements by Superannuation and Not-for-Profit Entities project to determine how AASB 18 should apply to superannuation entities, not-for-profit (NFP) public sector entities and NFP private sector entities. Consequently, the application date of AASB 18 for those entities was deferred to annual periods beginning on or after 1 January 2028, rather than 1 January 2027. This is because:

(a) AASB 1056 *Superannuation Entities* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting* specify presentation and disclosure requirements for superannuation entities and for whole of government and General Government Sector (GGS) financial statements, respectively, and each government mandates specific financial statement formats for its public sector entities; and

(b) the AASB received only limited feedback from NFP private sector entities on Exposure Draft ED 298 *General Presentation and Disclosures* (January 2020), which incorporated the IASB's Exposure Draft ED/2019/7 *General Presentation and Disclosures*.

Outreach activities and issuance of ED 338

BC6 In the first half of 2025, the AASB undertook targeted outreach on the application of AASB 18 to superannuation and NFP entities. The AASB obtained informal feedback from the following stakeholders:

(a) nine representatives of superannuation funds and service providers in the superannuation industry;

(b) members of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC);

(c) members of the Financial Reporting and Accounting Committee of the Australasian Council of Auditors-General (ACAG-FRAC);

(d) members of the AASB Not-for-profit Project Advisory Panel; and

(e) members of the Accounting Research Group facilitated by Chartered Accountants Australia and New Zealand.

BC7 Based on that outreach, the AASB issued ED 338 A*pplication of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* (October 2025), which proposed, among other matters:

(a) relief for superannuation entities applying AASB 1056 from certain requirements in AASB 18;

(b) application guidance on how the principles of ‘users of financial statements’, ‘assessing prospects for future net cash inflows to the entity’, ‘assessing management’s stewardship of the entity’s economic resources’, and ‘components or drivers of the entity’s profitability’ (and related terms) should be applied in the context of NFP entities;

(c) accounting policy choices for NFP public sector entities that are not higher education providers to elect to apply certain requirements in AASB 18; and

(d) not providing relief from the requirements of AASB 18 for for-profit public sector entities, NFP private sector entities, and higher education providers because the limited feedback received through targeted outreach did not provide sufficient justification for proposing modifications to AASB 18 or the revised AASB 107 (i.e. the version of AASB 107 incorporating AASB 18 amendments).

BC8 The AASB received fourteen comment letters in response to ED 338, with some respondents not answering all questions in the Exposure Draft. For example, some comment letters only addressed matters relating to superannuation entities. In addition, the AASB undertook outreach activities in February and April 2026 that collectively involved more than two hundred stakeholders. These activities included:

(a) a virtual roundtable targeting NFP private and public sector entities;

(b) a virtual roundtable targeting higher education providers;

(c) a virtual roundtable focused on potentially helpful guidance on issues such as the classification of income arising from grants;

(d) interviews with stakeholders relating to NFP private sector entities and higher education providers, including the Commonwealth Department of Education and the Fair Work Commission; and

(e) interviews with regulators relating to superannuation entities.

Overview of ED 338 feedback and structure of this Basis for Conclusions

BC9 For each of the key matters addressed in ED 338, most stakeholders who commented supported the proposals, subject to some refinements. The following sections summarise the key matters considered by the AASB in developing this Standard, including stakeholder feedback and the AASB’s decisions in response:

(a) application of AASB 18 and the revised AASB 107 by superannuation entities applying AASB 1056 (paragraphs BC10–BC38);

(b) application guidance relevant to all NFP entities (paragraphs BC39–BC42);

(c) application of AASB 18 and the revised AASB 107 by NFP public sector entities that are not higher education providers (paragraphs BC43–BC77);

(d) application of AASB 18 and the revised AASB 107 by for-profit public sector entities (paragraphs BC78–BC81);

(e) application of AASB 18 and the revised AASB 107 by NFP private sector entities and higher education providers, including further standard-setting work on income categorisation (paragraphs BC82–BC92);

(f) consequential amendments regarding the starting point to use for operating cash flow reconciliation and presenting subtotals that do not meet the definitions in AASB 18 (paragraphs BC93–BC97);

(g) amendments to AASB 1049 arising from the Financial Reporting Council's (FRC's) independent Post-implementation Review (PIR) of that Standard (paragraphs BC98–BC110); and

(h) effective date (paragraphs BC111–BC115).

Superannuation entities

BC10 As outlined in AASB 1056.BC17, when developing AASB 1056 the AASB concluded that, for some items, the reporting requirements that would otherwise apply under other Australian Accounting Standards would not necessarily give rise to relevant financial information for users of superannuation entity GPFS. Consequently, AASB 1056 has the effect of:

(a) requiring superannuation entities to depart from other Australian Accounting Standards on some topics;

(b) limiting the accounting treatments available to superannuation entities in other Australian Accounting Standards; and

(c) requiring superannuation entities to provide information about items and events specific to them.

BC11 In 2024, the AASB completed a PIR of AASB 1056, 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) for comment. Feedback indicated widespread support for the existing requirements and identified several matters for clarification, none of which were considered sufficiently significant to warrant standard-setting action. Accordingly, the AASB decided not to propose changes to AASB 1056, but to continue monitoring its application and that of other Accounting pronouncements affecting the superannuation industry.

BC12 In the first half of 2025, the AASB undertook targeted outreach with nine key stakeholders in the superannuation industry on the application of AASB 18 and the revised AASB 107 to superannuation entities. Based on this outreach, ED 338 proposed amendments to AASB 18, AASB 107 and AASB 1056 to specify how superannuation entities should apply those Standards. The AASB received eleven comment letters addressing matters relevant to superannuation entities and also conducted interviews with regulators. The resulting feedback and the AASB's decisions are summarised in paragraphs BC13–BC38.

Presenting line items in the primary financial statements – paragraphs Aus23.1 and AusB8.1 in AASB 18

BC13 AASB 18.23 states that "An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Australian Accounting Standards contain a list of specific required line items or describe the line items as minimum requirements …".

BC14 AASB 1056.9 and 11 require a superannuation entity to present specific line items in the income statement and in the statement of changes in member benefits. However, under the general principle in AASB 18.23, a superannuation entity would not need to present separately a line item in those statements if the entity determines that doing so is not necessary for the statement to provide a useful structured summary.

BC15 During the targeted outreach and in response to ED 338, most stakeholders disagreed with allowing superannuation entities to determine which line items to present in their primary financial statements. They supported retaining the line items specified in AASB 1056.9 and 11 because applying the judgement required by AASB 18:

(a) could lead to inconsistencies across superannuation entities' GPFS, reducing comparability for users;

(b) would incur costs that would likely outweigh the benefits because a superannuation entity is likely to conclude that the same line items are necessary, applying the requirements in AASB 18.23; and

(c) would require system updates and explanations to users if any changes were made to a statement's presentation, incurring unjustified costs given that the current presentation already meets user needs.

