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24 August 2026

Dr Keith Kendall FCPA
Chair
Australian Accounting Standards Board
PO Box 204, Collins Street West, Victoria 8007

Via online submission: www.aasb.gov.au

Dear Keith

Exposure Draft 341 - Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the Exposure Draft 341 - Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18 (the ED).

We note that the ED only considers the classification and presentation requirements for Tier 2 entities and that the new disclosure requirements in AASB 18 including management-defined performance measures, will be considered separately. Overall, we support the proposed alignment of the classification and presentation requirements for Tier 2 entities with AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18), which we consider will promote greater consistency and comparability between Tier 1 and Tier 2 financial statements.

In our submission in response to Exposure Draft 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation for entities preparing Tier 1 general purpose financial statements* (ED 338), we expressed support to the application of AASB 18 requirements to Superannuation entities and not-for-profit (NFP) public sector entities, in the context of Tier 1 General Purpose Financial Statements (GPFS) preparation. We expressed conditional support to the application of AASB 18 requirements to NFP private sector entities, universities and for-profit public sector entities, in the context of Tier 1 GPFS. For similar reasons stated in our submission to ED 338, we maintain our support/conditional support where applicable for the same groups of entities, in the context of Tier 2 GPFS.

We encourage the AASB to provide appropriate implementation guidance and illustrative examples and to continue to consider developments relating to the application of AASB 18. We also highlight the need for robust impact and effects analysis and proactive engagement with regulators, particularly where statutory reporting frameworks require smaller entities to prepare Tier 2 GPFS.

In respect of smaller entities that prepare Tier 2 GPFS, we reiterate the comments made in our submission in response to 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* (ITC 56), that the AASB

should consider a more nuanced and fit-for-approach for the for-profit private sector that could include a further reporting Standard or framework that involves simplified recognition, measurement and disclosure requirements (a for-profit Tier 3 Standard).

Further detail on our above comments, including our responses are included in the Attachment. If you require further information, please contact me at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

Ram Subramanian FCPA
Financial Reporting Lead
CPA Australia

ATTACHMENT – CPA AUSTRALIA'S RESPONSES

Specific matters for comment

The AASB would particularly value comments on the following:

1) Do you agree that Tier 2 entities should be subject to the same classification and presentation requirements, including aggregation requirements, for the financial statements as Tier 1 entities, except for the current concessions of:

(a) not having to present a third statement of financial position when the entity has applied an accounting policy retrospectively, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements; and

(b) the option to present a statement of income and retained earnings in place of a separate statement of comprehensive income and a statement of changes in equity under certain circumstances?

If you disagree, please explain why.

We agree that Tier 2 entities should generally be subject to the same classification and presentation requirements, including aggregation requirements, as Tier 1 entities, while retaining the existing Tier 2 concessions identified in the proposal.

However, as noted in our cover letter above and in our response to Question 5 below, whilst we offer our overall support to the proposals, we offer conditional support to the proposals around applying the AASB 18 classification and presentation requirements by NFP private sector entities (excluding universities). This conditional support reflects the mixed feedback we received from our stakeholders as part of our outreach on ED 338 and includes a recommendation for a post-implementation review to reassess the costs and benefits of applying the requirements to these entities.

We also consider that alignment with Tier 1 should not preclude the AASB from monitoring the application of the requirements and, through future review processes, considering whether further Tier 2-specific reliefs or simplifications may be appropriate, having regard to user needs, the characteristics of Tier 2 entities and the costs and benefits of the requirements.

Subject to the above and as stated in our previous submissions to ITC 56 and ED 338, and our supplementary submission on the application of AASB 18 on specific income categorisation requirements by NFP private sector entities, we support replacing the AASB 101 classification and presentation requirements in AASB 1060 with the corresponding AASB 18 requirements, to promote consistency between Tier 1 and Tier 2 entities, including application of the core AASB 18 classification framework to NFP entities.

We recognise that specific NFP reliefs or modifications may be appropriate in certain circumstances and, where such reliefs are provided to Tier 1 NFP entities, equivalent reliefs should also be provided to Tier 2 entities, where applicable.

2) Do you agree with the approach proposed to achieve alignment of the classification and presentation requirements, including the consequential amendments proposed to guidance currently included in AASB 1060?

If you disagree, please explain why.

We agree with the proposed approach. As stated in our submission to ITC 56, we preferred Option A, which is the current approach proposed by the AASB in ED 341. We continue to consider this approach appropriate

as it retains AASB 1060 as a standalone Standard and provides a practical, one-stop source of requirements for Tier 2 entities.

We also support the inclusion of relevant AASB 18 application guidance in AASB 1060, as proposed, to assist Tier 2 entities in applying the classification and presentation requirements consistently. We note that the approach should continue to take account of any NFP-specific modifications or reliefs determined appropriate by the AASB, consistent with our comments in response to Question 1.

