Objective of this paper

1. In July 2023, the IASB gave the staff permission to start the balloting process for the publication of the new IFRS Accounting Standard, IFRS 18 Presentation and Disclosure in Financial Statements. During the pre-ballot, the staff have identified sweep issues related to the classification of income and expenses in the investing category on which we would like the IASB’s input. The issues identified are:

   (a) the scope of income and expenses classified in the investing category; and
   (b) financial assets for which the income and expenses are classified in the investing category.

2. We also identified minor sweep issues related to subtotals and categories in the statement of profit or loss that we have addressed in drafting. Appendix A summarises the issues and the approaches taken to address them in drafting. Appendix A discusses:

   (a) transition requirements for investments in associates or joint ventures measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments;
(b) the financial assets an entity invests in that will require the classification of income and expenses from cash and cash equivalents in the operating category;

(c) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9;

(d) classification of foreign exchange differences on liabilities that arise from transactions that do not involve only the raising of finance that are denominated in a foreign currency;

(e) timing to implement changes in the outcome of the assessment of specified main business activities when the change occurs during the period;

(f) disclosure of a change in the assessment of a specified main business activity;

(g) disclosure of specified main business activities; and

(h) assessment of specified main business activities.

Summary of staff recommendations

3. We recommend that the IASB:

(a) clarifies in [draft] IFRS 18 the income and expenses from assets that an entity classifies in the investing category. The IASB previously confirmed the assets from which the income and expenses need to be classified in the investing category. The clarification is that the income and expenses from those specified assets comprise:

   (i) the income generated by the specified assets;

   (ii) the income and expenses that arise from the initial and subsequent measurement of the specified assets; and

   (iii) the incremental expenses directly attributable to the acquisition and disposal of the specified assets, for example transaction costs and costs to sell.
(b) clarifies in [draft] IFRS 18 that the income and expenses from liabilities that arise from transactions that involve only the raising of finance comprise:

(i) the income and expenses that arise from the initial and subsequent measurement of the liabilities; and

(ii) the incremental expenses directly attributable to the issue and disposal of the liabilities, for example transaction costs.

(c) add application guidance that provides examples of assets that generate returns individually and largely independently of the other resources of the entity and those that do not, including loans and receivables recognised from providing goods and services to customers. This application guidance would replace the application guidance on classification of income and expenses from financial assets arising from providing financing to customers.

Structure of the paper

4. This paper is structured as follows:

(a) terminology used in this paper (paragraphs 5–6);

(b) the scope of income and expenses classified in the investing category (paragraphs 7–39);

(c) financial assets for which the income and expenses are classified in the investing category (paragraphs 40–50);

(d) other minor sweep issues (paragraph 51);

(e) Appendix A—Other minor sweep issues; and

(f) Appendix B—Summary of IASB tentative decisions about the investing category.
Terminology used in this paper

5. The IASB previously confirmed the assets from which the income and expenses need to be classified in the investing category. In this paper, the term ‘specified assets’ refers to those assets. We list the specified assets in (a)–(f) below and group them using italicised sub-headings. The specified assets comprise:

Assets (excluding cash and cash equivalents) for which the income and expenses are always classified in the investing category

(a) investments measured by applying the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures. These investments comprise:

   (i) investments in associates and joint ventures in the consolidated financial statements of an entity as required by paragraph 16 of IAS 28; and
   (ii) investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity as permitted by paragraph 10(c) of IAS 27 Separate Financial Statements.

Assets (excluding cash and cash equivalents) that an entity invests in, but not as a main business activity:

(b) investments in associates and joint ventures (or a portion thereof) in the consolidated financial statements (and separate financial statements in accordance with paragraph 11 of IAS 27) of an entity that are measured at fair value because the entity elects, in accordance with paragraphs 18–19 of IAS 28, to measure these investments at fair value through profit or loss in accordance with IFRS 9.

(c) investments in subsidiaries in the consolidated financial statements (and separate financial statements in accordance with paragraph 11A of IAS 27) of

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† If an entity invests in these assets as a main business activity, the income and expenses from these assets are classified in the operating category.
a parent that are measured at fair value because the parent is required, in accordance with paragraph 31 of IFRS 10 Consolidated Financial Statements, to measure these investments at fair value through profit or loss in accordance with IFRS 9.

(d) investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity that are measured at cost or in accordance with IFRS 9 as permitted by paragraphs 10(a) and 10(b) of IAS 27.

(e) other assets (financial and non-financial) not listed in (a)–(d) that generate a return individually and largely independently of other resources held by an entity.

Cash and cash equivalents

(f) cash and cash equivalents of an entity that:

(i) does not invest in assets and that does not provide financing to customers as a main business activity;

(ii) invests in non-financial assets included under (e) as a main business activity;\(^2\) and

(iii) provides financing to customers as a main business activity and has elected, as an accounting policy choice, to classify in the investing category the income and expenses from the cash and cash equivalents that do not relate to providing financing to customers.\(^3\)

6. For ease of reference, Appendix B includes a summary of the IASB’s tentative decisions about the investing category post the Exposure Draft General Presentation and Disclosures (Exposure Draft). We refer to some of these decisions within the paper.

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\(^2\) An entity that invests in financial assets included under (b)–(e) as a main business activity, is required to classify the income and expenses from its cash and cash equivalents in the operating category. See Appendix A for our recommended clarification about the financial assets an entity invest in that will require the classification of income and expenses from cash and cash equivalents in the operating category.

\(^3\) An entity that provides financing to customers as a main business activity makes an accounting policy choice to classify in the operating category: (i) the income and expenses from its cash and cash equivalents that relate to providing financing to customers; or (ii) all income and expenses from its cash and cash equivalents.
Scope of income and expenses classified in the investing category

**Background**

7. The IASB proposed in the Exposure Draft that the income and expenses classified in the investing category comprise:

   (a) income and expenses from investments\(^4\); and

   (b) the incremental expenses incurred generating income and expenses from investments. Incremental expenses are expenses that the entity would not have incurred had the investments giving rise to the income and expenses from investments not been made.

8. Paragraphs BC48–BC51 of the Basis for Conclusions on the Exposure Draft explained that the investing category in the statement of profit or loss:

   (a) enables users of financial statements to identify returns from investments that are not part of the entity’s main business activities.

