
IFRS® Interpretations Committee meeting

Date	November 2025
Project	Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)
Topic	Initial consideration
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Introduction

1. The IFRS Interpretations Committee (Committee) received a submission about the scope of the requirements in paragraph 83 of IFRS 18 *Presentation and Disclosure in Financial Statements*.
2. The objective of this paper is:
 - (a) to provide the Committee with a summary of the matter;
 - (b) to present our research and analysis; and
 - (c) to ask the Committee whether it agrees with our recommendation not to add a standard-setting project to the work plan.

Structure

3. This paper includes:
 - (a) [background and summary of the submission](#) (paragraphs 5–10);
 - (b) [evidence of ‘widespread and material effect’](#) (paragraphs 11–14);
 - (c) [staff analysis](#) (paragraphs 15–19);
 - (d) [whether to add a standard-setting project to the work plan](#) (paragraphs 20–22);
and
 - (e) [staff recommendation](#) (paragraphs 23–24).
4. There are two appendices to this paper:
 - (a) [Appendix A](#)—suggested wording of the tentative agenda decision; and
 - (b) [Appendix B](#)—submission.

Background and summary of the submission

5. Paragraph 75 of IFRS 18 states:

An entity shall present in the statement of profit or loss line items for (see paragraph B77):

 - (a) amounts required by this Standard [IFRS 18], namely:
 - ...
 - (ii) operating expenses, presenting separately line items as required by paragraphs 78 and 82(a);
 - ...
 - (b) amounts required by IFRS 9 [*Financial Instruments*], namely:

(i) interest revenue calculated using the effective interest method;

(ii) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9;

...

and

(c) amounts required by IFRS 17 [*Insurance Contracts*], namely:

(i) insurance revenue;

(ii) insurance service expenses from contracts issued within the scope of IFRS 17;

(iii) income or expenses from reinsurance contracts held;

(iv) insurance finance income or expenses from contracts issued within the scope of IFRS 17; and

(v) finance income or expenses from reinsurance contracts held.

6. Paragraph 78 of IFRS 18 states:

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

(a) the nature of expenses; or

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

7. Paragraph 83 of IFRS 18 states:

An entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss shall also disclose in a single note:

(a) the total for each of:

(i) depreciation, comprising the amounts required to be disclosed by paragraph 73(e)(vii) of IAS 16 *Property, Plant and Equipment*, paragraph 79(d)(iv) of IAS 40 *Investment Property* and paragraph 53(a) of IFRS 16 *Leases*;

(ii) amortisation, comprising the amount required to be disclosed by paragraph 118(e)(vi) of IAS 38 *Intangible Assets*;

(iii) employee benefits, comprising the amount for employee benefits recognised by an entity applying IAS 19 *Employee Benefits* and the amount for services received from employees recognised by an entity applying IFRS 2 *Share-based Payment*;

(iv) impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraphs 126(a) and 126(b) of IAS 36 *Impairment of Assets*; and

(v) write-downs and reversals of write-downs of inventories, comprising the amounts required to be disclosed by paragraphs 36(e) and 36(f) of IAS 2 [*Inventory*]; and

(b) for each total listed in (a)(i)–(v):

(i) the amount related to each line item in the operating category;
and

(ii) a list of any line items outside the operating category that also include amounts relating to the total.

8. The submission asks whether the requirements in paragraph 83 of IFRS 18 apply:
- (a) only when an entity presents operating expenses listed in paragraph 75(a)(ii) by function in the operating category of the statement of profit or loss; or
 - (b) when an entity presents any expense by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c); the submitter says these expenses might include amounts that resulted from the release to the statement of profit or loss of costs that were previously capitalised—for example, insurance service expense recognised in the statement of profit or loss might include the amortisation of insurance acquisition costs that were previously capitalised as part of insurance contract assets.
9. The submission outlines the following two views:
- (a) View 1—paragraph 83 applies only when an entity has presented operating expenses—which are listed in paragraph 75(a)(ii)—by function, and not when it has presented the expenses listed in paragraph 75(b)–(c) by function. Proponents of this view say:
 - (i) an entity does not have an option to present the expenses listed in paragraph 75(b)–(c) by nature or by function because of the presentation requirements in IFRS 9 and IFRS 17. If the expenses are not presented by function at the entity’s discretion, paragraph 83 does not apply.
 - (ii) paragraph 75(a)(ii) specifically refers to paragraph 78. Paragraph 78 is in the same section of the Standard as paragraph 83, which is ‘Presentation and disclosure of expenses classified in the operating category’. Paragraph 75(b)–(c) does not refer to paragraph 78.