BC16 A minority of stakeholders suggested clarifying that the line items specified in AASB 1056 represent minimum requirements that are not overridden by AASB 18.23. The AASB considered that no modifications to the Accounting Standards are needed to achieve this because the line items specified in AASB 1056 are required only when applicable and material. Furthermore, AASB 18.20 requires additional information whenever necessary to enable users to understand the effects of transactions and other events and conditions on an entity's financial position and performance. The AASB also noted stakeholder views that the existing requirements in AASB 1056.9 and 11 help facilitate comparability.

BC17 The AASB noted that a superannuation entity is permitted to exclude line items listed in AASB 1056 when they are not applicable. This effectively achieves the same outcome as applying the principle in AASB 18.23. For the avoidance of doubt, the AASB added paragraphs Aus23.1 and AusB8.1 to AASB 18 to require superannuation entities to present all relevant line items required by AASB 1056 in its primary financial statements.

Income statement presentation – paragraph Aus47.1 in AASB 18 and paragraph 10A in AASB 1056

BC18 Most stakeholders considered that a superannuation entity would be regarded as investing in assets as a main business activity under AASB 18 and would therefore report most, if not all, income and expenses in the operating category. Consequently, the subtotals 'operating profit or loss' and 'profit before financing and income taxes' would likely be identical or not materially different.

BC19 AASB 1056.9 includes specific income statement presentation requirements for superannuation entities. The majority of stakeholders held the view that distinguishing between the operating, investing and financing categories, as required by AASB 18, would not provide more relevant and reliable information to users and therefore the benefits would not outweigh the costs. Stakeholders were concerned that the categorisation might result in less transparency for users because:

(a) users might not understand the differences in the definitions of the income statement categories compared to the definitions in AASB 107 for operating, investing and financial activities; and

(b) under AASB 1056, the income statement currently could be regarded as including 'operating and investing' activities and the statement of changes in member benefits could be regarded as including member-related 'financing activities'.

BC20 Considering the feedback received, the AASB decided to maintain the income statement presentation requirements in AASB 1056. Accordingly, the AASB added paragraph Aus47.1 to AASB 18 and paragraph 10A to AASB 1056 to require superannuation entities not to classify income and expenses into the operating, investing and financing categories, or present the related subtotals in their statement of profit or loss.

Presentation of expenses – paragraph Aus78.1 in AASB 18

BC21 AASB 1056.22 requires a superannuation entity to disclose information that provides users with a basis for understanding the nature and amounts of expenses. AASB 18.78 requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters set out in AASB 18.B80, using one or both of these characteristics: the nature of the expenses, and the function of the expenses within the entity.

BC22 During the targeted outreach and in response to ED 338, most stakeholders considered that the additional flexibility to present expenses by their nature or function, in line with AASB 18, would not be beneficial because:

(a) presenting expenses by nature is considered the most useful presentation;

(b) superannuation entity members need to be able to compare superannuation plans, particularly with respect to expenses, the importance of which is noted in AASB 1056.BC187–BC190. Requiring a consistent presentation by nature enables comparison and is regarded as the most understandable basis for users;

(c) the current expense disclosure requirements could be considered to meet the 'standard industry practice' requirement under AASB 18.B80(c) and is consistent with expenses being classified by nature in other forms of reporting required of superannuation entities. The list of expense items prescribed in AASB 1056.AG29 is a result of extensive stakeholder consultation under both ED 179 and ED 223[1] when developing AASB 1056 and are deemed to be the most relevant in assisting members and employers to make informed decisions about their superannuation funds. Maintaining

1 ED 179 *Superannuation Plans and Approved Deposit Funds* (May 2009) and ED 223 *Superannuation Entities* (December 2011).

the current presentation and disclosure requirements is critical in promoting the comparability and utility of financial information; and

(d) the exercise of re-examining the basis of expense classification under AASB 18 would likely yield a similar result to existing practice, meaning any benefits would be marginal compared to the potential costs and effort involved.

BC23 In contrast, one stakeholder considered that superannuation entities should be required to classify their operating expenses in accordance with the requirements of AASB 18 because currently some superannuation entities present operating expenses using a mixture of nature and function-related disclosures.

BC24 Overall, the AASB considered that comparability of expenses across superannuation entities is important to users and that the benefits of allowing entities flexibility to classify and present expenses by nature or function are unlikely to outweigh the associated costs. The AASB also noted that the PIR of AASB 1056 did not identify the presentation of expenses by nature as a significant issue and that AASB 1056 (particularly AASB 1056.AG3) is clear about the requirements to present or disclose expenses by nature. The AASB therefore considered that amending AASB 1056 is unnecessary. Nevertheless, to avoid uncertainty, the AASB added paragraph Aus78.1 to AASB 18 to specify that a superannuation entity shall not apply AASB 18 paragraphs 78 and B80–B82.

Classifying dividends received and interest paid and received – paragraphs Aus6.1 and Aus34D.1 in AASB 107

BC25 The version of AASB 107 that pre-dated AASB 18 provides an accounting policy choice for an entity to elect to measure cash flows from dividends and interest as operating cash flows. The AASB observed that currently superannuation entities classify dividends received and interest paid and received as operating cash flows. Superannuation entities do not pay dividends.

BC26 Under paragraphs 34B–34D of the revised AASB 107, an entity that invests in assets as a main business activity would be required to classify the total of each of dividends received and interest paid and received in a single category in the statement of cash flows, and would:

(a) classify the cash flows in the same category as in the income statement; or

(b) make an accounting policy choice if the associated income and expenses are recognised in more than one income statement category.

BC27 As noted in paragraph BC18 stakeholders commented that under AASB 18 a superannuation entity would be considered as investing in assets as a main business activity, and therefore would likely present all income and expenses in the operating category. Thus, applying AASB 107.34B, a superannuation entity would likely classify dividends received and interest paid and received as operating activities.

BC28 However, as a consequence of the AASB's decisions described in paragraphs BC18–BC20 – requiring superannuation entities not to classify income and expenses into the operating, investing and financing categories described in AASB 18 – AASB 107.34B would not provide a basis for superannuation entities to classify dividends received and interest paid and received. Accordingly, the AASB added the following paragraphs to AASB 107:

(a) paragraph Aus34D.1 – to retain the current accounting policy choice for superannuation entities to classify dividends received and interest paid and received as operating cash flows; and

(b) paragraph Aus6.1 to clarify that, for superannuation entities that elect to classify receipts of interest and dividends as operating activities, investing cash flows do not include those receipts.