   (b) separates investing income and expenses from operating income and expenses without imposing undue cost or effort on preparers of financial statements.

   The IASB therefore decided not to include in the investing category all expenses directly related to investments in this category because otherwise an entity would be required to perform expense allocations that could be complex and costly. The investing category will, therefore, not present the profit or loss from an entity’s investing activities because some expenses that directly relate to an entity’s investments will be classified in the operating category.

9. In response to feedback on the Exposure Draft, the IASB tentatively decided in September 2022 to withdraw the proposed requirement for incremental expenses in paragraph 7(b) of this paper. The IASB also tentatively decided to not introduce a

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\(^4\) Appendix A of the Exposure Draft General Presentation and Disclosures defined the income and expenses from investments as ‘income and expenses from assets except for income and expenses from cash and cash equivalents that generate a return individually and largely independently of other resources held by an entity’.
requirement for an entity to classify incremental expenses in the financing category. 

Agenda Paper 21D of that meeting explains the reasons for these tentative decisions:

(a) it may be challenging to identify over the life of the investment which expenses are incremental for associates and joint ventures accounted for using the equity method that are closely integrated with a group.

(b) taking this approach will resolve the potential for diversity in classification of income and expenses between categories. Some respondents to the Exposure Draft were concerned that the requirement to classify incremental expenses in the investing category would be inconsistently applied because there is diversity in practice in how entities identify incremental expenses and similar concepts applying IFRS Accounting Standards.

(c) this approach results in a better balance of costs and benefits compared to clarifying the scope of incremental expenses to be included in the investing category. The staff explored, but rejected, developing a list of specific expenses that should be included or excluded from incremental expenses, starting from the definition of transaction costs in IFRS 9 (having a similar concept to that intended for incremental expenses). The costs of developing such a list outweighed the benefits because:

(i) it may be challenging to develop a comprehensive list of expenses that should be included or excluded without making potentially arbitrary distinctions;

(ii) including examples rather than a non-comprehensive list could result in diversity in practice; and

(iii) specifying those expenses considered incremental and those that are not may also have unintended consequences for other IFRS Accounting Standards that use the term incremental expenses.

(d) it will simplify the classification of income and expenses, including resolving application questions for associates and joint ventures. The staff acknowledged that the main disadvantage of the approach is that it would result in some
expenses that some stakeholders intuitively think of as related to investing no longer being classified in the investing category. For example, management fees paid to a third party to manage an investment portfolio would no longer be included in the investing category.

(e) it aligns the approach to classification of income and expenses between the investing and financing categories.

(f) for most entities transaction costs such as management fees are likely to be immaterial. As explained in Agenda Paper 21B of May 2021 the staff expects that the investing category is likely to be small for many companies considering investing is not the main purpose of an entity’s business. Experience from the fieldwork was that income and expenses from investments was a small percentage of both revenue and profit. Transaction costs such as management fees are typically a small percentage of this already small population. Therefore, the staff did not think that excluding such costs from the investing category would reduce the usefulness of subtotals in the statement of profit or loss.

10. Following the September 2022 tentative decision by the IASB, the only expenses that will be classified in the investing (and financing) category will be those that arise from the initial and subsequent measurement of the underlying assets (and liabilities).⁵

11. However, the IASB asked us to consider in drafting whether transaction costs that arise from the acquisition or disposal of specified assets and that are expensed, should be classified in the investing category.

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⁵ Examples of items of income and expenses that arise from the initial measurement of specified assets are: (i) a gain or loss recognised at initial recognition of a financial asset (paragraph B5.1.2A of IFRS 9; and (ii) a gain on bargain purchase on a business combination if all the assets, other than goodwill and income tax assets, are specified assets (paragraph 34 of IFRS 3 Business Combinations).
Staff analysis, staff recommendations and questions for the IASB

12. The introduction of comparable subtotals is a fundamental objective of the primary financial statements project. Having consistent classification of income and expenses in each of the categories is important to achieving this objective. Considering that the investing category is likely to be small for many companies, we expect that if the IASB retains its tentative decisions to date, and not require classification of any additional expenses in the investing category, it would not significantly reduce the usefulness of subtotals in the statement of profit or loss.

13. However, in this section, we consider whether there are marginal benefits (that exceed the associated costs) to include in the investing category the incremental expenses directly attributable to the acquisition and disposal of the specified assets. This would be a change from the IASB’s tentative decision in September 2022 and would reintroduce some, but not all, of the incremental expenses that were required to be classified in the investing category in accordance with the Exposure Draft.

14. We analyse separately:

(a) incremental expenses directly attributable to the acquisition of specified assets (paragraphs 15–22);

(b) incremental expenses directly attributable to the disposal of specified assets (paragraphs 23–28); and

(c) consequences for the financing category (paragraphs 29–35).

Incremental expenses directly attributable to the acquisition of specified assets

15. In Agenda Paper 21D of the September 2022 meeting, the staff acknowledged that a disadvantage of withdrawing the requirement in the Exposure Draft to classify incremental expenses in the investing category is that it results in a difference in the classification of incremental costs that are directly attributable to the acquisition of a
financial asset (‘transaction costs’ as defined in Appendix A of IFRS 9) depending on whether the financial asset is measured at fair value through profit or loss.

16. Applying paragraph 5.1.1 of IFRS 9, an entity does not include in the initial measurement of financial assets measured at fair value through profit or loss the transaction costs that are directly attributable to the acquisition of that asset. These transaction costs will, by default, be classified in the operating category. In contrast, the transaction costs that are directly attributable to the acquisition of financial assets not measured at fair value through profit or loss are included in the initial measurement of the financial asset. These transaction costs will be classified in the investing category to the extent that the subsequent measurement of the financial asset effects profit or loss. For example, the transaction costs that are directly attributable to the acquisition of a financial asset measured at amortised cost will be amortised to the investing category using the effective interest rate method.