3) Do you agree that the transition requirements should be the same as those for AASB 18:

(a) the amendments should be applied retrospectively;

(b) entities should disclose a reconciliation for each line item in the statement of profit or loss between the restated amounts and the amounts previously reported for the comparative period, but not for the current period or earlier periods presented. Entities are not required to comply with paragraph 106(b) of AASB 1060; and

(c) when first applying the amendments, eligible entities may change their elections for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss (see paragraph BC42)?

If you disagree, please explain why.

We agree with the transition requirements. As these requirements are consistent with the transition requirements already established in AASB 18, we consider retrospective application and the proposed reconciliation requirements appropriate to facilitate comparability between the restated comparative information and amounts previously reported, while the option for eligible entities to change their measurement election for investments in associates and joint ventures provides appropriate flexibility on first applying the amendments. As such we support the proposed transition requirements as they promote consistency between Tier 1 and Tier 2 entities and avoid unnecessary differences in applying the new classification and presentation requirements.

4) In ED 338, the AASB sought stakeholder feedback on the suitability of applying AASB 18 and the revised AASB 107 Statement of Cash Flows requirements to not-for-profit (NFP) private and public sector entities preparing Tier 1 General Purpose Financial Statements (GPFS).

In May 2026, the AASB decided in respect of NFP public sector entities (excluding universities) preparing Tier 1 GPFS to:

(a) require governments to continue presenting the GPFS of the Whole of Government and the General Government Sector in accordance with the formats specified in AASB 1049 Whole of Government and General Government Sector Financial Reporting, rather than the formats required by AASB 18;

(b) provide accounting policy choices for NFP public sector entities to elect to apply certain AASB 18 requirements – such as the requirements for categorising income and expenses into the operating, investing and financing categories and the requirements for identifying and disclosing information about management-defined performance measures – thereby allowing relevant regulators to continue prescribing presentation formats that best meet users' information needs;

(c) require NFP public sector entities to apply the AASB 18 requirements on labelling and aggregation;

(d) permit NFP public sector entities to reconcile cash flows from operating activities to the profit or loss total presented in the statement of profit or loss if the entity does not present the operating profit or loss subtotal; and

(e) retain the existing accounting policy choice for classifying cash flows from dividends received and interest paid and received, for example as cash flows from operating activities.

Do you agree that the reliefs granted to NFP public sector entities preparing Tier 1 GPFS should also be provided to NFP public sector entities preparing Tier 2 GPFS?

If you disagree with this approach, please explain why.

We agree that the reliefs granted to NFP public sector entities preparing Tier 1 GPFS should also be provided to NFP public sector entities preparing Tier 2 GPFS.

As stated in our submission to ED 338, our comments in respect of NFP public sector entities are also relevant to NFP public sector entities preparing Tier 2 GPFS. We therefore support extending the reliefs set out in paragraph 4(a)–(e) to Tier 2 entities, where applicable.

We consider that applying equivalent reliefs to Tier 1 and Tier 2 NFP public sector entities would maintain consistency across the tiers while recognising the particular reporting and regulatory circumstances of NFP public sector entities.

As ED 341 does not specifically address for-profit public sector entities, we presume the AASB has concluded that as the proposals relate to Tier 2 GPFS, this matter is not relevant to for-public sector entities.

5) ED 338 did not propose any specific reliefs for NFP private sector entities preparing Tier 1 GPFS but sought feedback on whether applying AASB 18 and the revised AASB 107 requirements is suitable for these entities. Do you agree with the approach that, should the AASB decide, in view of stakeholder feedback, to provide any relief to NFP private sector entities from complying with the new presentation requirements in AASB 18 and AASB 107, the same relief should also be provided to NFP private sector entities preparing Tier 2 GPFS?

If you disagree with this approach, please explain why.

We agree with the approach. As stated in our submissions to ITC 56, ED 338 and the AASB 18 supplementary consultation, we support applying the core AASB 18 classification framework to NFP entities, including Tier 2 NFP entities. However, as noted in the cover letter above and articulated in more detail in our submission to ED 338, this support is conditional to reflect the mixed feedback we received from stakeholders on the application of AASB 18 requirements to NFP private sector entities preparing Tier 1 GPFS.

We extend the same conditional support to the proposals that relate specifically to the classification and presentation requirements of AASB 18 considered as part of ED 341, for Tier 2 GPFS. This support is conditional on the basis the AASB undertakes a post-implementation review of AASB 18 (and the equivalent requirements in AASB 1060) in due course to ensure the costs of applying these requirements do not exceed the benefits arising.

