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Are you ready for 31 December 2026 reporting?



19 November 2026

Your facilitators are...



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Agenda

- New standards effective for 31 December 2026
- Recent IFRIC agenda decisions
- Regulatory update
- Hot topic: Lease incentives
- Hot topic: AASB 18 – Specified Main Business Activities
- Forthcoming requirements
- ESG update
- Wrap up & Q&A

Attendance certificate for CPD hours

Available after **50 minutes** (also in post-event email)

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New standards

effective for 31 December 2026



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New standards effective for year & half-year ending 31 December 2026

***AASB 2024-2 Classification and measurement of Financial Instruments* [Amendments to AASB 7 & 9]**

Refer to Jun & Dec 2025 webinars

- Derecognition of financial liabilities through electronic payment systems
- Classification of financial assets with contingent features
- Non-recourse features and contractually linked instruments
- New disclosure requirements

***AASB 2024-3 Annual Improvements Volume 11* [Amendments to AASB 1, 7, 9, 10 & 107]**

Refer to Dec 2025 webinar

- Derecognition of lease liabilities under AASB 9
- Address conflict between AASB 9 & 15 over the measurement of trade receivables

***AASB 2025-1 Contracts Referencing Nature-dependent Electricity* [Amendments to AASB 9]**

Refer to Dec 2025 webinar

Annual reporting periods beginning on or after 1 January 2026

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Polling question



Scenario:

- Customer purchases a TV from ElectronicsCo on 30 December 2026
- Customer pays using a credit card, i.e. electronic payment system
- On 2 January 2027 ElectronicsCo receives the cash for the purchase in its bank account

When does ElectronicsCo recognise cash for the purchase?

A. **30 December 2026**

B. **2 January 2027** ✓

C. **Accounting policy choice between 30 December 2026 and 2 January 2027 if certain criteria met**

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Recent IFRIC agenda decisions



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IFRIC Agenda Decisions

Since 1 January 2026



Final Agenda Decisions

- Accounting for transaction costs (IFRS 9)
- Embedded prepayment option (IFRS 9)
- Economic benefits from use of a battery (IFRS 16)
- Fair presentation and compliance with IFRS (IAS 1)
- Reassessment of control (IFRS 10)

IFRS 18 related (Appendix I)

See Appendix I

- 6 Finalised
- 7 Tentative
- 1 under discussion

Tentative Agenda Decisions (TAD)

- Control assessment for a single-investor fund

Under discussion

- Estimating residual value
- Sale of equity investments measured at FVOCI

Likely prevalence across entities:

High Medium Low

Upcoming IFRIC meetings

- 24-25 November 2026

New since last webinar

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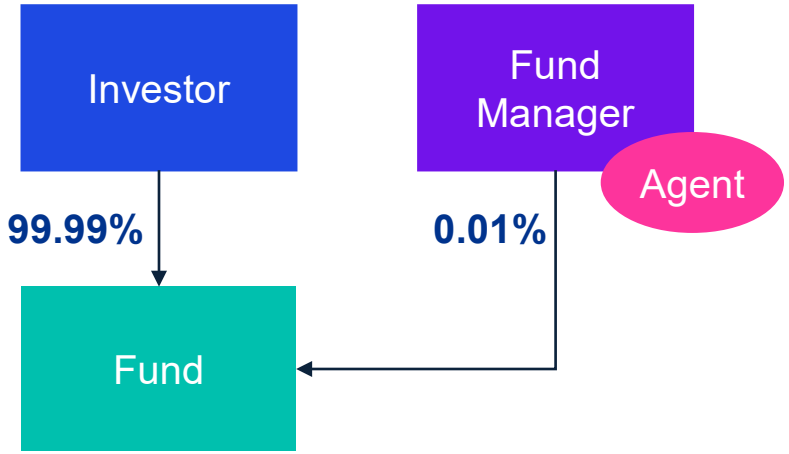
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IFRIC Agenda Decisions

Tentative Agenda Decisions (TAD)

Control assessment for a single-investor fund



IFRIC: The investor is not automatically considered the principal that should consolidate the fund. Consider all facts and circumstances

Under discussion

Estimating residual value

Residual value = **proceeds** current market price − **costs of disposal**

IFRIC: Residual value does not include future developments (e.g., estimated inflation)