17. The IFRS Accounting Standards that apply to the other assets that would typically be specified assets in paragraph 5 include the following initial measurement requirements:

(a) *investments measured using the equity method*—paragraph 10 of IAS 28 requires the investment to be recognised at cost. IAS 28 does not define ‘cost’. However, other IFRS Accounting Standards define the elements of cost.\(^6\) Notably these other Standards, say that the cost of the asset includes any directly attributable costs.\(^7\)

(b) *investment property*—paragraph 20 of IAS 40 *Investment Property* says transaction costs shall be included in the initial measurement. Paragraph 21

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\(^6\) Paragraph 16 of IAS 16 *Property, Plant and Equipment* says cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Paragraph 27 of IAS 38 *Intangible Assets* says cost includes any directly attributable cost of preparing the asset for its intended use. The requirements of IAS 40 is included in paragraph 17 of the paper.

\(^7\) In July 2009, the IFRS Interpretations Committee (Committee) published an agenda decision *IAS 28 Investments in Associates—Potential effect of IFRS 3 Business Combinations (as revised in 2008) and IAS 27 Consolidated and Separate Financial Statements (as amended in 2008)* on equity method accounting. The Committee noted the cost of an investment in an associate at initial recognition determined in accordance with paragraph 10 of IAS 28 comprises its purchase price and any directly attributable expenditures necessary to obtain it.
explains that the cost of a purchased investment property includes any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

18. The following matrix illustrates how an entity may, when applying the applicable IFRS Accounting Standards and the IASB’s tentative decision in paragraph 10, classify incremental expenses that are directly attributable to the acquisition of specified assets. The incremental expenses affect profit or loss either directly or indirectly through the subsequent measurement (including impairment) of the asset.

_Illustration 1: matrix of how an entity may classify incremental expenses that are directly attributable to the acquisition of specified assets_

<table>
<thead>
<tr>
<th>Specified asset</th>
<th>Assets measured at fair value through profit or loss (IFRS 9 and IAS 40)</th>
<th>Assets measured using the equity method (IAS 28)</th>
<th>Assets measured at cost / cost less depreciation / amortised cost (IFRS 9, IAS 27 and IAS 40)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in subsidiaries</td>
<td>Operating (direct)</td>
<td>Investing (indirect)</td>
<td>Investing (indirect)</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>Operating (direct)</td>
<td>Investing (indirect)</td>
<td>Investing (indirect)</td>
</tr>
<tr>
<td>Other equity investments</td>
<td>Operating (direct)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Debt investments</td>
<td>Operating (direct)</td>
<td>n/a</td>
<td>Investing (indirect)</td>
</tr>
<tr>
<td>Investment property</td>
<td>Investing (indirect)</td>
<td>n/a</td>
<td>Investing (indirect)</td>
</tr>
</tbody>
</table>

*The matrix does not illustrate the effect for financial assets measured at fair value through other comprehensive income.*
19. In Agenda Paper 21D of the September 2022 meeting the staff reasoned that the resulting difference in category for the classification of transaction costs for financial assets is an acceptable trade-off that arises from the different measurement requirements in IFRS 9 and is similar to other classification differences that result from differences in measurement requirements in IFRS Accounting Standards.

20. However, considering the differences in category for all the specified assets outlined in the matrix in paragraph 18, we note that the IASB could require an entity to classify in the investing category the incremental expenses that are directly attributable to the acquisition of the specified assets. This approach would change the grey blocks in the matrix in paragraph 18 from ‘operating’ to ‘investing’.

21. In our view, most of the reasons why the IASB tentatively decided to withdraw the proposed requirement for incremental expenses to be classified in the investing category (see paragraph 9 of the paper), remain valid even if the IASB requires an entity to classify in the investing category the incremental expenses that are directly attributable to the acquisition of a specified asset:

(a) the incremental costs that are directly attributable to the acquisition of an asset are typically external costs or costs that are identifiable without performing a substantial allocation exercise.\(^9\) We do not expect identifying these costs will be challenging.

(b) the outcome will be improved consistency of the classification of incremental expenses from specified assets even if they are measured using different measurement bases. This improved consistency also improves comparability within the subtotals in the statement of profit or loss.

(c) the IASB does not need to develop a list of specific expenses that may cause unintended consequences for other IFRS Accounting Standards. Considering the matrix in paragraph 18, we note that the incremental expenses that would

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\(^9\) Paragraph B5.4.8 of IFRS 9, for example, explains that transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative or holding costs.
most likely need to be classified in the investing category to achieve consistency are transaction costs (as defined in IFRS 9) that are directly attributable to the acquisition of specified assets.\(^\text{10}\)

(d) it will still simplify the classification of income and expenses when compared to the requirements proposed in the Exposure Draft.

22. A benefit of the IASB’s tentative decision in September 2022 was that it aligned the approach to classification of income and expenses between the investing and financing categories. We analyse in paragraphs 29–35 below the consequences of changing this tentative decision for the financing category.

\textit{Incremental expenses directly attributable to the disposal of specified assets}

23. At its \textit{June 2023} meeting, the IASB tentatively decided that income and expenses arising from the derecognition of an asset (or liability) are classified in the same category as the income and expenses generated by that asset (or liability) immediately before derecognition. The IASB also tentatively decided income and expenses arising from a transaction or other event that changes the classification of income and expenses from an asset (or liability) are classified in the category in which income and expenses were classified immediately before the transaction or other event.\(^\text{11}\)

24. \textit{Agenda Paper 21A} of that meeting explains that the derecognition of an asset or liability in the statement of financial position may result in a gain or loss. The intention in the Exposure Draft was to treat that gain or loss as any other income or expense arising from the asset or liability. These gains or losses would be classified in the same category as those other income and expenses from the asset or liability.

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\(^{10}\) Paragraph B5.4.8 of IFRS 9 also explains that transaction costs do not include debt premiums or discounts and financing costs. This safeguards against entity’s classifying in the investing category income and expenses that need to be classified in the financing category by arguing that some finance costs incurred are incremental expenses that are directly attributable to the acquisition of a specified asset.