BC29 One ED 338 respondent preferred requiring dividends and interest received to be classified as operating cash flows on the basis that this is consistent with well-established practice and is the most relevant classification in a superannuation context. The AASB considered whether to mandate this treatment rather than retain an accounting policy choice. However, it noted that the IASB is undertaking its Statement of Cash Flows and Related Matters project, which could result in further changes to cash flow reporting by financial institutions. Accordingly, the AASB considered it appropriate to maintain the status quo, at least for the time being.

Statement of changes in member benefits – paragraph 12A in AASB 1056

BC30 AASB 1056 requires a superannuation entity to present a statement of changes in member benefits, which is not identified as a primary financial statement in AASB 18. During targeted outreach in 2025, a stakeholder questioned whether the requirements in AASB 18 relating to primary financial statements (including comparative information, labelling, and aggregation and disaggregation) should be extended to the preparation of the statement of changes in member benefits.

BC31 Based on this feedback and support from most ED 338 respondents, the AASB added paragraph 12A to AASB 1056 to require a superannuation entity to treat its statement of changes in member benefits, including comparative information, as a primary financial statement when applying AASB 18.

Aggregation and disaggregation

BC32 The AASB also considered whether the aggregation and disaggregation requirements in AASB 18 require modification for superannuation entities.

BC33 AASB 1056.32 requires the disclosure of disaggregated information when necessary to explain the risks and benefit arrangements relating to different categories of superannuation entity members. During targeted outreach in 2025 and in response to ED 338, most stakeholders considered that applying the aggregation and disaggregation requirements specified in AASB 18.41 would be unlikely to change how items are aggregated and disaggregated in the GPFS of a superannuation entity. The AASB also considered that applying AASB 18.B17(b), which requires an entity to classify and aggregate line items based on their characteristics so they have at least one similar characteristic, would have little or no impact on the way a superannuation entity disaggregates information.

BC34 One stakeholder noted that, other than in relation to member liabilities, superannuation entities generally do not manage their activities on a disaggregated basis because investments are held in a common pool rather than allocated between defined contribution schemes, defined benefit schemes and pensions. Accordingly, the stakeholder considered that applying the shared characteristics principle in AASB 18.41(a) would be unlikely to improve consistency or comparability between entities.

BC35 The AASB concluded that the requirements of AASB 1056 and AASB 18 are not inconsistent and that no sector-specific modifications are necessary. Accordingly, the aggregation and disaggregation requirements in AASB 18 apply in the context of the more specific requirements in AASB 1056.32 for superannuation entities as well as generally.

BC36 One ED 338 respondent did not support this on the basis that no analysis had been conducted of whether the disaggregation requirements in AASB 18 and AASB 1056 are compatible. The respondent identified the following possible inconsistencies:

(a) AASB 1056 does not contain specific aggregation principles – it requires a minimum level of disclosure and then further disaggregation under AASB 1056.32 where necessary to explain the risk and benefit arrangements relating to different categories of members. Where a superannuation entity has historically disaggregated information further, an entity might argue under AASB 18.41(c) that they could reaggregate these balances and reduce disclosure; and

(b) AASB 18.B24–B26 introduce broader principles for labelling and describing items in the primary financial statements which are not included in AASB 1056. The illustrative statement of cash flows in AASB 1056 uses labels such as 'other income' and 'other expenses', which appear to be inconsistent with the more informative labelling required by AASB 18.

BC37 In considering these concerns, the AASB concluded that the disaggregation requirements in AASB 1056 are a specific example that might result from applying the more general disaggregation requirements in AASB 18. The AASB also noted that the recent PIR of AASB 1056 concluded that no amendments were required. Nevertheless, the AASB acknowledged, for future consideration when the opportunity arises, the potential need to review the use of line items described as "other" in the AASB 1056 illustrative financial statements.

Management-defined performance measures

BC38 Stakeholders who responded to the targeted outreach and ED 338 did not observe any subtotals of income and expenses a superannuation entity uses that would meet the definition of an MPM and therefore considered it unlikely that a superannuation entity would be affected by the MPM disclosures requirements in AASB 18. Nonetheless, stakeholders considered the requirements appropriate and would not be onerous if a superannuation entity were to publicly disclose an MPM. Accordingly, the AASB decided that no modifications to the MPM disclosure requirements are necessary for superannuation entities.

Application guidance relevant to all NFP entities

BC39 When developing ED 338, the AASB observed that some principles in AASB 18 are expressed using for-profit terminology and may require additional guidance for application by NFP entities. Accordingly, ED 338 proposed adding the following paragraphs to AASB 18:

(a) paragraphs Aus9.1 and AusB5.1 – to require an NFP entity to consider the common information needs of users of GPFS of NFP entities described in the *Conceptual Framework for Financial Reporting* (Conceptual Framework). At its July 2025 meeting, the AASB decided that NFP entities should apply that Conceptual Framework in preparing GPFS and subsequently finalised related amendments in 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*; and

(b) paragraph AusB80.1 – to require an NFP entity applying AASB 18.78 to consider the line items that provide the most useful information to users of financial statements about the entity's "operations or principal activities", which is broader than considering "the main components or drivers of the entity's profitability" required by AASB 18.B80(a), after considering stakeholder comments that users of NFP entity financial statements might focus more on the entity's operations or principal activities rather than the entity's profitability.

BC40 Feedback received through comment letters and roundtables was generally supportive of the proposed paragraphs. Most stakeholders considered that they would improve the relevance of AASB 18 for NFP entities by:

(a) aligning the user-needs objective with the Conceptual Framework;

(b) focusing on information relevant to decision-making and resource allocation in the NFP sector, rather than solely on future net cash inflows;

(c) reflecting users' focus on service delivery, sustainability and stewardship; and

(d) improving comparability between NFP entities and for-profit entities operating in the same sectors.

BC41 A minority of roundtable participants considered amendments to AASB 18 unnecessary because the users identified in AASB 18.B5 are already appropriate and, particularly in the higher education sector, cash flow information remains critical. Some also expressed concern that paragraph AusB5.1 could imply broader disclosure requirements. The AASB concluded that the proposed NFP-specific paragraphs are relevant and do not prevent entities from applying AASB 18.9 and B5. Rather, entities need to consider their operations and identify their users' information needs in that context when determining the information to be disclosed in GPFS.

BC42 Some stakeholders raised drafting concerns about paragraphs Aus9.1 and AusB5.1, including whether paragraph Aus9.1 could imply that NFP users are unconcerned with financial returns and whether references to "investors" should be replaced with "members" in paragraph AusB5.1. The AASB noted the wording is consistent with the existing Framework, *Framework for the Preparation and Presentation of Financial Statements*, and that similar concerns were not raised during the project that led to AASB 2026-2. Accordingly, the AASB decided to add paragraphs Aus9.1 and AusB5.1 as proposed in ED 338.

