Staff paper

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IFRS® Interpretations Committee meeting

Date	**September 2025**
Project	**Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)**
Topic	**Updated suggested wording of the tentative agenda decision**
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Purpose of the paper

1. This addendum to Agenda Paper 2 sets out updated suggested wording of the tentative agenda decision to reflect the discussions at the Committee's meeting on 16 September 2025.

2. For ease of reading, this paper includes only a clean version of the updated suggested tentative agenda decision.

[Updated] Suggested wording of the tentative agenda decision

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18 *Presentation and Disclosure in Financial Statements*)

The Committee received a request about the classification of a foreign exchange difference from an intragroup monetary liability (or asset). Paragraph B65 of IFRS 18 *Presentation and Disclosure in Financial Statements* requires an entity to 'classify foreign exchange differences included in the statement of profit or loss applying IAS 21 [*The Effects of Changes in Foreign Exchange Rates*] in the same category as the income and expenses from the items that gave rise to the foreign exchange differences...'.

The request asked how an entity, when applying paragraph B65 of IFRS 18, classifies a foreign exchange difference when the income and expenses from the intragroup monetary liability (or asset) that gave rise to the foreign exchange difference have been eliminated on consolidation.

Fact pattern

In the fact pattern described in the request, an entity (the parent) enters into a loan with a subsidiary (intragroup loan). The parent and the subsidiary have different functional currencies. This intragroup loan:

a. is denominated in the functional currency of either the parent or the subsidiary; and

b. is not part of the parent's net investment in the subsidiary.

The entity in the group for which the intragroup loan is a foreign currency transaction applies IAS 21 to translate the loan to its functional currency and recognises any resulting exchange difference in profit or loss (the exchange difference). Applying IFRS 10 *Consolidated Financial Statements*, the parent, in preparing its consolidated financial statements, eliminates in full the intragroup assets, liabilities, income, expenses and cash flows relating to the loan. However, in accordance with paragraph 45 of IAS 21, the parent recognises the exchange difference in profit or loss.

Views

View I—classify the exchange difference in the operating category as the default category applying paragraph 52 of IFRS 18.

The income and expenses arising from the intragroup loan have been eliminated on consolidation and are consequently not presented in the consolidated statement of profit or loss. The parent concludes that it cannot classify the exchange difference applying paragraph B65 of IFRS 18 because there is no 'same' category in which it can classify the exchange difference. The parent, by default, classifies the exchange difference in the operating category applying paragraph 52 of IFRS 18.

View II—classify the exchange difference in the same category in which the parent would have classified the income and expenses from the intragroup loan prior to their elimination on consolidation, or, if doing so would involve undue cost or effort, in the operating category

Considering paragraph 45 of IAS 21, the exchange difference arose from the intragroup loan prior to its elimination on consolidation. The parent concludes that it can classify the exchange difference considering how the income and expenses from the intragroup loan would have been classified immediately prior to their elimination. If the parent determines that classifying the exchange difference in this way would involve undue cost or effort, it classifies the exchange difference in the operating category.

Applying the requirements in IFRS Accounting Standards

All Committee members concluded that a reasonable reading of paragraph B65 of IFRS 18 applied to the fact pattern described in the submission could result in an entity applying View I as described in this agenda decision.

Seven Committee members concluded View I is the only acceptable reading of paragraph B65 of IFRS 18. However, the other seven Committee members concluded that View II as described in this agenda decision would also be an acceptable reading of paragraph B65 of IFRS 18.

The Committee concluded that there are no other reasonable readings of paragraph B65 of IFRS 18 when applied to the fact pattern described in the submission.

Conclusion

The Committee was unable to conclude whether the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity, when applying paragraph B65 of IFRS 18, to classify a foreign exchange difference in the fact pattern described in the submission. The Committee nonetheless [decided] not to add a standard-setting project to the workplan.