\(^{11}\) In June 2023, the IASB also tentatively decided that the gain or loss on the transaction or other event is classified in the investing category if all the assets in the group generated income and expenses that were classified in the investing category.
25. The IFRS Accounting Standards that apply to the assets that would typically be specified assets in paragraph 5 include the following requirements about how an entity determines the gain or loss on derecognition of specified assets:

(a) *financial assets measured in accordance with IFRS 9*—paragraphs 3.2.10–3.2.21 of IFRS 9 applies to the accounting when derecognising financial assets. With some variations depending on the extent of derecognition, the gain or loss on derecognition is the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed). Paragraph 5.1.1 of IFRS 9 requires an entity to include in the initial measurement of some financial assets the transaction costs that are directly attributable to the *acquisition* of the assets. Transaction costs that are directly attributable to the *disposal* of a financial asset are not included in the carrying amount of financial assets.

(b) *investments measured at cost or using the equity method*—paragraph 15 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to measure a non-current asset (that includes investments in subsidiaries, associates or joint ventures)\(^{12}\) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Appendix A of IFRS 5 defines costs to sell as: ‘the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.’ Costs to sell are, therefore, included in the remeasurement gains or losses. Paragraph 37 of IFRS 5 requires the remeasurement gains or losses to be recognised in profit or loss. Remeasurement occurs from when the non-current assets are classified as held for sale up to when the assets are derecognised. Paragraph 24 of IFRS 5 then requires that a gain or loss not previously recognised by the date of the sale of

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\(^{12}\) Paragraph 10 of IAS 27 requires that investments accounted for at cost or using the equity method shall be accounted for in accordance with IFRS 5 when they are classified as held for sale or for distribution (or included in a disposal group that is classified as held for sale or for distribution). Paragraph 20 of IAS 28 states an entity shall apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale.
a non-current asset (or disposal group) shall be recognised at the date of
derecognition.

(c) Investment property—paragraph 69 of IAS 40 states that gains or losses arising
from the retirement or disposal of investment property shall be determined as
the difference between the net disposal proceeds and the carrying amount of
the asset.

26. In the above-mentioned situations when an IFRS Accounting Standard requires the
gain or loss on disposal to include incremental costs directly attributable to the
disposal of the asset (or similar costs), applying the IASB’s tentative decisions in June
2023 (paragraph 23) results in these costs being classified in the investing category.

27. IFRS Accounting Standards are not always explicit in whether incremental costs
directly attributable to the disposal of assets are recognised as part of the disposal gain
or loss, or separately. To reduce the risk of inconsistent classifications, we
recommend the IASB requires an entity to classify in the investing category the
incremental expenses that are directly attributable to the disposal of specified assets.

28. In our view, and for the same reasons as set out in paragraph 21 for incremental
expenses directly attributable to the acquisition of specified assets, most of the reasons
why the IASB tentatively decided to withdraw the proposed requirement for
incremental expenses to be classified in the investing category, remain valid even if
the IASB agrees with our recommendation.

Consequences for the financing category\textsuperscript{13}

29. At its July 2021 meeting, the IASB tentatively decided to require an entity to classify
in the financing category of the statement of profit or loss all income and expenses
from liabilities that arise from transactions that involve only the raising of finance
(hereafter referred to as ‘financing liabilities’).

\textsuperscript{13} We do not discuss in this section the particular income and expenses from liabilities other than those liabilities that arise from
transactions that involve only the raising of finance. The particular expenses are interest income and expenses and the effects
of changes in interest rates (if such amounts are identified applying IFRS Accounting Standards).
30. At its September 2022 meeting, the IASB tentatively decided to not introduce a requirement for an entity to classify incremental expenses in the financing category. 

*Agenda Paper 21D* sets out the reasons as:

(a) the same risk of inconsistent classification of income and expenses between categories identified for the investing category (see paragraph 9(b)). For example, judgements may be required to identify incremental expenses related to managing liabilities.

(b) for similar reasons to the investing category, it may be challenging to specify expenses that should be included as incremental expenses in the financing category.

(c) there is merit of having a similar approach to both the investing and financing categories.

31. At its *July 2021* meeting, the IASB also tentatively decided to require an entity to describe a transaction that involves only the raising of finance as a transaction that involves:

(a) the receipt by the entity of cash, an entity’s own equity instruments or a reduction in a financial liability; and

(b) the return by the entity of cash or an entity’s own equity instruments.

32. Consequently, the financing liabilities would be financial liabilities within the scope of IFRS 9. Therefore, we consider the requirements of IFRS 9 in analysing whether the IASB could require an entity to classify in the financing category (similarly to the investing category) incremental expenses directly attributable to the issue and disposal of the financing liabilities.

33. Considering the incremental costs for both issue and disposal, we note that:

(a) *issue*—paragraph 5.1.1 of IFRS 9 requires an entity to include in the initial measurement of a financial liability transaction costs that are directly attributable to the *issue* of the financial liability if the financial liability is not measured at fair value through profit or loss.
(b) \textit{disposal}—paragraph 3.3.3 of IFRS 9 requires that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss. Paragraph B3.3.6A of IFRS 9 adds that if an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

34. Therefore, as with financial assets that are specified assets, the IASB’s tentative decision in September 2022 (paragraph 30) creates a difference in the classification of transaction costs that are directly attributable to the issue or disposal of financing liabilities depending on whether the liability is measured at fair value through profit or loss or whether the liability is derecognised through an exchange or modification.

35. Considering the reasons why the IASB tentatively decided to not introduce a requirement for an entity to classify incremental expenses in the financing category (see paragraph 30 of the paper), the IASB could require an entity to classify in the financing category the incremental expenses that are directly attributable to the issue and disposal of financing liabilities because:

(a) as noted in paragraph 21(a), the incremental costs that are directly attributable to the issue or disposal of a liability are typically external costs or costs that are identifiable without performing a substantial allocation exercise. The risk of inconsistent classification of income and expenses for, for example, incremental expenses related to managing liabilities, does not apply.

(b) the IASB does not need to develop a list of specific expenses. Considering the incremental expenses that would need to be classified in the financing category to achieve consistency are transaction costs (as defined in IFRS 9) that are directly attributable to the issue or disposal of the financing liabilities.

(c) there is still merit of having a similar approach to both the investing and financing categories.
Staff recommendations and question for the IASB

36. When evaluating our analysis, we purposefully keep in mind that the investing category:

(a) needs to enable users of financial statements to identify returns from investments that are not part of the entity’s main business activities.