NFP public sector entities that are not higher education providers

BC43 The key issue raised by public sector stakeholders was whether the presentation and cash flow classification requirements introduced by AASB 18 and the revised AASB 107 would provide information more useful than existing public sector reporting formats. The AASB concluded that limited, targeted departures from those requirements are justified for NFP public sector entities that are not higher education providers.

BC44 The AASB noted the International Public Sector Accounting Standards Board (IPSASB) is undertaking a project on Presentation of Financial Statements, including consideration of IFRS 18 in an NFP public sector context. Given the likely timeframe of that project, the AASB decided not to delay its own work on the presentation of financial statements by Australian NFP public sector entities. However, the AASB intends to consider the outcomes of the IPSASB's project as part of its Public Sector Financial Reporting Framework project.

BC45 Based on feedback received from eight public sector stakeholders during the targeted outreach, the AASB concluded that departures from AASB 18 and the revised AASB 107 are justifiable for NFP public sector entities that are not higher education providers under the *AASB Not-for-Profit Entity Standard-Setting*

Framework (July 2021).[2] Accordingly, in addition to the NFP guidance described in paragraph BC39, ED 338 proposed accounting policy choices providing relief from certain presentation, expense classification, cash flow and MPM requirements for those entities.

BC46 The AASB received seven comment letters on these proposals and additional feedback through a February 2026 roundtable. Most stakeholders supported the proposals, subject to some refinements. The following paragraphs summarise the proposals, stakeholder feedback and the AASB's decisions by topic.

Statement of profit or loss presentation – paragraph Aus47.2 in AASB 18

BC47 Treasury or Finance Departments prescribe GPFS presentation formats for NFP public sector entities that are not higher education providers within their jurisdictions, while Offices of Local Government prescribe formats for local government entities. In addition, AASB 1049 specifies presentation and disclosure requirements for whole of government and GGS financial statements.

BC48 Feedback received through the 2025 targeted outreach and in response to ED 338 indicated that most public sector stakeholders considered the costs of applying the AASB 18 income statement classification and presentation requirements to NFP public sector entities that are not higher education providers would outweigh any benefits. In particular, stakeholders observed that:

(a) existing presentation formats prescribed by relevant authorities and AASB 1049 are well understood by users of public sector GPFS and budget papers, and support budget management, financial sustainability assessments and public accountability. In particular, some entities present a 'net cost of services' subtotal that is used to monitor recurrent expenditure against budget limits;

(b) distinguishing day-to-day operating activities from capital-related activities provides more useful information to users than classifying income and expenses into the operating, investing and financing categories described in AASB 18. Accordingly, many entities present an operating result that excludes certain non-cash items, capital grants and restricted funding that are not directly related to underlying operations;

(c) investing and financing categories have limited relevance for many NFP public sector entities because they primarily deliver goods and services funded through appropriations, taxes or rates. Consequently, removing items such as interest expenses and employee benefit liability expenses from operating activities is of limited importance to users;

(d) debt financing activities are generally managed centrally by governments, with funding provided through appropriations. As a result, the full cost of borrowing is often not reflected within an individual entity's GPFS;

(e) requiring entities to assess their main business activities and classify income and expenses into AASB 18 categories may reduce clarity, misrepresent operating performance and create challenges when administrative restructures or machinery-of-government changes occur; and

(f) implementing the AASB 18 requirements could require significant changes to charts of accounts, report mappings and systems without corresponding benefits to users.

BC49 Based on this feedback, the AASB observed that stakeholders provided no evidence that the income statement categories introduced by AASB 18 would provide more useful information than existing public sector reporting formats. The AASB therefore concluded that a departure from these requirements is justifiable under the *AASB Not-for-Profit Entity Standard-Setting Framework*. Accordingly, the AASB added paragraph Aus47.2 to AASB 18 to provide an accounting policy choice for NFP public sector entities that are not higher education providers not to apply AASB 18 requirements relating to the assessment of main business activities, the classification of income and expenses, and the presentation of related subtotals.

BC50 In respect of whole of government and GGS financial statements, the AASB decided to maintain the presentation formats required by AASB 1049. Feedback from the FRC's independent PIR of AASB 1049 indicated strong support for retaining AASB 1049 in its current form (see paragraphs BC98–BC110 for information about the PIR).

Presentation of expenses – paragraph Aus78.2 in AASB 18

BC51 AASB 18.78 requires an entity to classify and present operating-category expenses in line items in a way that provides the most useful structured summary of its expenses, considering the matters in AASB 18.B80, using one or both of the following characteristics: the nature of the expenses, and the function of the expenses within

2 Paragraphs BC82–BC92 summarise the AASB's considerations regarding higher education providers.

the entity. This differs from AASB 101.99, which requires expenses to be presented by either nature or function.

BC52 Feedback received through the 2025 targeted outreach and in response to ED 338 indicated that public sector entities that are not higher education providers generally apply a consistent basis for presenting expenses through Treasury model financial statements or Treasury mandates or directives. Therefore, there is strong comparability between financial statements prepared by public sector entities within a jurisdiction. Stakeholders noted that:

(a) Treasury Offices typically require expenses to be presented by nature, consistent with Government Finance Statistics (GFS) requirements and the preparation of whole of government and GGS financial statements; and

(b) AASB 1052 *Disaggregated Disclosures* requires government departments and local government entities to disaggregate expenses and other information by major function or activity.

BC53 Conceptually, the AASB did not identify any reasons from stakeholder feedback to prohibit a mixed presentation of expenses by nature and function for these entities. However, at a practical level, given expenses are a key focus area for users of public sector GPFS, it is important to maintain consistent reporting to promote comparability. The AASB also observed that the matters set out in AASB 18.B80 – regarding determining how to use the characteristics of nature and function to provide the most useful structured summary of expenses – might not be as relevant for users of these entities' GPFS.

BC54 Accordingly, ED 338 proposed an accounting policy choice permitting such entities to classify and present expenses by either nature or function, consistent with AASB 101.99, instead of applying AASB 18.78 and B80–B82. The proposal would also allow Treasury Offices and Offices of Local Government to continue mandating a consistent presentation basis for public sector entities in their jurisdictions.

BC55 Most stakeholders who responded to ED 338 on this matter supported the proposal, noting that it would maintain comparability, support meaningful public sector reporting and avoid unnecessary system changes and user confusion. Stakeholders considered that the accounting policy choice would allow entities to provide more reliable, relevant and consistent information.

BC56 One stakeholder questioned whether the proposed accounting policy choice was necessary, given that AASB 18.78 permits presentation of expenses solely by nature. While the AASB acknowledged this point, it noted that AASB 18 requires entities to consider the matters in AASB 18.B80 when determining their method of presentation. Without this modification, entities may reach different conclusions, potentially reducing comparability.