Sale of equity investments measured at FVOCI



IFRIC: Observed entities generally recognise difference in OCI

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Regulatory update

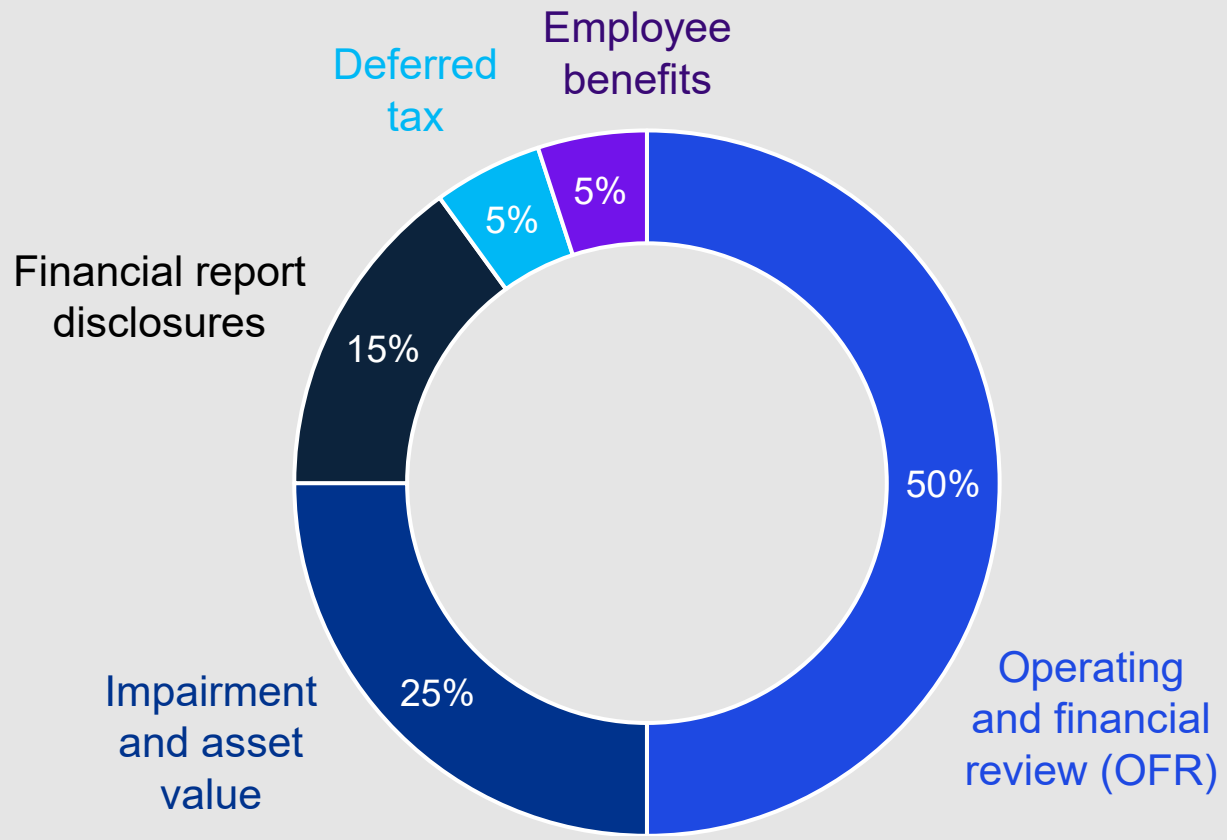


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ASIC surveillance results

Findings raised in ASIC financial reporting surveillance (1 July 2025 to 30 June 2026)



Insights > Financial Reporting > ASIC focus areas

ASIC focus areas for financial reporting

June 2026 I Stay up to date with ASIC's financial reporting and sustainability focus areas and audit surveillance program insights.

23 July 2026

Two additional surveillance reports

- Surveillance of **Registered superannuation entities** *(REP 841)*
- Review of **sustainability reports** lodged for 31 December 2025 *(REP 839)*

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ASIC Focus Areas

ASIC updates focus areas annually - next update expected May 2027.

Enduring focus areas

Asset values

- Impairment of non-financial assets
- Values of property assets
- Expected credit losses (ECLs) on loans and receivables
- Financial asset classification
- Value of other assets

Provisions

- Onerous contracts
- Lease make-good obligations
- Mine site restoration
- Financial guarantees
- Restructuring plans

Events occurring after reporting date

- Conditions as at date of finalising audit report
- New conditions requiring disclosure

Disclosures in financial report and OFR

- Financial report: Uncertainties and current / non-current classification
- Operating and Financial Review (OFR): material business risks, & climate-risk risks
- Non-IFRS information

Revenue

- Revenue recognition: based on substance and satisfaction of performance obligations.
- Appropriate and reasonable judgements/ assumptions in revenue models
- Accounting policies are specific and suited to each material revenue stream

Particular focus areas

- Registrable superannuation entities
- Sustainability reporting
- **Private credit sector**

Reminder

- Late & non-lodgement
- **Changes to ASIC legislative instruments (Appendix II)**

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Accounting for lease incentives



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Polling question



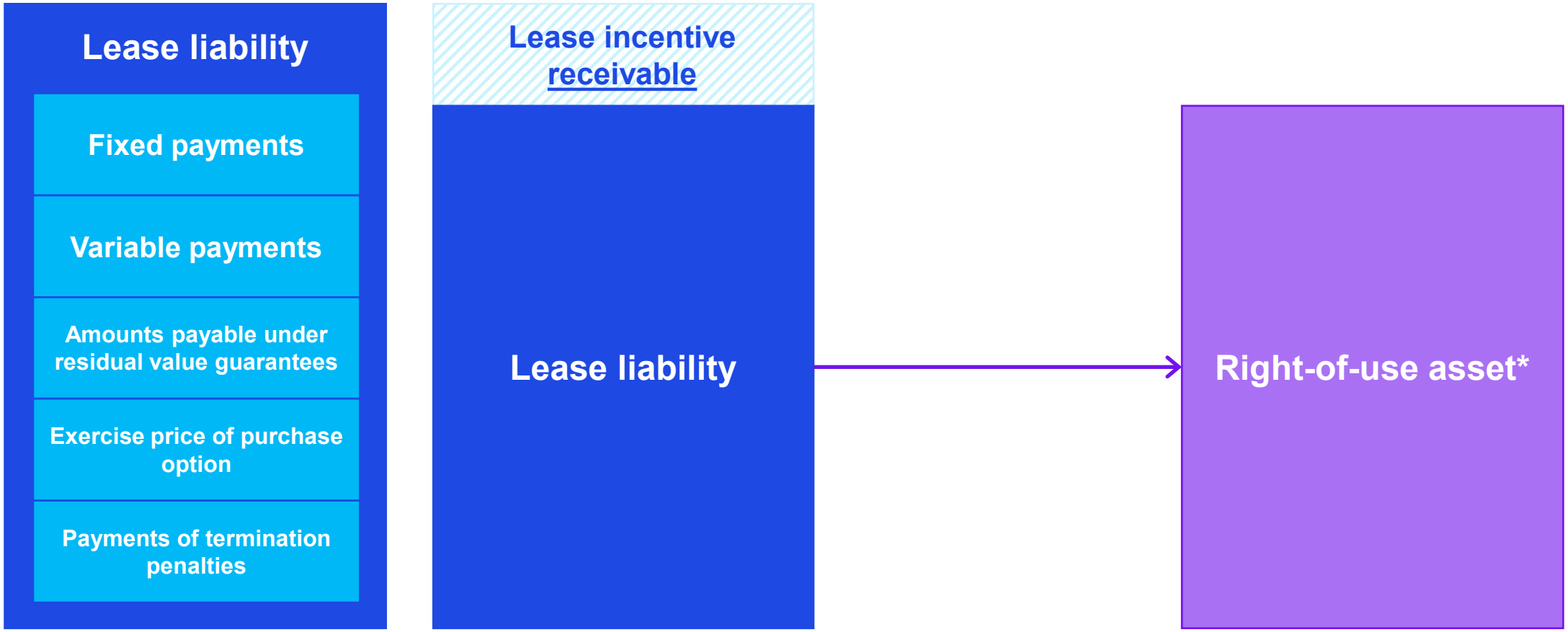
Lessee Co enters into a 10-year office lease with Building Co. As part of entering into the lease, Lessee Co receives an upfront cash payment of $50k prior to commencement of its lease with no conditions attached.