(b) will, however, not present the profit or loss from an entity’s investing activities because the requirements aim to separate investing income and expenses from operating income and expenses but without imposing undue cost or effort on preparers of financial statements.

(c) for many companies will be relatively small.

37. As noted in paragraph 12, we expect that if the IASB retains its tentative decisions to date, and not require classification of any additional expenses in the investing category (or the financing category), it would not significantly reduce the usefulness of subtotals in the statement of profit or loss.

38. However, in our view, there are marginal benefits for the IASB to require an entity to classify incremental expenses directly attributable to the acquisition, issue or disposal of the specified assets and financing liabilities in the investing and financing categories respectively. These marginal benefits outweigh the costs associated with them because:

(a) having greater (even marginal) consistent classification of income and expenses in each of the categories is important to achieving comparable subtotals. We acknowledge that entities may still need to apply judgement to apply the requirements in IFRS Accounting Standards, like the definition of transaction costs in IFRS 9, when identifying the incremental costs to be classified in the investing category and the financing category.

(b) there is benefit of having a similar approach to both the investing and financing categories.
(c) this approach aligns the classification in the investing category and in the financing category of transaction costs that are expensed with those that are included in the carrying amounts of specified assets and financing liabilities.

(d) as noted in our analysis, the incremental costs that are directly attributable to the issue or disposal of a liability are typically external costs or costs that are identifiable without performing a substantial allocation exercise. We do not expect adding these requirements will introduce undue cost or effort for preparers.

(e) the IASB would not need to develop significant additional requirements because the incremental expenses that would mostly need to be specified to be classified in the investing category or in the financing category to achieve consistency are transaction costs (as defined in IFRS 9).

39. We therefore, recommend that the IASB:

(a) clarifies in [draft] IFRS 18 the income and expenses from assets that an entity classifies in the investing category. The IASB previously confirmed the assets from which the income and expenses need to be classified in the investing category. The clarification is that the income and expenses from those specified assets comprise:

(i) the income generated by the specified assets (from paragraph 7);

(ii) the income and expenses that arise from the initial and subsequent measurement of the specified assets (from paragraph 10); and

(iii) the incremental expenses directly attributable to the acquisition and disposal of the specified assets, for example transaction costs and costs to sell.

(b) clarifies in [draft] IFRS 18 the income and expenses from liabilities that arise from transactions that involve only the raising of finance comprise:

(i) the income and expenses that arise from the measurement of the liabilities (from paragraph 10); and
(ii) the incremental expenses directly attributable to the issue and disposal of the liabilities, for example transaction costs.

### Question for the IASB

1. Does the IASB agree with our recommendation included in paragraph 39 of the paper?

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**Financial assets for which the income and expenses are classified in the investing category**

**Background**

40. In this section of the paper, we refer to financial assets (excluding cash and cash equivalents) that would be included in the assets in paragraph 5(e) of this paper. That is, we are referring to financial assets from which the income and expenses would be classified in the investing category, because:

(a) they generate a return individually and largely independently of other resources held by an entity; and

(b) the entity does not invest in the financial asset (or a group of financial assets with shared characteristics) as a main business activity.\(^{14}\)

41. An entity first assesses whether a particular financial asset meets paragraph 40(a) and then, if the answer is ‘yes’, the entity assesses whether the asset, along with other financial assets with shared characteristics, paragraph 40(b) is met. If either of the requirements in paragraphs 40(a) or 40(b) above are not met, the income and expenses of the associated financial asset are required to be classified in the operating category.

42. Paragraph B32 of the Exposure Draft stated that income and expenses classified in the investing category would typically include income and expenses from financial assets.

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\(^{14}\) In July 2022, the IASB tentatively decided to permit an entity to group assets with shared characteristics for the purpose of assessing whether those investments are made as a main business activity.
Paragraph BC49 of the Basis for Conclusions on the Exposure Draft explained that equity or debt investments typically generate dividend or interest returns individually and largely independently of an entity’s other assets. In other words, financial assets may be understood to typically meet the assessment in paragraph 40(a) and would then only be subject to the assessment in paragraph 40(b).

43. At its July 2022 meeting, the IASB tentatively decided to add application guidance clarifying paragraph B32 of the Exposure Draft. Income and expenses from financial assets arising from providing financing to customers are classified directly in the operating category. Classifying these income and expenses ‘directly’ means that financial assets from providing financing to customers are not subject to the assessment of the requirements in paragraph 40.

44. In drafting [draft] IFRS 18, we identified that the application guidance discussed in paragraph 43 may require further clarification to ensure [draft] IFRS 18 is clear about the income and expenses from which types of financial assets are required to be classified directly in the operating category and the income and expenses from which types of financial assets are required to be classified after an assessment has been done. This is because the phrase ‘financial assets arising from providing financing to customers’ may be interpreted more broadly than intended. For example, it can be interpreted to include the following financial assets:

(a) trade receivables.

(b) loans that enable customers to purchase the entity’s goods. For example, a motor manufacturer offering vehicle finance to its customers when purchasing a vehicle.

(c) loans to customers from banks and other lending institutions. For example, residential or commercial mortgages.

(d) equity investments (and dividends receivable) or debt instruments (like bonds) from providing finance to a customer.
(e) operating lease receivables for investment property with income and expenses classified in the investing category (or a net investment in the lease receivable).

45. We had intended that the phrase ‘financial assets arising from providing financing to customers’ would include financial assets, such as those in paragraphs 44(a)–44(c). However, we did not intend that it would include the financial assets in paragraphs 44(d) and 44(e).

**Staff analysis, staff recommendation and question for the IASB**

46. We recommend that the IASB:

(a) withdraw the application guidance that says an entity classifies directly in the operating category the income and expenses from financial assets that arise from providing financing to customers; and

(b) instead add application guidance that provides examples of assets that generate a return individually and largely independently of the other resources of the entity and those that do not.

47. As discussed in paragraphs 44–45, we think that proceeding with the phrase ‘financial assets arising from providing financing to customers’ will have unintended consequences. Therefore, we recommend that the IASB withdraw its tentative decision and instead add application guidance that helps entities to assess whether an asset generates a return individually and largely independently of the other resources of the entity. We recommend that this application guidance explains that:

(a) assets that an entity invests in—like debt or equity securities—generate returns individually and largely independently of an entity’s other resources for which the income and expenses are classified in the operating category.