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- (iii) paragraph BC259 of the Basis for Conclusions on IFRS 18, which explains the IASB’s reasoning for the requirements in paragraph 83, states that ‘[t]he IASB decided to require an entity that presents in the statement of profit or loss one or more line items comprising *operating expenses* classified by function to disclose in a single note the total and the amount of the expenses included in each line item ...’ [emphasis added]. Paragraph 75(a)(ii) refers to ‘operating expenses’, but paragraph 75(b)–(c) does not.
- (iv) the complexity of disclosing the information required by paragraph 83 might, for expenses such as ‘insurance service expenses’ referenced in paragraph 75(c)(ii), outweigh the benefits of disclosing that information.
- (b) View 2—paragraph 83 applies when an entity has presented any expense classified by function in the operating category of the statement of profit or loss, including expenses in paragraph 75(b)–(c). Proponents of this view say paragraph 83 states that it applies to ‘one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss...’. Whether expenses are classified by function at an entity’s discretion or because of requirements in IFRS Accounting Standards is irrelevant.
10. The submission—reproduced in [Appendix B](#)—includes further information about the views and the rationale for those views.

Evidence of ‘widespread and material effect’

11. The purpose of any information requests we send to stakeholders is to understand whether a submission meets the criteria in paragraph 5.16(a) of the IFRS Foundation’s [Due Process Handbook](#). We consider:
- (a) the prevalence of the transaction or fact pattern submitted; and

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- (b) whether there is widespread diversity in the accounting applied to that transaction or fact pattern that has, or is expected to have, a material effect on those affected.
12. We did not send an information request related to this submission—and proceeded to analyse the question submitted—for the following reasons:
- (a) most entities are in the process of applying—but have not yet applied—IFRS 18. Accordingly, stakeholders would be unable to comment on the existence of diversity in the application of the applicable requirements.
- (b) the submitter notes:
- (i) the question in the submission affects all entities that undertake activities that result in the incurrence of expenses listed in paragraph 75(b)–(c) of IFRS 18 and, therefore, is widespread;
- (ii) they are aware of entities concluding the requirements are unclear as those entities work through their IFRS 18 implementation projects.
- (c) we have had informal conversations with some stakeholders (including, for example, accounting firms and preparers) that have confirmed the points in paragraph (b). Those stakeholders have informed us about discussions they have had on the same question as that raised by the submitter and these conversations have confirmed that stakeholders understand the applicable requirements differently.
13. In our view, the evidence gathered indicates the matter could have widespread effect and could have a material effect on those affected because:
- (a) the question affects all entities that undertake activities that result in the incurrence of expenses listed in paragraph 75(b)–(c) of IFRS 18.
- (b) differences in understanding the applicable requirements could result in diversity in applying those requirements once IFRS 18 becomes effective. The outcome of

the question affects the extent of an entity's disclosure of specified amounts by nature as listed in paragraph 83 of IFRS 18.

14. We obtained sufficient understanding of the widespread effect of the matter from the evidence referred to in the submission and from discussions with stakeholders and, therefore, did not perform outreach on the submission.

Staff analysis

Applying the applicable requirements

15. As set out in paragraph 7 of this paper, paragraph 83 of IFRS 18 states: '[a]n entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss shall also disclose...'
16. Paragraph 83 contains no exceptions or exclusions. In particular:
- (a) paragraph 83 does not exclude line items comprising expenses listed in paragraph 75(b)–(c) of IFRS 18.
 - (b) paragraph 83 does not exclude line items comprising expenses that are classified by function in the operating category of the statement of profit or loss because of requirements in other IFRS Accounting Standards. In our view, the words in IFRS 18 do not support a reading that paragraph 83 is overridden by, or has its scope qualified by, requirements in other Standards. Presentation and disclosure requirements in other Standards, including IFRS 9 and IFRS 17, are not mutually exclusive of those in IFRS 18.
 - (c) in determining whether an entity is required to apply paragraph 83, it does not matter *why* the entity has classified an expense by function in the operating category of the statement of profit or loss—only that the entity *has classified* an

expense by function. It is not relevant whether an entity classifies expenses by function by applying its judgement or because of requirements in other Standards such as IFRS 9 and IFRS 17.