How should Lessee Co account for the lease incentive?

A. **Recognise a gain of $50k for the lease incentive in the P&L.**
B. **Reduce its right-of-use asset by the $50k lease incentive.**
C. **Recognise deferred income of $50k, then recognise income over the 10-year lease term.**
D. **Reduce lease liability by $50k.**

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Accounting for lease incentives – incentive receivable



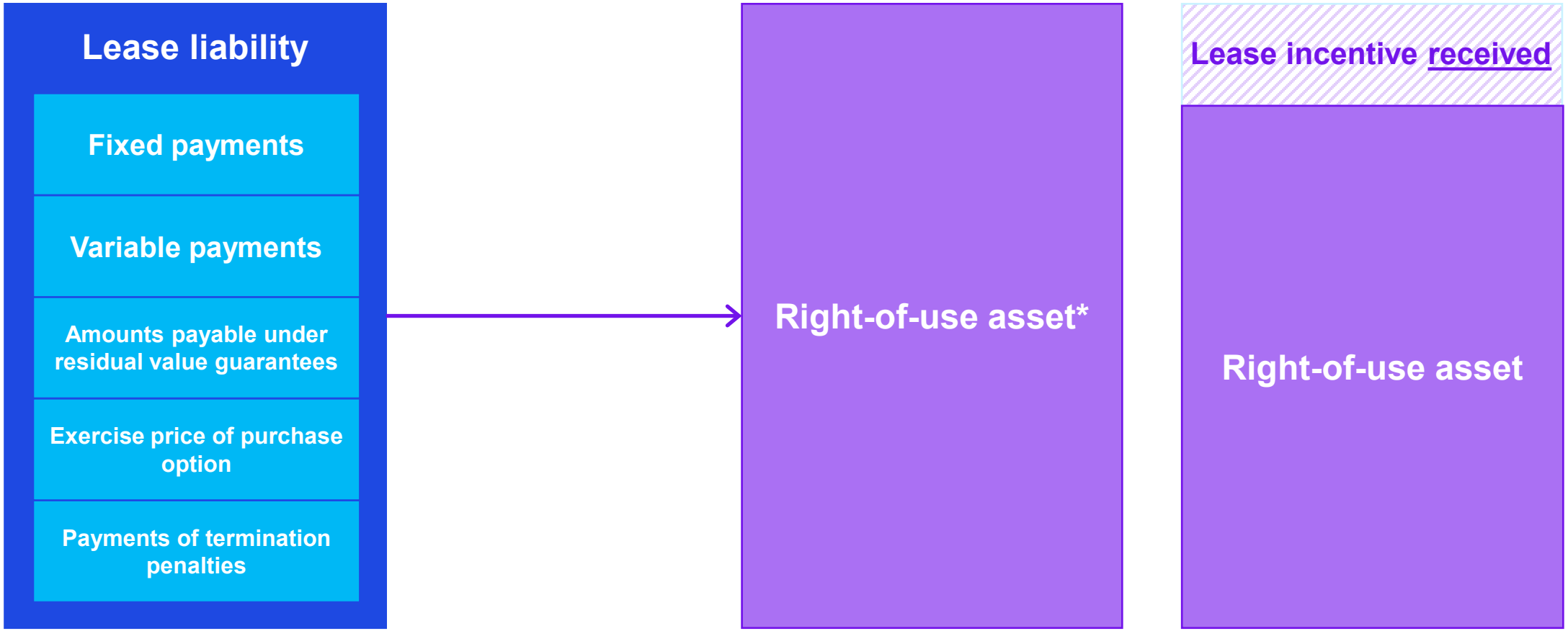
** Assuming no lease payments before commencement date, no initial direct costs and no dismantling or restoration costs.*

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Accounting for lease incentives – incentive received



** Assuming no lease payments before commencement date, no initial direct costs and no dismantling or restoration costs.*

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Example 1 – Lease incentive on modification

- Lessee Co enters into a 10-year office lease with Building Co with an option to renew the lease for a further 10 years. Lessee Co is not reasonably certain that they will exercise the option.
- Lessee Co must make lease payments to Building Co at the start of each year, starting at $100k in Year 1 with a fixed 3% increase each year.
- Discount rate at lease commencement is 5%.