BC57 Accordingly, the AASB added paragraph Aus78.2 to AASB 18 for NFP public sector entities that are not higher education providers. The AASB noted that the disclosure requirements for expenses classified by function set out in paragraph 83 of AASB 18 apply irrespective of whether an entity classifies and presents expenses applying AASB 18.78 or elects to present expenses based on the single characteristic of function in accordance with paragraph Aus78.2. Accordingly, the relief provided by paragraph Aus78.2 affects the presentation of expenses in the statement of profit or loss but does not affect the application of the relevant disclosure requirements.

Identifying and disclosing information about MPMs – paragraph Aus123.1 in AASB 18

BC58 During the 2025 targeted outreach and in response to ED 338, stakeholders generally considered that the costs of applying the AASB 18 MPM disclosure requirements would outweigh the benefits for NFP public sector entities that are not higher education providers. Stakeholders noted that:

(a) some NFP public sector entities report subtotals such as 'underlying results' outside the financial statements, with explanations of how those measures are calculated generally provided in annual reports. Consequently, there is little benefit in requiring additional disclosures about those measures in the financial statements;

(b) public sector entities publish a broad range of information, including in budgets and annual reports, and publish performance and expenditure information on a variety of platforms, including websites and media releases. As a result, identifying all MPMs and providing assurance that those measures are complete would be difficult and costly; and

(c) the IASB's concerns regarding alternative presentations of financial performance have limited application to NFP public sector entities and local government entities because alternative performance measures are not widely used. Instead, users typically focus on service-delivery metrics, how those services are funded, and the entity's net surplus or deficit.

BC59 Based on this feedback, the AASB concluded that the costs and effort associated with identifying and disclosing MPMs would outweigh the benefits for these entities. Accordingly, ED 338 proposed an accounting policy choice permitting such entities not to identify and disclose information about MPMs.

BC60 Most ED 338 respondents who commented on this topic supported the proposed relief, noting that it would avoid significant reporting and audit challenges to provide only limited incremental benefits to users. Accordingly, the AASB added paragraph Aus123.1 to AASB 18 to provide the policy choice proposed in ED 338.

BC61 The AASB also noted that AASB 1049 requires the disclosure of key fiscal aggregates in whole of government and GGS financial statements. Consequently, those aggregates do not meet the definition of MPMs and are not subject to the disclosure requirements in AASB 18.122.

Classifying dividends received and interest paid and received – paragraphs Aus6.1 and Aus34D.1 in AASB 107

BC62 The version of AASB 107 that pre-dated AASB 18 provides an accounting policy choice for an entity to elect to measure cash flows from dividends and interest as operating cash flows. Consistent with the ABS GFS Manual, NFP public sector entities currently classify dividends paid as financing cash flows and dividends received and interest paid and received as operating cash flows.

BC63 AASB 18 amended AASB 107 (see paragraphs 33A and 34A) to require entities that do not invest in assets or provide financing to customers as a main business activity to classify:

(a) dividends paid as financing cash flows;

(b) interest paid as financing cash flows;

(c) dividends received as investing cash flows; and

(d) interest received as investing cash flows.

BC64 During the 2025 targeted outreach and ED 338 feedback, stakeholders did not raise concerns about classifying dividends paid as financing cash flows because this treatment is consistent with GFS requirements. Accordingly, the AASB concluded that no modification is required in relation to dividends paid.

BC65 However, for NFP public sector entities that are not higher education providers, stakeholders expressed significant concerns about the revised AASB 107 requirements for classifying dividends received and interest paid and received in the statement of cash flows. Stakeholders noted that:

(a) NFP public sector entities have consistently classified dividends received and interest paid and received as operating cash flows for many years, consistent with the ABS GFS Manual. Stakeholders considered this classification the most relevant to users and noted that there is no evidence that the classifications required by the revised AASB 107 would provide more useful information or benefits that outweigh the costs of a change;

(b) classifying these cash flows as investing or financing activities would not reflect the nature of public sector operations. Government activities are primarily funded through appropriations, grants, taxes, rates and centrally managed borrowing arrangements. Consequently, an operating-versus-financing distinction is generally less relevant than in the private sector and interest expense is often more closely associated with operating activities than financing activities;

(c) dividend and interest receipts are commonly used to fund service delivery. Stakeholders considered that classifying these cash flows as investing or financing activities would not appropriately reflect how the funds are used and could reduce the usefulness of information for users, who often focus on measures such as net cost of services rather than cash flows from operating activities;

(d) governments are required to prepare budget papers in accordance with the Uniform Presentation Framework (UPF), which adopts the cash flow presentation in the ABS GFS Manual. Stakeholders therefore considered it important that cash flow classifications in GPFS remain consistent with budget papers to support comparability; and

(e) applying the same classifications across governments and other NFP public sector entities assists the preparation of whole of government and GGS consolidated financial statements and promotes comparability between entities' GPFS, government GPFS and budget papers.

BC66 The AASB also noted that the IASB's rationale for removing the cash flow classification policy choice for most entities was to reduce diversity in practice (as noted in paragraph BC48 of the Basis for Conclusions to IAS 7 *Statement of Cash Flows*). The AASB considered that this rationale is less relevant for such NFP public sector entities because they generally apply consistent classifications for dividend and interest cash flows in both GPFS and budget reporting. Based on this feedback, ED 338 proposed retaining the existing accounting policy choice for NFP public sector entities that are not higher education providers to classify dividends received and interest paid and received as operating cash flows.

BC67 Most ED 338 respondents who responded to this topic supported the proposal. Accordingly, the AASB added paragraphs Aus6.1 and Aus34D.1 to AASB 107. The AASB acknowledged that this position might be reconsidered following the completion of the IASB's Statement of Cash Flows and Related Matters project.

Aggregation and disaggregation

BC68 AASB 18 includes principles of aggregation and disaggregation, including classifying and aggregating line items based on shared characteristics and to provide a useful structured summary. This is a change from the requirements of AASB 101, which requires the separate presentation of each material class of similar items, according to their nature or function.

BC69 During the 2025 targeted outreach, the AASB received limited feedback from stakeholders on this topic. One stakeholder commented that applying the aggregation and disaggregation principles in AASB 18 would likely lead to more useful information for users.

BC70 Another stakeholder commented that the AASB 18 requirements are neither an improvement to existing practice nor a hindrance to providing useful information to users. However, moving to a structured summary approach is more prescriptive, which might be counter to the principle that preparers are responsible for determining the relevant information to present based on their user needs and the environment in which they operate. The AASB noted that the IASB developed these requirements in response to feedback that information in GPFS is not always appropriately aggregated or disaggregated (paragraph BC71 to IFRS 18) and that applying these requirements would require judgement.

BC71 When developing ED 338, the AASB noted that stakeholder feedback did not identify any specific reason to modify the aggregation and disaggregation requirements for NFP public sector entities that are not higher education providers. In addition, paragraph BC75 to IFRS 18 states that the IASB expects that "an entity would generally conclude that line items previously determined to be a 'material class of items' would also contribute to a useful structured summary." Accordingly, the AASB considered that applying the aggregation and disaggregation requirements would be unlikely to significantly change existing presentation and disclosure practices.