17. Because paragraph 83 contains no exceptions or exclusions, it applies when an entity has presented any expense classified by function in the operating category of the statement of profit or loss, including expenses in paragraph 75(b)–(c). Our conclusion aligns with View 2 set out in the submission (summarised in paragraph 9(b) of this paper).
18. We note further that:
 - (a) the reference to paragraph 78 of IFRS 18 in paragraph 75(a)(ii) is—in our view—irrelevant to the assessment of the scope of paragraph 83.
 - (b) paragraph BC259 of the Basis for Conclusions on IFRS 18, which refers to ‘operating expenses’, should not be read in isolation as referring to only operating expenses as listed in paragraph 75(a)(ii) of IFRS 18. Such a reading is not—in our view—supported by the requirements in paragraph 83 nor by the context of the discussion in paragraphs BC259–BC276 of the Basis for Conclusions on IFRS 18, which explain the IASB’s rationale in developing the requirements in paragraph 83.
 - (c) as summarised in paragraph 9(a)(iv) of this paper, proponents of View 1 in the submission said the complexity of providing the disclosure required by paragraph 83 for some expenses such as insurance service expenses might outweigh the benefits. We note that:
 - (i) the IASB considered cost and benefit trade-offs when developing the requirements in IFRS 18 (see paragraphs BC259–BC276 of the Basis for Conclusions on IFRS 18), and it is not the Committee’s role to reevaluate those trade-offs.

- (ii) paragraph B84—which the IASB added in response to concerns about the cost of disclosing the information required by paragraph 83—states that the amounts disclosed in accordance with paragraph 83 need not be the amounts recognised as an expense in the period. The amounts disclosed could include amounts that have been recognised as part of the carrying amount of an asset. Paragraph B84(b) states that if an entity discloses, applying paragraph 83(b), amounts that are not the amounts recognised as an expense in the period, the entity is required to provide a qualitative explanation of that fact, identifying the assets involved.¹

Staff view

19. In our view, based on our analysis in paragraphs 15–18 of this paper, paragraph 83 of IFRS 18 applies when an entity has presented any expense classified by function in the operating category of the statement of profit or loss, including expenses in paragraph 75(b)–(c) of IFRS 18. In summary, based on our analysis, we agree with View 2 set out in the submission and disagree with View 1.

Question for the Committee

Question 1 for the Committee

Does the Committee agree with our analysis of the application of the requirements in IFRS 18 included in paragraphs 15–19 of this paper?

¹ Note 1 of paragraph IE7 of the Illustrative Examples accompanying IFRS 18 illustrates the application of the applicable disclosure requirements.

Whether to add a standard-setting project to the work plan

20. Paragraph 5.16 of the IFRS Foundation *Due Process Handbook* states that the Committee decides to add a standard-setting project to the work plan only if all of the following criteria are met:
- (a) the matter has widespread effect and has, or is expected to have, a material effect on those affected;
 - (b) it is necessary to add or change requirements in IFRS Accounting Standards to improve financial reporting—that is, the principles and requirements in IFRS Accounting Standards do not provide an adequate basis for an entity to determine the required accounting;
 - (c) the matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework*; and
 - (d) the matter is sufficiently narrow in scope that the IASB or the Committee can address it in an efficient manner, but not so narrow that it is not cost-effective for the IASB or the Committee and stakeholders to undertake the due process required to change a Standard.
21. In our view, as set out in paragraph 14 of this paper (considering the evidence summarised in paragraph 13), the criterion set out in paragraph 5.16(a) of the *Due Process Handbook* is met for this matter.
22. Based on our analysis in paragraphs 15–19 of this paper, we think the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the scope of the requirements in paragraph 83 of IFRS 18. Accordingly, we conclude that the criterion in paragraph 5.16(b) of the *Due Process Handbook* is not met.

Staff recommendation

23. For the reasons described in paragraphs 20–22 of this paper, we recommend that the Committee not add a standard-setting project to the work plan. We recommend that the Committee instead publish a tentative agenda decision that explains how an entity applies the requirements in IFRS 18 to the fact pattern described in the submission.
24. [Appendix A](#) to this paper sets out the suggested wording of the tentative agenda decision. In our view, the suggested tentative agenda decision (including the explanatory material contained within it) would not add or change requirements in IFRS Accounting Standards.²

Questions for the Committee

Questions 2 and 3 for the Committee

2. Does the Committee agree with our recommendation not to add a standard-setting project to the work plan?
3. Does the Committee have any comments on the wording of the tentative agenda decision suggested in Appendix A to this paper?