- At the end of Year 5, Building Co requests that the renewal option is removed and Lessee Co is bound to stay for the next 15 years. In return, Building Co promises Lessee Co compensation of $100k. Lessee Co agrees to the change in terms.
- Discount rate at the effective date of modification remains unchanged at 5%.

How should Lessee Co account for the $100k compensation?

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Debrief: Example 1 – Lease incentive on modification

Increase in lease term

↓

Remeasure lease liability and adjust ROU asset

Refer to Dec 2025 webinar

At modification date (excluding $100k compensation)	$'000
Original ROU asset	459
Original lease liability (original discount rate)	442
Remeasured lease liability (revised discount rate)	1,525

Lease incentive not yet received (i.e. receivable)

Remeasured lease liability = $1,525k - $100k
= **$1,425k**

Increase in lease liability = $1,425k - $442k = **$983k**

Remeasured ROU asset = $459k + $983k
= $1,442k

Lease incentive received on date of modification

Remeasured lease liability = **$1,525k**

Increase in lease liability = $1,525k - $442k = **$1,083k**

Remeasured ROU asset = $459k + $1,083k - $100k
= $1,442k

Right-of-use asset reduced either way!

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Example 2 – Lease incentives for capex

- Lessee Co enters into a 10-year office lease with Building Co with an option to renew the lease for a further 10 years. Lessee Co is not reasonably certain that they will exercise the option.
- Lessee Co must make lease payments to Building Co at the start of each year, starting at $100k in Year 1 with a fixed 3% increase each year.
- Discount rate at commencement date is 5%.

- As part of entering into the lease, Lessee Co receives an upfront cash payment of $50k from Building Co prior to commencement of its lease.
- Lessee Co must refurbish the office to create a modernised wellness room with a living green wall. Lessee Co anticipates that the total refurbishment cost will be $40k.

How should Lessee Co account for the upfront cash payment of $50k on commencement date?

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Debrief: Example 2 – Lease incentives for capex

Who is the accounting owner of the improvements?

Lessee Co

Recognise leasehold improvements within PPE

Reduce ROUA by lease incentive

Consider useful life of PPE, may be different to lease term

Building Co

Lessee does not recognise leasehold improvements

Amount paid is compensation

Revenue or other income recognised

Amount paid is reimbursement of costs

Immediate P&L gain for margin

Excess = lease incentive

Accounting may vary depending on facts and circumstances

Impact on P&L may be different over the lease term!

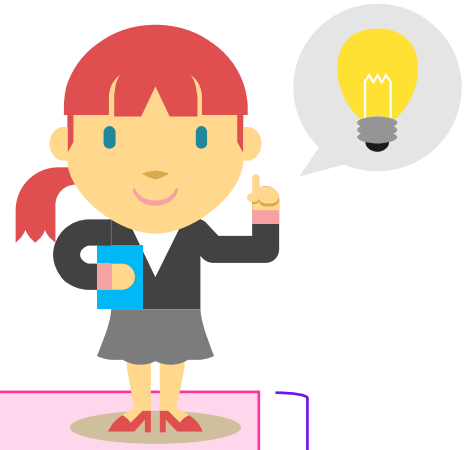
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Debrief: Example 2 – Lease incentives for capex (contd.)

Who is the accounting owner of the improvements?



Judgement required!

- Is Lessee Co **contractually required** to construct the improvements?
- Does Lessee Co require Building Co's **approval to alter improvements**?
- Does Lessee Co need to **provide evidence of costs** incurred?
- Does Building Co **bear the risk of cost overruns** above the promised $50k?
- Are the leasehold improvements generic and **not unique to Lessee Co**'s intended use of the office?
- Will the leasehold improvements be **available to Building Co** in a lease to another party?

Not an exhaustive list!

No ⟷ **Yes**

Lessee (Lessee Co) — **Lessor (Building Co)**

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AASB 18: Specified Main Business Activities



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Polling question



Do you know if your organisation will have a Specified Main Business Activity (SMBA) on the implementation of the new Standard on presentation and disclosures in the financial statements?

A. I have no idea what SMBAs are

B. We are still assessing

C. Yes, my organisation will have one SMBA

D. Yes, my organisation will have two SMBAs

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Specified Main Business Activities (SMBA)

AASB 18: More structured profit or loss

Effective on or after 1 January 2027*

Operating

Income and expenses from **main business activities**

= **Operating Profit**

Investing

Income and expenses from investments made independently of the entity's main business activities