BC72 In response to ED 338, all stakeholders who commented on this topic agreed that no modifications to the aggregation and disaggregation principles in AASB 18 were necessary. Stakeholders considered the principles sufficiently flexible to accommodate jurisdiction-specific requirements, materiality considerations and decision-useful reporting. They also considered the principles capable of improving transparency without undermining budget-aligned reporting or comparability within jurisdictions. Accordingly, the AASB concluded that no modifications to the aggregation and disaggregation principles in AASB 18 are necessary for NFP public sector entities that are not higher education providers.

Presenting line items required by AASB 1049 – paragraphs Aus23.2 and AusB8.2 in AASB 18

BC73 AASB 18.23 states that an entity need not present a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even when another Australian Accounting Standard specifies that line item as a requirement.

BC74 AASB 1049 requires whole of government and GGS financial statements to present specific line items and subtotals, including key fiscal aggregates. However, applying AASB 18.23 could result in a government concluding that some of those line items or subtotals need not be presented.

BC75 Feedback from the FRC's independent PIR of AASB 1049 (see paragraphs BC98–BC110) indicated that key fiscal aggregates provide important information to users and facilitate comparability between governments. Accordingly, the AASB concluded that governments should continue presenting the line items and subtotals required by AASB 1049.

BC76 ED 338 therefore proposed requiring governments to present relevant line items and subtotals required by AASB 1049 when preparing whole of government and GGS financial statements, rather than assessing whether those items are necessary to provide a useful structured summary.

BC77 All ED 338 respondents who commented on this topic supported the proposal. Stakeholders noted that the presentation requirements in AASB 1049 align with the UPF and GFS frameworks and that key fiscal aggregates are well understood by users and embedded in budget processes. Stakeholders considered that permitting their omission would reduce comparability and fiscal accountability. Accordingly, the AASB added paragraphs Aus23.2 and AusB8.2 to AASB 18 to require a government to present all the relevant line items required by AASB 1049 in its primary financial statements.

For-profit public sector entities

BC78 In discussing the application of the revised AASB 107 requirements for dividends and interest cash flows, public sector stakeholders participating in the 2025 targeted outreach emphasised the importance of consistent cash flow classifications across all public sector entities within a jurisdiction, including for-profit entities, to support comparability of GPFS and facilitate whole of government consolidation.

BC79 Consistent with the *AASB For-Profit Entity Standard-Setting Framework* (July 2021), the AASB's starting point in setting requirements is to apply IFRS Accounting Standards and transaction neutrality. Accordingly, the AASB generally does not modify Australian Accounting Standards for for-profit public sector entities. The AASB observed that feedback received through targeted outreach did not provide sufficient justification for departing from the revised AASB 107 for these entities.

BC80 The AASB received seven comment letters that addressed for-profit public sector entities in response to ED 338. Most respondents considered that the cash flow statements of for-profit public sector entities should remain aligned with those of for-profit private sector entities. Stakeholders considered that:

(a) there is no strong conceptual basis for different requirements, and alignment supports competitive neutrality;

(b) consistent classification between the income statement and the cash flow statement would improve user understanding and better meet user needs across the for-profit sector; and

(c) any consolidation impacts would be limited because existing government consolidation systems already manage public sector financial information effectively, the necessary information is generally available, relatively few for-profit entities are consolidated within the whole of government, and many transactions are eliminated on consolidation.

BC81 Stakeholders therefore considered that the benefits of comparability with for-profit private sector entities outweigh any additional consolidation, implementation or audit costs. Accordingly, the AASB decided that no modifications to AASB 18 or the revised AASB 107 are necessary for for-profit public sector entities.

NFP private sector entities and higher education providers

BC82 During the 2025 targeted outreach, the AASB received limited feedback regarding the application of AASB 18 and the revised AASB 107 by NFP private sector entities and higher education providers. The feedback indicated that, although implementation costs would arise, entities preparing Tier 1 GPFS are generally larger entities or entities with a high degree of public accountability. Accordingly, stakeholders generally considered that the benefits of applying AASB 18 would outweigh the associated implementation costs. On that basis, when developing ED 338, the AASB did not identify sufficient justification to propose modifications to AASB 18 or the revised AASB 107 for these entities, other than the NFP-specific guidance described in paragraph BC39 in response to the use of for-profit terminology in AASB 18.

BC83 The AASB also observed that, in accordance with the *Higher Education Support Act 2003* and the *Australian Research Council Act 2001*, Australian higher education providers are required, as a condition of receiving financial assistance from the Australian Government, to prepare GPFS in the format prescribed by the financial statement guidelines issued by the Commonwealth Department of Education. Those guidelines prescribe certain presentation requirements and require dividends received and interest paid and received to be classified as operating cash flows. Although one stakeholder suggested permitting higher education providers to continue applying those classifications, the AASB concluded that stakeholders had not provided sufficient justification to modify AASB 18 or the revised AASB 107 for those entities.

BC84 The AASB noted that the circumstances of public sector higher education providers differ from those of other NFP public sector entities. In particular, stakeholders indicated that:

(a) applying AASB 18 would improve transparency and comparability, with the structured presentation requirements and clearer disaggregation of operating, investing and financing activities expected to provide more useful information, particularly for entities with diverse revenue streams;

(b) it is important that the GPFS of public sector higher education providers remain comparable with those of higher education providers in the private sector and internationally;

(c) most higher education providers have the resources and capability to implement AASB 18, and implementation challenges would be more appropriately addressed through guidance rather than exemptions;

(d) the Commonwealth Department of Education would be able to update its financial statement guidelines to reflect the requirements of AASB 18 and the revised AASB 107; and

(e) public sector higher education providers are generally not consolidated into whole of government or GGS financial statements. Consequently, the concerns raised by other NFP public sector entities regarding alignment with Government Finance Statistics requirements and the preparation of whole of government and GGS financial statements are generally not relevant to such higher education providers.

BC85 In response to ED 338, the AASB received feedback through nine comment letters, two virtual roundtables and targeted interviews with representatives of the Commonwealth Department of Education and the Fair Work Commission. Most stakeholders agreed that NFP private sector entities and higher education providers should apply AASB 18 and the revised AASB 107 without relief, including the requirements to classify income and expenses into the operating, investing and financing categories and to apply the MPM disclosure requirements.

BC86 Although a minority of stakeholders questioned the costs and relevance of the MPM disclosure requirements for these entities, stakeholders generally considered that the disclosures would improve transparency, comparability and discipline over performance measures commonly reported outside GPFS. Apart from seeking clarification regarding the income and expense categorisation requirements (see paragraphs BC90–BC92), stakeholders were generally supportive of applying AASB 18 to these entities.