(b) assets—like plant and equipment—that an entity uses to produce goods or services do not generate returns either individually or largely independently of an entity’s other resources. The income and expenses derived from such assets
result from the combination of those assets with other resources of the entity for which the income and expenses are classified in the operating category, such as costs for employees or raw materials.

(c) assets—like loans and receivables recognised from providing goods and services to customers—generate returns individually but not largely independently of an entity’s other resources because the assets arise from an entity producing goods or delivering services for which the income and expenses are classified in the operating category. This would include trade receivables and any loan to a customer for an entity that provides financing to customers as a main business activity.

(d) assets—like a group of assets within a disposal group held for sale—generate returns largely independently of an entity’s other resources but not individually because they form part of a group of assets that will generate a return together.\(^\text{15}\)

48. In our view, this application guidance would enable an entity to better understand how to apply the requirements to determine which assets are assets that generate a return individually and largely independently of the other resources of the entity and which do not. This would preserve the IASB’s objectives for its previous tentative decision and remove the interpretative challenges with the phrase ‘financial assets that arise from providing financing to customers’. An entity would still need to apply judgement when assessing the requirements in both paragraphs 40(a) or 40(b) for financial assets that are not directly analogous to the explanations and examples included in the application guidance.

\(^{15}\) In June 2023, the IASB tentatively decided how to classify income and expenses that arise from a single transaction or other event that involves a group of assets and liabilities. Appendix B of this paper includes a summary of that decision for ease of reference.
Staff recommendations and question for the IASB

49. Based on our analysis in paragraphs 47–48, we recommend that the IASB add application guidance that provides examples of assets that generate returns individually and largely independently of the other resources of the entity and those that do not, including loans and receivables recognised from providing goods and services to customers. This application guidance would replace the application guidance on classification of income and expenses from financial assets arising from providing financing to customers.

50. In our view, this guidance will provide additional clarity to help an entity determine which assets generate a return individually and largely independently of other resources of the entity and which do not. This will facilitate application of the requirements for the investing category by all entities.

Question for the IASB

2. Does the IASB agree with our recommendation included in paragraph 49 of the paper?

Other minor sweep issues

51. Appendix A summarises minor sweep issues related to subtotals and categories in the statement of profit or loss and approaches taken to address them in drafting.

Question for the IASB

3. Does the IASB have any comments on the minor sweep issues in Appendix A of this paper?
Appendix A—Other minor sweep issues

A1. The following table outlines minor sweep issues and approaches taken in drafting to address them.

<table>
<thead>
<tr>
<th>Issue</th>
<th>How we addressed in drafting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition requirements for investments in associates or joint</td>
<td>We have clarified in drafting that if an entity changes its election at the date of initial application of IFRS 18 to measure an investment in an associate or joint venture at fair value through profit or loss in accordance with IFRS 9, it shall also account for those investments in the same way in its separate financial statements as required by paragraph 11 of IAS 27.</td>
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<tr>
<td>ventures measured at fair value through profit or loss in accordance with IFRS 9</td>
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<td></td>
<td>In May 2023 (see Agenda Paper 21A), the IASB tentatively decided to provide transition requirements that will permit an entity to elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 when the investment is held by, or is held through, an entity that is a venture capital organisation, a mutual fund, unit trust and similar entities including investment-linked insurance funds (according to paragraph 18 of IAS 28).</td>
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<tr>
<td></td>
<td>Paragraph 11 of IAS 27 requires that if an entity elects, in accordance with paragraph 18 of IAS 28, to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9, it shall also account for those investments in the same way in its separate financial statements.</td>
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<tr>
<td></td>
<td>Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify that the transition requirements for paragraph 18 of IAS 28 also apply to an entity’s separate financial statements.</td>
</tr>
<tr>
<td>The financial assets an entity invests in that will require the classification of income and expenses from cash and cash equivalents in the operating category</td>
<td>Issue</td>
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<tr>
<td>After the tentative decisions at its September 2022 meeting (see paragraph 31 of Agenda Paper 21C):</td>
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<tr>
<td>(a) an entity with investments in subsidiaries, associates and joint ventures not accounted for using the equity method would be required to assess whether the entity invests in those subsidiaries, associates and joint ventures as a main business activity; and</td>
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</tr>
<tr>
<td>(b) an entity would not assess whether investments in subsidiaries, associates and joint ventures accounted for using the equity method are investments as a main business activity because the income and expenses from these investments would in all circumstances be classified in the investing category.</td>
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</tr>
<tr>
<td>At its March 2023 meeting (see Agenda Paper 21F), the IASB tentatively decided to clarify that the requirement for an entity to classify in the operating category the income and expenses from cash and cash equivalents if the entity invests in financial assets as a main business activity, applies regardless of whether the entity has any other specified main business activity.</td>
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</tr>
<tr>
<td>Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify that the ‘financial assets’ referred to in the IASB’s March 2023 tentative decision exclude the investments in (b) above because these assets are not subject to an assessment of whether an entity invests in them as a main business activity.</td>
<td></td>
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<tr>
<td>Issue</td>
<td>How we addressed in drafting</td>
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<td>----------------------------------------------------------------------</td>
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</tbody>
</table>
| Income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 | Paragraph 52(b) of the Exposure Draft said an entity also excludes the income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 from the financing category and classifies them in the operating category.  
Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify the phrase 'investment contracts with participation features recognised applying IFRS 9' because it is not a defined term in IFRS 9 or IFRS 17 *Insurance Contracts*. |
|                                                                      | We will clarify the phrase ‘investment contracts with participation features recognised applying IFRS 9’ in drafting of IFRS 18, making use of examples of such investment contracts. These examples are:  
(a) an investment contract with participation features issued by an insurer that does not meet the definition of an investment contract with discretionary participation features; and  
(b) an investment contract with participation features issued by an investment entity. |
<table>
<thead>
<tr>
<th>Issue</th>
<th>How we addressed in drafting</th>
</tr>
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<tbody>
<tr>
<td>In March 2023, the IASB tentatively decided to require an entity to use its judgement to determine in which category in the statement of profit or loss to classify foreign exchange differences on a liability that arises from a transaction that involves activities in addition to the raising of finance (see IASB Update March 2023). Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify whether an entity is permitted or required to allocate foreign exchange differences on a liability that arises from a transaction that involves not only the raising of finance to more than one category in the statement of profit or loss. For example, whether an entity is permitted or required to allocate foreign exchange differences on payables for goods and services negotiated on extended credit terms between the operating category and the financing category.</td>
<td>We think the IASB’s intention is that an entity is required to classify foreign exchange differences on each liability that arises from a transaction that involves not only the raising of finance in a single category in the statement of profit or loss. This is because we think that the IASB’s principle for classifying income and expenses in the statement of profit or loss is to classify a single identified income or expense to a single category rather than allocating it into multiple categories. In drafting IFRS 18 we will clarify that an entity shall not allocate foreign exchange differences on such liabilities between categories. It shall classify them in a single category and if an entity uses the undue cost or effort relief it will classify them in the operating category. We will also clarify that an entity is not required to classify the foreign exchange differences on all such liabilities in the same category. However, an entity is required to classify foreign exchange differences on such liabilities that have similar characteristics in the same category.</td>
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<tr>
<td>Issue</td>
<td>How we addressed in drafting</td>
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<td>----------------------------------------------------------------------</td>
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<tr>
<td>Timing to implement changes in the outcome of the assessment of specified main business activities when the change occurs during the period</td>
<td>In drafting IFRS 18 we will clarify that a change in the outcome of the assessment of a specified main business activity is required to be reflected from the date when the facts have changed. As a result, if the change in the outcome of the assessment of a specified main business activity occurs during a reporting period, an entity would not reclassify amounts that were recognised in the statement of profit or loss prior to the change occurring.</td>
</tr>
<tr>
<td>In March 2022, the IASB tentatively decided to clarify that an entity applies prospectively any change in outcome of its assessment of whether it invests in assets as a main business activity or provides financing to customers as a main business activity; thus, applying the proposals, the entity does not restate comparatives (see Agenda Paper 21A). Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify whether an entity applies a change in the outcome of the assessment of specified main business activities from the date when the facts have changed or from the beginning of the reporting period when the change occurs.</td>
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</table>
## Issue