We also support development and provision of further implementation guidance and illustrative examples to mitigate judgement-driven inconsistencies and counterintuitive presentation outcomes.

Furthermore, where the AASB determines that NFP-specific relief is appropriate for Tier 1 NFP private sector entities, we consider that equivalent relief should also be considered for Tier 2 entities, where applicable. This would maintain consistency between the two tiers while appropriately recognising the circumstances of NFP entities.

6) Do you have any other comments on the proposals?

We have the following additional comments on the proposals.

As stated in our submissions to ED 338 and the AASB 18 supplementary consultation, we consider that additional implementation guidance and illustrative examples would assist entities in applying AASB 18, particularly in the NFP sector where certain requirements may not operate as intuitively. We also encourage the AASB to consider the comparability impacts of the new requirements for universities and NFP private-sector entities.

We also encourage the AASB to continue monitor developments relating to the IFRS Interpretations Committee's consideration of a number of IFRS 18 interpretation and application issues. At the time of preparing this submission, seven IFRS 18-related tentative agenda decisions are open for comment, covering matters including MPMs, classification of income and expenses, specified main business activities, labels of subtotals and presentation of operating expenses.

Given that further agenda decisions or other clarifications relating to IFRS 18 may arise as implementation progresses, we encourage the AASB to consider the implications of those developments when finalising the amendments to AASB 1060. This will help ensure that the Tier 2 requirements remain aligned with the interpretation and application of AASB 18 and reduce the need for subsequent amendments or clarification.

General matters for comment

The AASB would also particularly value comments on the following general matters:

7) Have the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework been applied appropriately in developing the proposals in this Exposure Draft?

As stated in our submissions to ITC 56, ED 338 and the AASB 18 supplementary consultation, we support alignment of the core classification and presentation requirements between Tier 1 and Tier 2 entities, while recognising the particular circumstances of NFP entities. Subject to our comments above in response to Question 5, we consider that the AASB has appropriately considered the needs and circumstances of NFP entities and the effects of the proposals on Tier 2 entities through its consultation on ITC 56 and ED 338, including its consideration of NFP-specific reliefs.

We encourage the AASB to continue to have regard to the specific information needs and circumstances of NFP entities as it finalises the proposals, including any further developments arising from the application of AASB 18 and the outcomes of ED 338.

8) Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?

As stated in our ITC 56 submission, we highlighted regulatory challenges that may arise where statutory reporting frameworks require smaller entities to prepare full Tier 2 GPFS, including the examples of the Queensland Building and Construction Commission (QBCC) and Victorian building reporting regimes. We recommended stronger impact and effects analysis, proactive engagement with relevant regulators and ongoing monitoring of regulatory frameworks to ensure that changes to AASB 1060 do not create unintended consequences for entities subject to such requirements. As noted in our cover letter, a more holistic solution to the financial reporting needs of smaller for-profit entities may lie in the development of a new for-profit Tier 3 Standard that involves simplified recognition, measurement an disclosure requirements.

Also, as stated in our ED 338 and supplementary consultation submissions, we consider that the application of AASB 18 to NFP entities should take account of their particular regulatory and reporting circumstances. In

particular, where regulators prescribe or influence presentation requirements, the interaction between those requirements and the AASB 18 classification and presentation requirements should be carefully considered.

We also refer to our comments in Question 6 regarding ongoing developments relating to IFRS 18.

9) Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?

We do not expect the proposals to create significant auditing or assurance challenges. As stated in our ITC 56 submission, we did not identify significant technical auditing or assurance concerns with AASB 1060, with earlier issues primarily arising from misunderstandings of "simplified disclosures" versus "simplified accounting". We consider that any future challenges are more likely to relate to implementation guidance and the exercise of judgement rather than auditing standards themselves. Clear implementation guidance and illustrative examples would therefore assist preparers and auditors in applying the requirements consistently, particularly during the transition period.

10) Overall, would the proposals result in financial statements that would be useful to users?

Overall, we consider that the proposals would result in financial statements that are useful to users. As stated in our ITC 56 submission, we support aligning the classification and presentation requirements of Tier 2 entities with AASB 18, as this should enhance consistency and comparability between Tier 1 and Tier 2 financial statements. Also as stated in our ED 338 and supplementary consultation submissions, the application of AASB 18 to NFP entities should also take account of their particular circumstances and information needs. We consider that appropriate NFP-specific reliefs, together with clear implementation guidance and illustrative examples, will be important to ensuring that the resulting information is useful and comparable for users.

11) Are the proposals in the best interests of the Australian economy?

12) Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative, and are they appropriate relative to the existing requirements? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Subject to our above comments, we consider that, overall, the proposals are in the best interests of the Australian economy and that the benefits are appropriate relative to the associated costs.