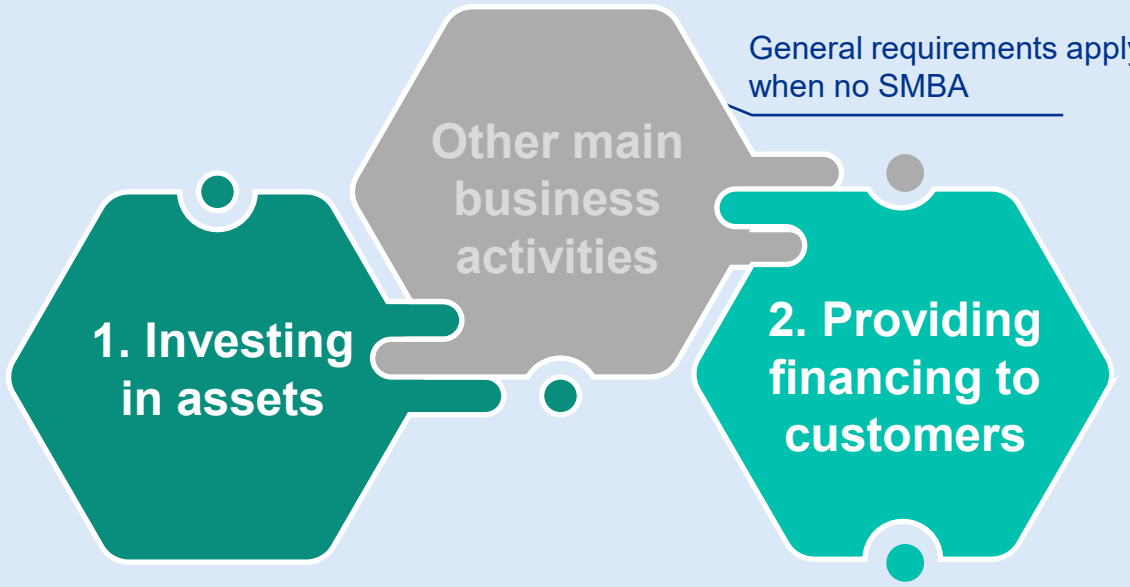
= **Profit before financing and income taxes**

Financing

Income and expenses relating to obtaining finance to fund main business and/or investing activities.

* **Not-for-profit entities:** effective 1 January 2028
Tier 2 entities: effective 1 July 2030

Does the entity have a SMBA?



P&L and cash flow presentation impacted by SMBA

Those with **SMBA** classify additional items of income and expense in **operating** category

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Specified main business activities (SMBA)

Do you have specified main business activities of:

Providing financing to customers

For example:

- Banks

Investing in assets

Do you invest in:

- Associates, joint ventures and/or unconsolidated subsidiaries?
- Non-financial assets?
- Financial assets?

Appendix III

If Yes... Must classify certain items of income and expense in **operating** (instead of **investing** or **financing**:)

Operating category
Income and expenses from main business activities

Investing category
Certain income and expenses

Financing category
Certain income and expenses

But equity accounted investments always in investing category

Which items? Depends on the SMBA you have:

- Borrowings used to fund financing
- Cash and cash equivalents
- Assets being invested in as main business

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Impact of SMBA assessment – examples

IFRIC TAD

	Corporate A	Corporate B	Corporate C	Bank L	Bank M	Real Estate P	Insurer X
Main business activities	**Manufacture & sale of goods**	• **Manufacture & sale of goods** • **Invest in associates**	• **Manufacture & sale of goods** • **Provide finance to customers**	**Provide finance to customers**	• **Provide finance to customers** • **Invest in financial assets**	**Invest in non-financial assets**	**Invest in financial assets**
Interest income on cash & cash equivalents	Investing	Investing	^ = Operating * = Either operating or investing	^ = Operating * = Either operating or investing	Operating	Investing	Operating
Interest expenses on borrowings	Financing	Financing	^ = Operating * = Either operating or financing	^ = Operating * = Either operating or financing	^ = Operating * = Either operating or financing	Financing	Financing
Gains / losses on investment property	Investing	Investing	Investing	Investing	Investing	Operating	Investing
Income/expense in relation to associate	Share of profit - Investing	FV remeasurement - Operating	Share of profit - Investing	Share of profit - Investing	Share of profit - Investing	Share of profit - Investing	Share of profit - Investing

^ No choice for those used in providing financing to customers

*Accounting policy choice for those not used in providing financing to customers

See Appendix IV for illustration

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SMBA assessment

Layers of complexity

Assessment at reporting entity level

May have more than one SMBA

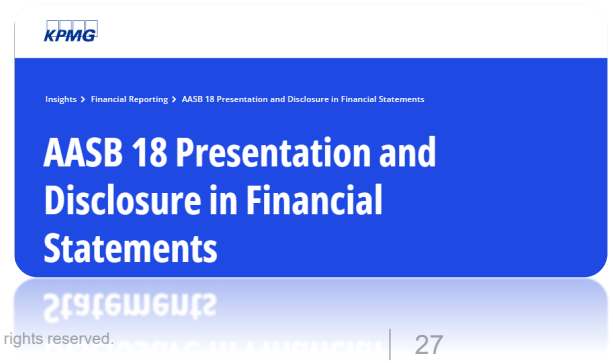
IFRIC tentative agenda decision

Judgement involved in assessment

Continuous assessment

Start considering the requirements and engage with your auditors

For a refresher on other requirements ...



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Forthcoming requirements



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Other standards available for early adoption

For-profit entities

Presentation and Disclosures in Financial Statements **[AASB 18]**

Investment in Associates and Joint ventures – Fair value option **[Amendments to AASB 128]**

Translation to a Hyperinflationary Presentation Currency **[Amendments to AASB 121 & 129]**

Sale or contribution of assets between an investor and its associate or joint venture **[Amendments to AASB 3 & AASB 128]**

Regulatory Assets and Regulatory Liabilities **[AASB 20]**

Annual reporting periods beginning on or after 1 January 2027

Annual reporting periods beginning on or after 1 January 2028

Annual reporting periods beginning on or after 1 January 2029

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New Financial Reporting Framework for Not-For-Profit (NFP) Entities

Effective date: 1 July 2029

CURRENT Practice

Special purpose financial statements

General purpose financial statements

Tier 1
Full recognition, measurement, and disclosure

Tier 2
Same as Tier 1, with reduced disclosures

Based on entity's size, structure and user's needs

NEW Framework

With certain exceptions

~~Special purpose financial statements~~

General purpose financial statements

Tier 1

Tier 2

Tier 3 [private sector NFPs only]
Simplified recognition & measurement and streamlined disclosures

Based on entity's size, structure and user's needs

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Tier 3 Accounting Standard for Private Sector NFPs (AASB 1061)

Simpler recognition and measurement requirements

Leases

Generally expense payments over lease term with no ROUA or lease liability

Revenue

Deferred when 'common understanding' that funds or asset used in a particular way

Business combinations

Generally avoids full acquisition accounting under AASB 3

Consolidation

Certain entities may elect not to prepare consolidated financial statements

Financial instruments

Simplified cost-based measurement for basic instruments; no hedge accounting

Donated assets

Measure at cost or at fair value

IFRS compliance

Cannot claim compliance with IFRS Accounting Standards.