² Paragraph 8.4 of the *Due Process Handbook* states: 'Agenda decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Standards. Instead, explanatory material explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision.'

Appendix A—Suggested wording of the tentative agenda decision

Scope of the Requirement to Disclose Expenses by Nature (IFRS 18 *Presentation and Disclosure in Financial Statements*)

The Committee received a request about the scope of the requirements in paragraph 83 of IFRS 18 *Presentation and Disclosure in Financial Statements*.

Paragraph 75 of IFRS 18 requires an entity to present line items in the statement of profit or loss, including for:

- (a) operating expenses (paragraph 75(a)(ii)); and
- (b) amounts required by IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* (paragraph 75(b)–(c)).

Paragraph 83 of IFRS 18 requires an entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss to also disclose, in a single note, the total and the amount of the expenses included in each line item for depreciation, amortisation, employee benefits, impairment of non-financial assets (and reversals) and write-down of inventories (and reversals).

Question

The request asked whether the requirements in paragraph 83 of IFRS 18 apply:

- (a) only when an entity presents operating expenses listed in paragraph 75(a)(ii) of IFRS 18 by function in the operating category of the statement of profit or loss; or
- (b) when an entity presents any expense by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18; the request says these expenses might include amounts that resulted from the release to the statement of profit or loss of costs that were previously capitalised—for example, insurance service expense recognised in the statement of

profit or loss might include the amortisation of insurance acquisition costs that were previously capitalised as part of insurance contract assets.

Applying the applicable requirements

The Committee observed that paragraph 83 of IFRS 18 contains no exceptions or exclusions. In particular:

- (a) paragraph 83 does not exclude line items comprising expenses listed in paragraph 75(b)–(c) of IFRS 18.
- (b) the reason for classifying an expense by function—that is, classifying an expense by function applying an entity’s judgement or because of a requirement in an IFRS Accounting Standard—is irrelevant in determining whether an entity is required to apply paragraph 83.

Therefore, the Committee concluded that paragraph 83 of IFRS 18 applies when an entity has presented any expense classified by function in the operating category of the statement of profit or loss, including expenses in paragraph 75(b)–(c) of IFRS 18.

The Committee observed that, as paragraph B84 of IFRS 18 states, the amounts disclosed in accordance with paragraph 83 of IFRS 18 need not be the amounts recognised as an expense in the period. The amounts disclosed could include amounts that have been recognised as part of the carrying amount of an asset. As paragraph B84(b) of IFRS 18 states, if an entity applying paragraph 83(b) of IFRS 18 discloses amounts that are not the amounts recognised as an expense in the period, the entity is required to provide a qualitative explanation of that fact, identifying the assets involved.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the scope of the requirements in paragraph 83 of IFRS 18. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

Appendix B—Submission

Scope of the requirements of IFRS 18.83

We thank you for the opportunity to submit a potential agenda item to the IFRS Interpretations Committee (“Committee”). As part of the implementation of IFRS 18, the below question arose with resultant differing views on the scope of the disclosure requirements set out in IFRS 18.83 that was intended by the International Accounting Standards Board.

We believe the application of this submission will affect all entities that capitalise the expenses listed in IFRS 18.83 to an asset, as well as entities that are required by other IFRS Accounting Standards to present by function one or more line items that include the expenses listed in IFRS 18.83, and is therefore widespread. In our own jurisdiction there is no current practice established which we believe might be the case for several constituents. In addition, as the answer to this submission can be efficiently resolved by the Committee; and need not require a change in the requirements of IFRS[®] Accounting Standards, we believe that it is within the scope of the Committee to implement.

Scope of the requirements of IFRS 18.83

IFRS 18.75 requires an entity to present, amongst others:

- (a)(ii): “operating expenses, presenting separately line items as required by paragraphs 78 and 82(a);” as well as other items such as
- (b)(i): “interest revenue calculated using the effective interest rate
- (c)(ii): “insurance expenses from contracts issued within the scope of IFRS 17.”

IFRS 18.78 requires that operating expenses per IFRS 18.75(a)(ii) be disclosed per ‘nature’ or ‘function.’ Paragraphs 79 to 82 provides further explanation as to the possible presentation of items either per nature or function.