BC87 Accordingly, the AASB concluded that the evidence received did not support providing relief from AASB 18 or the revised AASB 107 for NFP private sector entities or higher education providers.

BC88 The AASB included a definition of "higher education provider" in Appendix A of AASB 18 and in paragraph 6 of AASB 107 to clarify that the reliefs from certain AASB 18 and AASB 107 requirements available to NFP public sector entities (described in paragraphs BC43–BC77) do not apply to higher education providers that are bodies approved under Division 16 of the *Higher Education Support Act 2003*. Public sector higher education providers outside the scope of that Act, such as Technical and Further Education (TAFE) institutes, are not treated as higher education providers for the purposes of AASB 18 and AASB 107 and therefore are eligible to apply those reliefs.

BC89 The AASB also made consequential amendments to 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*. Paragraph 31 of AASB 2026-2 deletes the heading "Australian defined terms" from Appendix A of AASB 18 from 1 July 2029. Because this Standard adds an Australian definition of "higher education provider" to Appendix A of AASB 18, the consequential amendment removes that deletion so that the heading remains in place beyond 1 July 2029.

Further standard-setting work on income categorisation

BC90 During the ED 338 outreach, some stakeholders questioned how income recognised under AASB 1058 *Income of Not-for-Profit Entities*, including capital grants and donated assets, should be categorised under AASB 18. Stakeholders noted that ED 338 had not specifically addressed the interaction between AASB 1058 and AASB 18 and suggested that additional guidance may be required.

BC91 To obtain further evidence, the AASB undertook additional consultation in March and April 2026, including a consultation document, online survey, virtual roundtable and targeted interviews. Feedback indicated uncertainty regarding:

(a) the categorisation of income arising from the initial recognition of donated assets;

(b) the categorisation of income arising from the unwinding of liabilities relating to capital grants; and

(c) how NFP entities should assess whether investing in assets or providing financing to customers constitutes a specified main business activity under AASB 18.

BC92 Stakeholders highlighted a range of fact patterns, including entities that provide micro-finance loans, hold investment portfolios to fund grants, hold investment properties used for social housing, or undertake substantial investing or financing activities alongside their charitable objectives. Having considered this feedback, the AASB concluded that further standard-setting work is justified under the *AASB Not-for-Profit Entity Standard-Setting Framework*. Accordingly, at its May 2026 meeting, the AASB decided to develop a further Exposure Draft to consider:

(a) additional guidance on applying the income and expense categorisation requirements in AASB 18 to NFP private sector entities and higher education providers; and

(b) whether, and if so in what circumstances, those entities might be regarded as investing in assets or providing financing to customers as a specified main business activity.

Starting point to use for operating cash flow reconciliation and labelling of subtotals

BC93 AASB 18 amended AASB 107.18(b) and 20 to require an entity applying the indirect method to reconcile cash flows from operating activities starting with the 'operating profit or loss' subtotal, rather than the 'profit or loss' total, presented in the statement of profit or loss. ED 338 proposed amendments to the operating cash flow reconciliation reference in AASB 1039.21 and requirements in AASB 1054.16 to reflect the amendments made to AASB 107 by AASB 18.

BC94 ED 338 also proposed amendments to AASB 107 and AASB 1054 that would require superannuation entities, and NFP public sector entities that did not present an operating profit or loss subtotal, to start the reconciliation with the profit or loss total.

BC95 Most ED 338 respondents who commented on this topic supported the proposals. Accordingly, the AASB added paragraph Aus20.1 to AASB 107 and amended paragraph Aus20.2 of AASB 107, AASB 1039.21 and AASB 1054.16.

BC96 The amendments mean that, when preparing the reconciliation of operating cash flows, an entity is required to adjust:

(a) the operating profit or loss subtotal presented in the statement of profit or loss in accordance with paragraph 69(a) of AASB 18; or

(b) the profit or loss total presented in the statement of profit or loss, if the entity is a superannuation entity, or an NFP public sector entity (that is not a higher education provider as defined in AASB 18) applying the relief set out in paragraph Aus47.2 of AASB 18 that does not present an operating profit or loss subtotal as defined in AASB 18.

Presenting subtotals that do not meet the definitions in AASB 18 – paragraph Aus11.1 in AASB 18

BC97 A related presentation issue arose during the AASB's consideration of the operating cash flow reconciliation amendments. One stakeholder questioned whether an entity within the scope of AASB 1054.16(b) should be permitted to present an 'operating profit or loss' (or similarly labelled) subtotal when that subtotal does not correspond to the definition of operating profit or loss in AASB 18. To address this concern, the AASB added paragraph Aus11.1 to AASB 18 to permit superannuation entities and NFP public sector entities (that are not higher education providers) applying the relief in paragraph Aus47.2 to use the label of a total or subtotal defined in AASB 18 with a meaning that differs from its defined meaning, provided the label faithfully represents the amounts included in the total or subtotal.

The FRC's independent PIR of AASB 1049

BC98 In December 2002, the FRC issued a strategic direction to the AASB to "pursue as an urgent priority the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting. The objective should be to achieve an Australian accounting standard for a single set of Government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements" (FRC Bulletin 2002/5, 18 December 2002, as confirmed by FRC Bulletin 2003/1, 11 April 2003). As a result, AASB 1049 was developed, first in relation to General Government Sector financial statements (September 2006) and then extended to whole of government financial statements in October 2007 (effective for annual periods beginning on or after 1 July 2008).

BC99 In December 2021, the FRC completed an independent PIR of AASB 1049 and AASB 1055 *Budgetary Reporting* (in respect of whole of government and GGS financial reporting). The PIR assessed the extent to which the Standards had achieved the FRC's objective, their costs and benefits, and the continuing need for a specific Standard to harmonise GFS and GAAP reporting.

BC100 The PIR report "The Post-Implementation Review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*" (PIR Report), was accepted by the FRC on 10 December 2021. The PIR was undertaken as a targeted, non-public process. The FRC received 15 submissions from stakeholders.

BC101 The PIR Report, on page 2, states "All stakeholders who responded to the Consultation Paper stated the objective of the FRC direction has been achieved – AASB 1049 has been successful in harmonising GFS and GAAP reporting … There is strong support for retaining AASB 1049 and AASB 1055 in their current form."

BC102 The PIR Report to the FRC includes the following recommendations:

(a) no significant changes should be made to AASB 1049;

(b) consideration should be made to implementing minor changes to AASB 1049, AASB 1055 and supporting material to improve GAAP–GFS harmonisation, reduce cost or improve information for users;

(c) the number and magnitude of convergence differences between GAAP and GFS should be monitored over the next three years to gauge the impact on the costs of preparers and users and the impact on the usefulness of the financial statements; and

(d) given the lack of compelling evidence of any major shortcomings in the requirements of AASB 1055, there should be no major amendments made to the standard.