Effective date

Periods beginning on or after **1 July 2029** with early adoption permitted.

Eligibility and early adoption

Likely only for **smaller private sector entities**.

Eligibility remains **subject to regulatory restrictions** or requirements.

Recommend against early adoption until thresholds determined!

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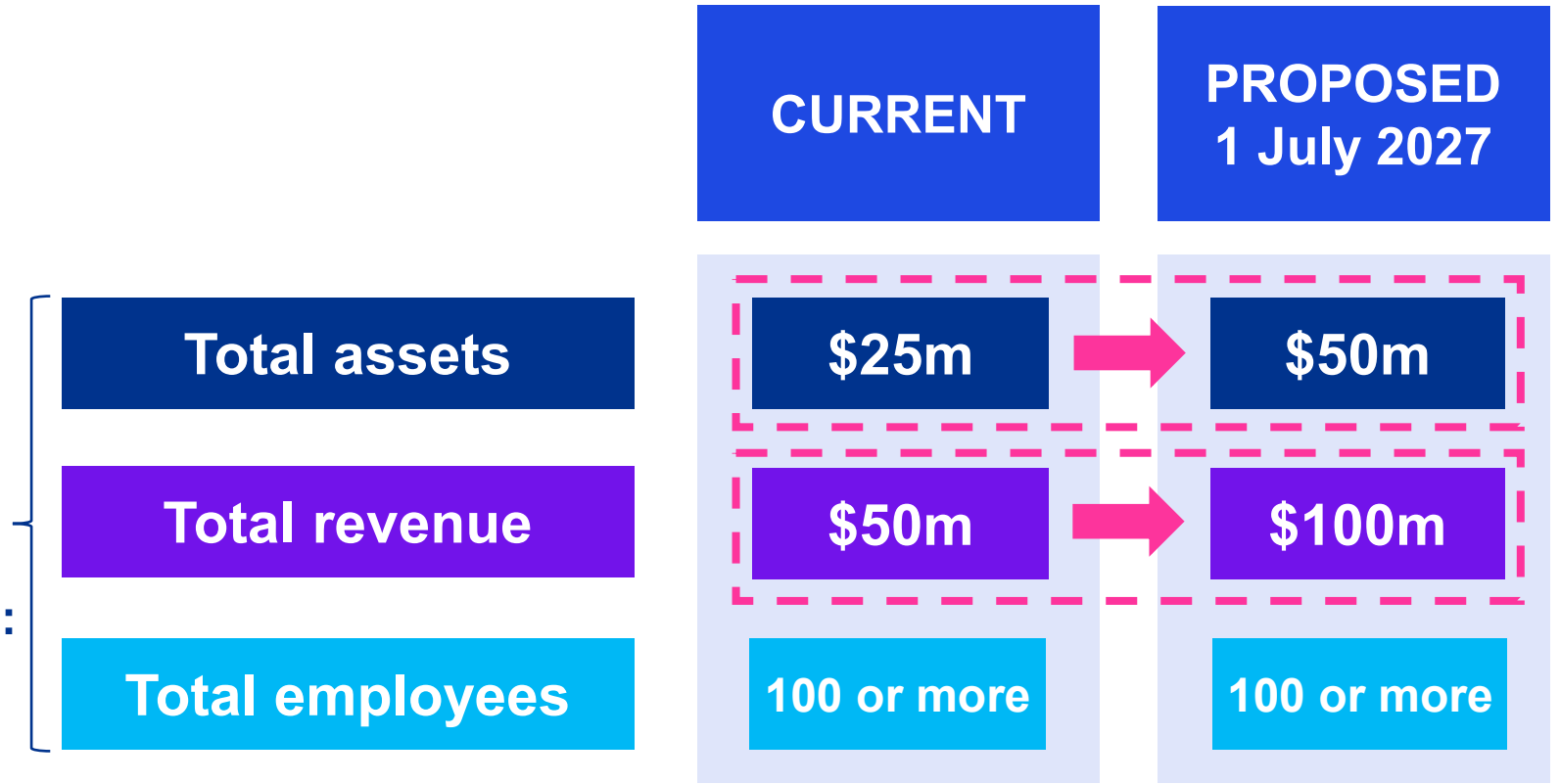
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Proposed changes to "large" definition

under the Corporations Act 2001

If an entity meets **two of three thresholds:**



Will affect…

- "large proprietary companies" for financial reporting
- Group 3 reporters under sustainability reporting

Submission deadline 2 November 2026

Watch this space!