If an entity presents any expenses per function, IFRS 18.83 requires the disclosure of:

- (a) the total amounts for expenses such as depreciation, amortisation, employee benefits and impairment/write-down losses; and

- (b) the amount included for each line item in the operating category for the expenses listed in (a) above.

In addition, IFRS 18.B84 states that the amounts disclosed per IFRS 18.83 need not just be the amounts recognised as an expense but could also include amounts capitalised to an asset.

A question has arisen as to whether the requirements in IFRS 18.83 apply to:

- (a) expenses disclosed per IFRS 18.75(a)(ii) only, or whether the disaggregation of expenses is required for the other line items required to be presented in terms of other IFRS Accounting Standards in IFRS 18.75, for example insurance service expenses (IFRS 18.75(c)(ii)) as required by IFRS 17;
- (b) the subsequent release of capitalised costs to the statement of profit or loss in a line item required by other IFRS Accounting Standards in 18.75, for example through the subsequent inclusion within insurance service expenses of the amortisation of insurance acquisition cash flows previously capitalised to insurance contract assets.

View 1 – The requirements of IFRS 18.83 only apply to expenses categorised by either nature or function, per IFRS 18.75(a)(ii)

Per this view, the requirements of IFRS 18.83 only apply to items that are categorised by an entity by either nature or function per IFRS 18.75 (a)(ii) (i.e. only to the ‘operating’ expenses). IFRS 18.75 explicitly specifies items to be separately presented in the statement of profit or loss as follows:

- (a) Amounts required by IFRS 18; and
- (b) Amounts required by IFRS 9; and
- (c) Amounts required by IFRS 17.

As the requirement in IFRS 18.83 is specifically mentioned in the context of par. 75(a)(ii) (‘operating’ expenses) and infers from par.78, it stands to reason that other expenses listed

IFRS 18.75 which are required by other IFRS Accounting Standards do not fall within the requirements of IFRS 18.83.

As entities do not have the option to select either the function or nature of expenses method for the other expenses required to be presented in terms of IFRS 18.75 as per the requirements of other IFRS Accounting Standards, (for example ‘insurance service expenses’ in terms of IFRS 17), the disclosure requirements of par. 83 of IFRS 18 do not apply to these expenses. As the only reference to IFRS 18.78 is found in IFRS 18.75(a)(ii), it seems intentional that the requirements of IFRS 18.78 to .85 do not apply to the other expenses listed in IFRS 18.75.

Furthermore, IFRS 18.BC259 seems to refer to operating expenses as per IFRS 18.75(a)(ii): “The IASB decided to require an entity that presents in the statement of profit or loss one or more line items comprising operating expenses classified by function to disclose in a single note”

In addition, as the other expenses, such as insurance service expenses, are required to be separately presented per the relevant IFRS Accounting Standards, the other expenses are scoped into the presentation requirements of those IFRS Accounting standards (for example IFRS 17 for insurance service expenses) rather than IFRS 18.75(a)(ii) “operating expenses”.

The note disclosure required by IFRS 17, which is currently provided by all entities within the industry, is sufficient and aligned to the requirements of IFRS 18. In addition, the practical complexity of developing the disclosure of IFRS 18.83 for insurance related expenses may far outweigh the benefit of the disclosure; especially in light of the existing IFRS 17 disclosures provided.

Applying this view to the example, an entity would not be required to disclose the items in IFRS 18.83(a) that are included in insurance service expenses or capitalised to insurance contract assets.

View 2 – The requirements of IFRS 18.83 apply to all expenses disclosed per IFRS 18.75 in the operating category

As the heading to this particular section of IFRS 18 reads “presentation and disclosure of expenses classified in the operating category,” the requirements of IFRS 18.83 refer to all expenses in the operating category, including items such as insurance service expense.

In addition, a literal reading of par. 83 states that it should be applied when “an entity presents one or more line items comprising expense classified by function in the operating category of the statement of profit or loss.” This implies that any expense presented by function should be analysed further per this paragraph.

Per this view, the requirement of IFRS 18.83 should not be interpreted to mean only in the context of expenses disclosed at an entity’s discretion per nature or function; but rather to all expenses disclosed in the operating category.

Applying this view to the example, an entity would need to disclose the items in IFRS 18.83(a) that are included in insurance service expenses or capitalised to insurance contract assets.

We thank you for your consideration of this matter.