BC103 The FRC asked the AASB to consider the recommendations noted in the PIR Report. In the first half of 2025, the AASB undertook additional outreach with members of HoTARAC and ACAG-FRAC regarding the potential improvements identified in the PIR Report. Based on that outreach, the AASB determined the amendments to AASB 1049 to be proposed in ED 338.

BC104 In ED 338, the AASB proposed amending the following paragraphs in AASB 1049 to reflect proposed amendments to AASB 107 or to align the Standard with other Accounting Standards:

(a) AASB 1049.14(f) – to explain the effect of AASB 1049.13 on the application of the accounting policy choice proposed to be added to AASB 107 for NFP public sector entities (that are not higher education providers) regarding the classification of cash flows from interest paid and received and dividends received;

(b) AASB 1049.14(g) – to refer to AASB 1058 *Income of Not-for-Profit Entities* instead of AASB 1004 *Contributions* because AASB 1058 and AASB 15 *Revenue from Contracts with Customers* supersede the income recognition requirements previously contained in AASB 1004; and

(c) AASB 1049.31(a)(ii) – to refer to the phrase 'fair value through other comprehensive income' instead of 'available-for-sale' to align with the terminology in AASB 9 *Financial Instruments*.

Following support from respondents to ED 338, the AASB decided to finalise these amendments as proposed.

BC105 One PIR respondent suggested removing the requirement for an NFP public sector entity to present a statement of changes in equity when the statement does not provide information beyond that presented elsewhere in the financial statements. Other stakeholders did not support this view, noting that the statement is a fundamental component of GPFS, even where some of the information it contains is available in other parts of the financial statements. The AASB considered that the feedback did not identify any public-sector-specific reason to depart from the requirement in AASB 18. This view was also supported by all seven ED 338 respondents who commented on the matter. Stakeholders considered that the statement remains useful in reporting asset revaluations, machinery-of-government changes, appropriations and other equity movements, and supports transparency and stewardship over public resources.

BC106 Some stakeholders suggested clarifying that the AASB 18 requirements relating to MPMs do not apply to key fiscal aggregates. As explained in paragraph BC61, those aggregates do not meet the definition of MPMs.

BC107 Since the International Monetary Fund is updating the international GFS Manual, the AASB plans to consider the forthcoming updated Australian GFS Manual, to be issued by the ABS, before addressing:

(a) updating the convergence difference examples and the Illustrative Examples in AASB 1049;

(b) potential amendments to the requirements for disclosing convergence differences for key fiscal aggregates (AASB 1049.41 and 52); and

(c) updating references in AASB 1049 to the ABS GFS Manual.

BC108 The AASB decided that the following matters raised by stakeholders during the PIR of AASB 1049 should be considered in future PIRs of related accounting pronouncements:

(a) potential amendments to AASB 1049.14(a) regarding fair value measurement of intangible assets arising from service concession arrangements – in the PIR of AASB 1059 *Service Concession Arrangements: Grantors*;

(b) the disclosure of total assets by function (AASB 1049.48(b)) – in the PIR of AASB 1052 *Disaggregated Disclosures*. Some stakeholders are of the view that this disclosure requirement should either be simplified or removed because this disclosure is not mandated by the ABS GFS Manual and there are challenges with attributing cash, investments and office accommodation across functions;

(c) equity transfers and restructuring of administrative arrangements among GGS and other government sectors – in the PIR of AASB 1004 and Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Stakeholders requested guidance to clarify the accounting treatment of accumulated equity reserve balances in a restructure of administrative arrangements and whether transfers between GGS and other government sectors should be recognised as equity or income; and

(d) simplifying and clarifying the budgetary reporting requirements at the consolidated GGS level – concurrently with the PIR of AASB 1055 for entities within the GGS.

BC109 In considering the PIR feedback requesting the development of additional guidance on financial instruments, the AASB noted that comments received on Invitation to Comment ITC 57 *AASB 2027–2031 Agenda Consultation* did not identify this topic as a priority area for future standard-setting work. Accordingly, the AASB decided not to undertake standard-setting work on this matter at this time.

BC110 The AASB also concluded that no further standard-setting work is needed for the following stakeholder requests noted in the PIR Report to the FRC:

(a) permitting governments to disclose user-defined fiscal aggregates in the whole of government and GGS financial statements – already permitted under AASB 1049.18–18D;

(b) clarification of the classification of entities into the GGS or other government sectors and of transactions versus other economic flows – since these terms are defined in AASB 1049 by incorporating the definitions from the ABS GFS Manual, the AASB has passed the feedback to the ABS for its consideration; and

(c) developing additional guidance on fair value measurement of non-financial assets – this request has been met by the AASB's work that culminated in the issuance of AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*.

Effective date

BC111 When issuing AASB 18, in view of the further due process needed to consider potential modifications of AASB 18 for application by superannuation and NFP entities, the AASB deferred the effective date of AASB 18 for those entities by one year, to annual periods beginning on or after 1 January 2028, with earlier application permitted. The AASB considered that those entities should have an implementation period for applying AASB 18, including any modifications the AASB may make to AASB 18 and other relevant Standards, similar to that for for-profit entities preparing Tier 1 GPFS under AASB 18 as issued.

BC112 Since the proposed modifications to Accounting Standards in ED 338 were to either provide relief from certain requirements or to clarify how certain AASB 18 requirements and principles should be applied by superannuation and NFP entities, the AASB considered that the one-year deferral already provided to these entities would be sufficient for these entities to implement AASB 18 along with the proposed modifications.

BC113 Most stakeholders who responded to ED 338 supported the proposed effective date of 1 January 2028 for superannuation entities and NFP entities. Accordingly, the AASB decided to retain the existing effective date of AASB 18 for those entities, with the amendments for superannuation and not-for-profit entities in this Standard applying to annual periods beginning on or after 1 January 2028. Earlier application is permitted.

BC114 In relation to NFP private sector entities and higher education providers, stakeholders generally considered that entities preparing Tier 1 GPFS have sufficient resources to implement AASB 18 and that a timely transition from AASB 101 remains important to promote high-quality, consistent and comparable reporting. However, some stakeholders noted that their support is contingent on timely implementation guidance and clarity regarding the income and expense categorisation and specified main business activity requirements (see paragraphs BC90–BC92). Given the AASB's commitment to issue an Exposure Draft on these matters, stakeholders will have a further opportunity to comment on the effective date of an amended AASB 18 for NFP private sector entities and higher education providers.

BC115 The AASB also decided that the amendments to AASB 1039 and AASB 1054 affecting for-profit entities (other than superannuation entities applying AASB 1056) will apply for annual periods beginning on or after 1 January 2027, with earlier application permitted. This is consistent with the effective date of AASB 18 for such entities.