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ESG update



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ESG update

Legislative & regulatory developments

- **Treasury Consultation Paper** | *Improving the efficiency of climate-related financial disclosures*
  - Released August 2026 with comments closed 2 October 2026
  - Proposal 1: Reducing assurance
  - Proposal 2: Consistent application
  - Proposal 3: Value-chain information



ASIC update

- Sustainability reporting and audit relief **decision register – new decisions**
- ASIC's review of sustainability reports lodged for 31 December 2025 **(REP 839)**
- ASIC Sustainability reporting **video series (8 educational modules)** targeting Group 2 and 3 reporters



KPMG First Impressions from June reporters

- Climate **governance embedded** into existing frameworks
- Enterprise Risk Management **integration is high**
- Climate **targets** prevalent
- **Scope 3 readiness**
- Financial **quantification weak**
- **Extended assurance**



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Sustainability reports | ASIC observations on December reporters

ASIC's observations

- Do not use **disclaimers** that conflict with statutory obligations
- **Reasonable & supportable information** = consider past events, current conditions and future forecasts
- Disclosures on **judgements, estimates & assumptions** not always clear or sufficiently detailed
- Lacking **clear distinction** between mandatory and voluntary disclosures
- **Cross referencing** requirements not being followed
- Climate related **targets** include those required by law - i.e. **Safeguard Mechanism**
- Explain **connectivity** between the sustainability report and financial report
- **Appropriate reasons** disclosed if only providing **qualitative** instead of quantitative information

+ KPMG recommendations

- Identify and report on **relevant** climate-related risks and opportunities (CRROs)
  - Don't just focus on minimum
- Develop **clear, specific and prioritised** CRROs
  - CRROs identified too high level
- Report **material information** relating to relevant risks
- **Allow sufficient time** to prepare, dry run, socialise drafts

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Wrap up



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Take-aways

1. Review newly effective amendments and IFRIC Agenda Decisions, assess impact
2. Remain alert to regulatory developments and ASIC's focus areas, consider whether they impact preparation of financial statements
3. Understand the terms of your lease incentives and determine whether they should be accounted for as reimbursement rights or reduction to your right of use asset.
4. Start thinking about implementation of AASB 18; evaluate whether your organisation has a Specified Main Business Activity and engage with your auditors
5. Consider whether your sustainability report is providing sufficient and relevant information for the users

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Questions?



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Thank you



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Appendix I

IFRIC Agenda Decisions

Since 1 January 2026, IFRS 18 related



Final Agenda Decisions

- Update ADs for references to IFRS 18
- Presentation of non-IAS 12 taxes or other charges
- Classification of forex differences on an intragroup monetary item
- Classification of gains and losses on a forex derivative
- Assessment of a SMBA in the financial statements of a parent
- Disclose expenses by nature: scope

Tentative Agenda Decisions

- Management-defined Performance Measures (MPMs) – hypothetical income and expenses
- MPMs – public communications
- Assessment of Specified Main Business Activities (SMBA) for a manufacturer-lessor
- Income and Expenses from Cash and Cash Equivalents
- Entity with SMBA of providing financing to customers
- Labels of Subtotals
- Presentation of operating expenses

Under discussion

- Assets that generate a return individually and largely independently of an entity's other resources

Moved to Standard setting

- Taxes or other charges not within the scope of IAS 12 (IFRS 18)

Likely prevalence across entities:

High Medium Low

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Changes to ASIC legislative instruments

1 ASIC Corporations (Wholly-owned Companies) Instrument 2026/533

WHAT'S CHANGING?

ASIC has remade relief to extend the existing instrument (2016/785) on reporting reliefs for entities under a deed of cross guarantee beyond its original expiry date of 1 October 2026.

WHAT DOES THIS MEAN?

Companies do not need to take any action solely because the instrument has been remade: Companies can continue to rely on existing financial reporting arrangements as the eligibility conditions remain consistent, and savings provisions apply.

EFFECTIVE DATE

1 January 2027 (ASIC Instrument 2016/785 continues to apply to years ending on or before 31 December 2026)

2 Consolidation and simplification of legislative instruments

WHAT'S CHANGING?

ASIC has issued two new instruments combining 17 existing legislative instruments, covering 14 financial reporting and 3 auditing, into two streamlined instruments.

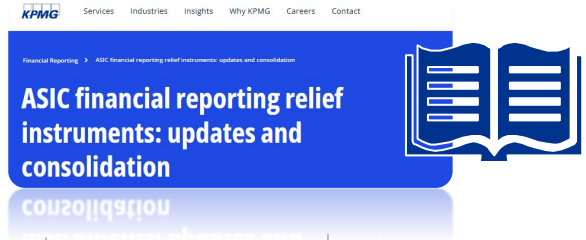
WHAT ARE THE NEW INSTRUMENTS?

ASIC Corporations:

- Annual and Half-year Reporting Instrument 2026/468
- Auditing Instrument 2026/469

EFFECTIVE DATE

17 September 2026 (with some transitional provisions)



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SMBA impact on categories

Classify income and expenses in **operating category**

- **Operating**
- **Investing**
- **Financing**

Specified Main Business Activities		Examples of additional items in operating category
Investing in assets	Associates, JVs and unconsolidated subsidiaries	• Income and expense from such investments (if **NOT** equity-accounted) ✚ Amendments to AASB 128
	Non-financial assets (e.g. investment property)	• Income and expense from such assets (e.g. fair value gains on investment property)
	Financial assets (e.g. debt or equity instruments)	• Income and expense from such assets (e.g. fair value gains and losses) • Interest income and expense from cash & cash equivalents
Providing financing to customers		Income and expense from: • Loan receivables • Cash & cash equivalents used in providing financing to customers* • Financing liabilities used in providing financing to customers*

* **Accounting policy choice** to present income and expense from:

- Cash & cash equivalents **not used** in providing financing to customers in either operating or investing, **AND**
- Financing liabilities **not used** to provide finance to customers in either operating or financing

Need to align reporting systems!