In March 2022, the IASB tentatively decided to require an entity to disclose information that would allow users to perform trend analysis on operating profit when there is a change in the outcome of its assessment of whether it invests in assets as a main business activity or provides financing to customers as a main business activity (see Agenda Paper 21A).

In drafting IFRS 18, we noted that there may be cases where an entity may not have collected the necessary information for this disclosure prior to the change in assessment of a specified main business activity. For example, when an entity:

(a) determines that providing financing to customers has become a main business activity;
(b) applies the accounting policy to classify in the operating category income and expenses that arise from transactions that involve only the raising of finance that relate to providing finance to customers; and
(c) prior to the change did not track which income and expenses that arise from transactions that involve only the raising of finance relate to providing finance to customers and which do not.

<table>
<thead>
<tr>
<th>Disclosure of a change in the assessment of a specified main business activity</th>
<th><strong>Issue</strong></th>
<th><strong>How we addressed in drafting</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>In March 2022, the IASB tentatively decided to require an entity to disclose information that would allow users to perform trend analysis on operating profit when there is a change in the outcome of its assessment of whether it invests in assets as a main business activity or provides financing to customers as a main business activity (see Agenda Paper 21A).</td>
<td>In drafting IFRS 18 we have clarified that an entity is required to disclose information about the effect of the change in the outcome of its assessment of main business activity unless impracticable to do so.</td>
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<tr>
<td>Disclosure of specified main business activities</td>
<td>Issue</td>
<td>How we addressed in drafting</td>
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<tr>
<td>In July 2022, when the IASB discussed the classification of income and expenses from financial assets arising from providing financing to customers, the IASB tentatively decided to explore requiring an entity to disclose whether it provides financing to customers as a main business activity (see <a href="#">Agenda Paper 21A, IASB Update July 2022</a>). Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify whether an entity is required to provide a similar disclosure when the entity invests in assets as a main business activity. Such information would help users’ understanding of the structure of the statement of profit or loss, especially in digital financial reports.</td>
<td>In drafting IFRS 18, we will clarify that the disclosure requirement is also applied when an entity invests in assets as a main business activity. As a result, an entity is required to disclose: (a) when it invests in assets, whether it does so as a main business activity; and (b) when it provides financing to customers, whether it does so as a main business activity.</td>
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<tr>
<td>Assessment of specified main business activities</td>
<td>Issue</td>
<td>How we addressed in drafting</td>
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<tr>
<td>In March 2022 (see Agenda Paper 21A), the IASB tentatively decided to require an entity to use its judgement in assessing whether it invests in assets or provides financing to customers as a main business activity based on observable evidence to the extent available. Examples of observable evidence are:</td>
<td>In drafting IFRS 18, we will remove ‘observable’ as we intend for an entity to use all available evidence. For example, using subtotals similar to gross profit, such as net interest income, internally to assess or monitor operating performance would also be evidence that an entity invests in assets or provides financing to customers as a main business activity.</td>
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<tr>
<td>(a) operating performance measures used in public communications; and (b) information about segments if an entity applies IFRS 8 Operating Segments. The IASB also tentatively decided that specified subtotals similar to gross profit are examples of important indicators of operating performance for an entity that invests in assets or provides financing to customers as a main business activity. Reviewers of the pre-ballot draft of IFRS 18 expressed concern that the assessment of main business activities could be difficult for private entities because they might not engage in public communications and some private companies are not required to apply IFRS 8. They asked us to provide additional clarifications to help private entities assess their main business activities.</td>
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</table>
Appendix B—Summary of IASB tentative decisions about the investing category

B1. We summarise the IASB’s tentative decisions about the investing category in the following table:

<table>
<thead>
<tr>
<th>IASB tentative decisions</th>
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<tbody>
<tr>
<td>Income and expenses from assets that generate returns individually and largely</td>
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<tr>
<td>independently of other resources</td>
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<tr>
<td>*(excluding investments in subsidiaries, associates and joint ventures and cash and cash)</td>
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<tr>
<td>equivalents)*</td>
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<tr>
<td><strong>December 2021</strong>—to classify in the investing category income and expenses from assets</td>
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<td>that generate returns individually and largely independently of other resources held by</td>
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<td>an entity and include application guidance that says:</td>
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<tr>
<td>(a) income and expenses would typically include income and expenses from financial</td>
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<tr>
<td>assets (incl. financial assets and associates and joint ventures not accounted for using</td>
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<td>the equity method) and from other investments (incl. investment property and artwork);</td>
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<td>(b) income and expenses arising from business combinations would not be classified in the</td>
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<tr>
<td>investing category because they do not arise from assets that generate returns</td>
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<td>individually or largely independently of other resources held by an entity; and</td>
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<tr>
<td>(c) negative returns are classified in the same category as positive returns arising from</td>
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<tr>
<td>the asset.</td>
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<tr>
<td><strong>July 2022</strong>—to add application guidance clarifying that income and expenses from financial assets arising from providing financing to customers are classified in the operating category.</td>
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<tr>
<td><strong>July 2022</strong>—to require an entity that invests as a main business activity to classify</td>
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<tr>
<td>in the operating category income and expenses from assets that would otherwise be</td>
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<td>classified in the investing category. To permit an entity to group assets with shared</td>
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<tr>
<td>characteristics for the purpose of assessing whether those investments are made as</td>
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<td>a main business activity. The way an entity groups financial assets for this assessment</td>
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<tr>
<td>should be consistent with the way it groups financial assets into classes for the</td>
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<tr>
<td>purposes of disclosures about financial instruments, in accordance with IFRS 7</td>
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<tr>
<td><em>Financial Instruments: Disclosures</em></td>
<td></td>
</tr>
<tr>
<td><strong>Investments in associates and joint ventures</strong></td>
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</tr>
<tr>
<td><strong>December 2021</strong>—to classify income and expenses from associates and joint ventures in</td>
<td></td>
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<tr>
<td>the investing category.</td>
<td></td>
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<tr>
<td><strong>September 2022</strong>—to require an entity with specified main business activities to</td>
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<tr>
<td>classify in the investing category income and expenses from associates and joint</td>
<td></td>
</tr>
<tr>
<td>ventures accounted for using the equity method.</td>
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</tbody>
</table>
September 2022—to clarify that income and expenses from associates and joint ventures not accounted for using the equity method includes income and expenses from associates and joint ventures accounted for:

(a) at cost (paragraph 10(a) of IAS 27 Separate Financial Statements);
(b) in accordance with IFRS 9 Financial Instruments (paragraph 10(b) of IAS 27); and
(c) at fair value through profit or loss in accordance with IFRS 9 (paragraph 18 of IAS 28 Investments in Associates and Joint Ventures).

September 2022—to clarify that how an entity categorises associates and joint ventures to assess whether investing in associates and joint ventures is a main business activity should be consistent with how the entity categorises investments in associates and joint ventures to determine the measurement basis (that is applying the requirements in IAS 27).

May 2023—to confirm the tentative decision to require all entities to classify, in the investing category in the statement of profit or loss, income and expenses from associates and joint ventures accounted for using the equity method.

**Investments in subsidiaries**

September 2022—to require that an entity classifies income and expenses from subsidiaries accounted for using the equity method in the investing category.

September 2022—to require income and expenses from investments in subsidiaries not accounted for using the equity method to be classified:

(a) in the investing category if investing in subsidiaries is not a main business activity; and
(b) in the operating category if investing in subsidiaries is a main business activity.

September 2022—to clarify that income and expenses from subsidiaries not accounted for using the equity method includes income and expenses from all subsidiaries that are accounted for:

(a) at cost (paragraph 10(a) of IAS 27);
(b) in accordance with IFRS 9 (paragraph 10(b) of IAS 27); and
(c) at fair value through profit or loss in accordance with IFRS 9 (paragraph 31 of IFRS 10).

September 2022—to clarify that how an entity categorises subsidiaries to assess whether investing in subsidiaries is a main business activity should be consistent with how the entity categorises investments in subsidiaries to determine the measurement basis (that is applying the requirements in IAS 27).
## Cash and cash equivalents

**May 2021**—require an entity to classify income and expenses from cash and cash equivalents in the investing category rather than the financing category.

**July 2022**—to confirm the proposed requirement for entities that invest in financial assets as a main business activity to classify income and expenses from cash and cash equivalents in the operating category.

**March 2023**—to confirm the accounting policy choice for the classification of income and expenses arising from cash and cash equivalents for entities that provide financing to customers as a main business activity.

**March 2023**—to clarify that the requirement for an entity to classify in the operating category the income and expenses from cash and cash equivalents if the entity invests in financial assets as a main business activity, applies regardless of whether the entity has any other specified main business activity.

## Investing category

**December 2021**—responding to feedback on the proposals in the Exposure Draft *General Presentation and Disclosures*:

(a) to remove the discussion of the objective from the requirements and rather explain in the Basis for Conclusions the reasons for including specific items in the investing category, without referring to that explanation as being an ‘objective’;

(b) to retain the label ‘investing category’; and

(c) not to proceed with the proposed use of the defined term ‘income and expenses from investments’.

**September 2022**—to not include related incremental expenses in the investing category. [The agenda paper explained the decision results in classifying only expenses that ‘arise from changes in the measurement of the underlying asset’.]

**June 2023**—income and expenses arising from the derecognition of an asset is classified in the same category as the income and expenses generated by that asset immediately before derecognition.

**June 2023**—income and expenses arising from a transaction or other event that changes the classification of income and expenses from an asset (without affecting the recognition of the asset) are classified in the category in which income and expenses were classified immediately before the transaction or other event.
June 2023—if income and expenses described above arise from a single transaction or other event that involves a group of assets and liabilities for which income and expenses were classified in different categories immediately before the transaction or other event:

(a) the gain or loss on the transaction or other event is classified in the operating category if any of the assets in the group generated income and expenses that were classified in the operating category; and

(b) the gain or loss on the transaction or other event is classified in the investing category if all the assets in the group generated income and expenses that were classified in the investing category.