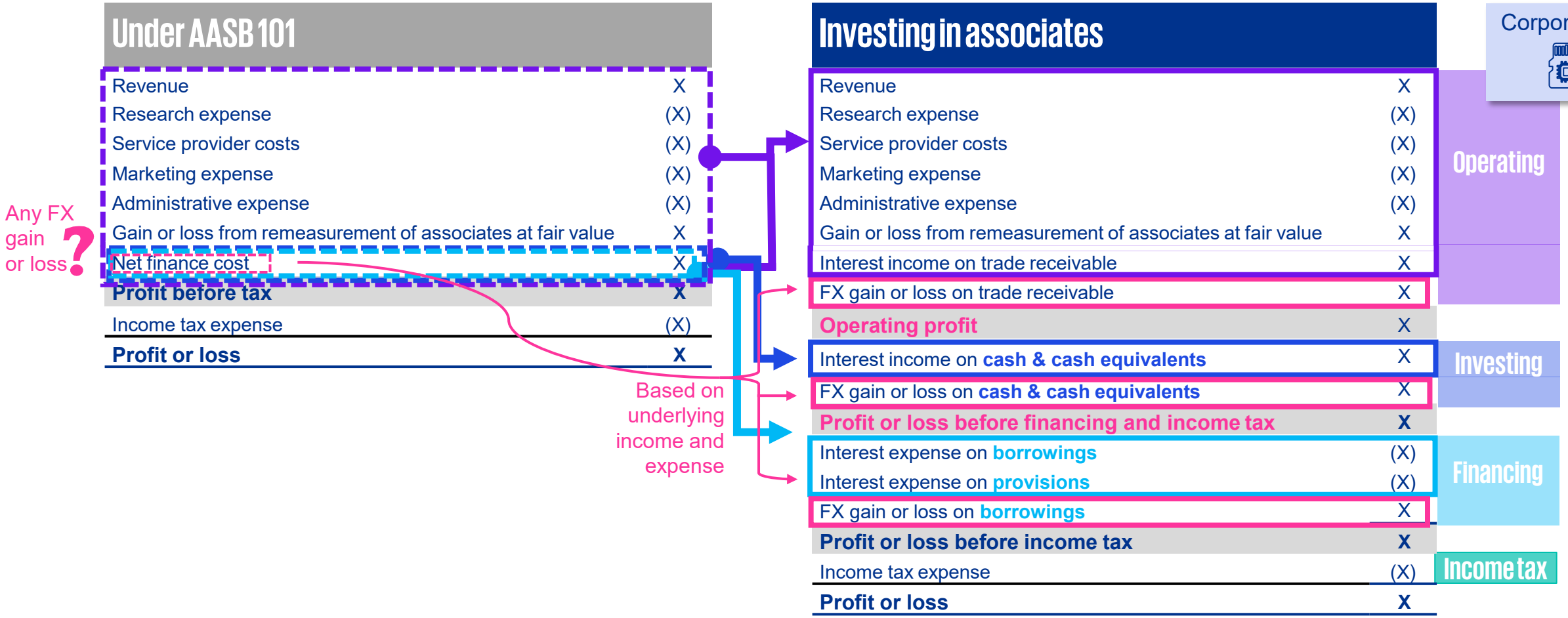
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Appendix IV

Specified main business activities – investing in assets (associates)



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Specified main business activities – providing financing

Under AASB 101

Revenue	X
Cost of sales	(X)
Gross profit	**X**
Other income (Interest from loans to customers)	(X)
Selling & distribution expense	(X)
Administrative expense	(X)
Net finance cost	X
Share of profit or loss of equity-accounted investees	X
Profit before tax	**X**
Income tax expense	(X)
Profit or loss	**X**

= **Profit before financing and income taxes**

because there is no income and expense relating to financing liabilities in financing

Providing financing to customers

Revenue	X
Cost of sales	(X)
Gross profit	**X**
Selling and distribution expense	(X)
Administrative expense	(X)
Interest income from **loans to customers** & **cash and cash equivalents**	X
Interest income on trade receivable	X
Interest expense on **borrowings**	(X)
Operating profit	X
Share of profit or loss of equity-accounted investees	X
Operating profit or loss and income and expenses from investing!	**X**
Interest expense **on lease liabilities**	(X)
Interest expense **on provisions**	(X)
Profit or loss before income tax	**X**
Income tax expense	(X)
Profit or loss	**X**

! Cannot use the required subtotal

Corporate C



Operating

Investing

Financing

Income tax

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Specified main business activities – investing in assets (non-financial)

Under AASB 101	
Rental income	X
Fair value gain or loss on investment properties	X
Interest income	X
Total revenue and other income	(X)
Property expenses and outgoings	(X)
Administrative expense	(X)
Finance costs	(X)
Share of profit or loss of equity-accounted investee	X
Profit before tax	**X**
Income tax expense	(X)
Profit or loss	**X**

Investing in non-financial assets		
Rental income	X	Operating
Fair value gain or loss on investment properties	X	
Interest income	X	
Total revenue and other income	(X)	
Property expenses and outgoings	(X)	
Administrative expense	(X)	
Interest income on trade receivable	X	
Operating profit	X	
Share of profit or loss of equity-accounted investee	X	Investing
Interest income on **cash & cash equivalents**	X	
Profit or loss before financing and income tax	**X**	
Interest expense **on borrowings**	(X)	Financing
Interest expense **on provisions**	(X)	
Profit or loss before income tax	**X**	
Income tax expense	(X)	Income tax
Profit or loss	**X**	

Real Estate P

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