
IASB® meeting

Date	April 2026
Project	Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)
Topic	Finalisation of agenda decision
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Purpose of the meeting

1. At its March 2026 meeting, the IFRS Interpretations Committee (Committee) decided not to add a standard-setting project to the work plan in response to a submission about the classification of a foreign exchange difference from an intragroup monetary liability (or asset) applying IFRS 18 *Presentation and Disclosure in Financial Statements*. The Committee instead decided to finalise an agenda decision that explained its reasons for not adding a standard-setting project.
2. The purpose of this meeting is to ask the International Accounting Standards Board (IASB) members whether they object to the agenda decision, as required by paragraph 8.7 of the IFRS Foundation [Due Process Handbook](#) (Due Process Handbook).

Background

3. In September 2025, the Committee published a [tentative agenda decision](#) in response to a request about the classification of a foreign exchange difference from an intragroup monetary liability (or asset).

4. Paragraph B65 of IFRS 18 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 applying paragraph B65 of IFRS 18 classifies a foreign exchange difference if the income and expenses from the intragroup monetary liability (or asset) that gave rise to the foreign exchange difference have been eliminated on consolidation.
5. The tentative agenda decision set out the fact pattern and the views considered by the Committee.
6. In September 2025, seven Committee members tentatively concluded that one of the views—described as View 1¹ in the tentative agenda decision—is the only reasonable reading of paragraph B65 of IFRS 18. The other seven Committee members tentatively concluded that two views—described as View 1 and View 2—are both reasonable readings of paragraph B65 of IFRS 18. The Committee tentatively concluded that the other views it considered are not reasonable readings of paragraph B65 of IFRS 18.
7. Notwithstanding the different views of its members, the Committee tentatively decided not to add a standard-setting project to the work plan and, instead, published a tentative agenda decision.

Feedback on the tentative agenda decision

8. The Committee received 49 comment letters on the tentative agenda decision by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#).² [Agenda Paper 2A](#) for the Committee’s March 2026 meeting summarised the comments and set out our analysis of those comments. [Agenda Paper 2](#) for the Committee’s March 2026 meeting provided a summary of our

¹ The tentative agenda decision referred to View I and View II. In this paper, we refer to those views as View 1 and View 2.

² At the date of posting this agenda paper, there were two late comment letters.

analysis and conclusions (based on Agenda Paper 2A) and suggested wording of the agenda decision for Committee discussion.

9. Some respondents (across all stakeholder types) agreed (or did not disagree) that both View 1 and View 2 are reasonable readings of the requirements. A few respondents disagreed that View 1 is a reasonable reading of the requirements. Some respondents (across all stakeholder types) disagreed that View 2 is a reasonable reading of the requirements (or asked the Committee to clarify the technical support for View 2).
10. All respondents agreed (or did not disagree) that two of the views—described as View 3 and View 5 in Agenda Paper 2 for the Committee’s March 2026 meeting—are not reasonable readings of the requirements, and almost all respondents agreed (or did not disagree) that one of the views—described as View 4 in Agenda Paper 2—is not a reasonable reading of the requirements.
11. Many respondents agreed (or did not disagree) with the Committee’s tentative decision not to add a standard-setting project to the work plan. Some respondents disagreed with this tentative decision. Most of the respondents that disagreed did so because they disagreed with the financial reporting *outcome* of applying either or both of View 1 or View 2, and some suggested alternative solutions that would require standard-setting.

The Committee’s discussion and feedback

12. The Committee considered the feedback at its March 2026 meeting.

Applying the applicable requirements to the fact pattern

13. For reasons set out in the agenda decision (see the [Appendix](#) to this paper), the Committee concluded that:
 - (a) both View 1 and View 2 are reasonable readings of paragraph B65 of IFRS 18.
A few Committee members said only View 1 is a reasonable reading while a

few other Committee members expressed a preference for View 2. However, a majority of Committee members were of the view that neither View 1 nor View 2 can be precluded as a reasonable reading of the requirements.

- (b) View 3 and View 4—and, by implication, View 5—as described in Agenda Paper 2 for the Committee’s March 2026 meeting are not reasonable readings of the requirements. All Committee members agreed with this conclusion.

14. Based on its discussions, the Committee also included in the agenda decision:
- (a) a few observations about how an entity would apply View 2; and
 - (b) an observation that an entity would develop and apply an accounting policy—that is, View 1 or View 2—in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

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

15. In the light of its conclusion that both View 1 and View 2 are reasonable readings of the requirements, the Committee considered whether to—but decided not to—recommend adding a standard-setting project to the work plan.
16. In reaching its decision, the Committee considered the criteria in paragraph 5.16(c)–(d) of the Due Process Handbook and concluded that the expected benefits of a standard-setting project to further clarify the classification of the exchange difference in the fact pattern described in the request would not outweigh the costs.³ This is because:
- (a) the final agenda decision set out in the appendix to this paper is expected to improve consistent application by limiting the reasonable readings of the requirements to only View 1 and View 2 and ruling out other views.

³ Paragraph 5.16(c)–(d) of the Due Process Handbook states, ‘The Interpretations Committee decides a standard-setting project should be added to the work plan...when all of the following criteria are met...(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 Board or the Interpretations Committee can address it in an efficient manner, but not so narrow that it is not cost-effective for the Board or the Interpretations Committee and stakeholders to undertake the due process required to change a Standard.’

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- (b) requiring all entities to apply View 1 (or a similar solution that would require entities to classify the exchange difference in a single specified category) would be rules-based and could contradict the IASB’s rationale for developing the requirements in paragraph B65 of IFRS 18 (as explained in paragraph 31 of Agenda Paper 2 for the Committee’s March 2026 meeting). It was also noted that entities—applying paragraphs B65–B68 of IFRS 18—would often classify other foreign exchange differences in different categories of the statement of profit or loss.
 - (c) feedback on the tentative agenda decision did not identify a single possible solution to address the matter.
 - (d) undertaking standard-setting at this stage could unduly disrupt entities’ efforts as they prepare to apply IFRS 18 by the effective date of 1 January 2027.

Changes to the tentative agenda decision

- 17. In the light of its conclusion to not add a standard-setting project to the work plan, the Committee decided to finalise the agenda decision with the following changes from the tentative agenda decision:
 - (a) removing mention of the Committee’s split vote at its September 2025 meeting;
 - (b) explaining why View 1 and View 2 are reasonable readings, and the other views are not reasonable readings, of paragraph B65 of IFRS 18;
 - (c) adding the observations set out in paragraph 14 of this paper;
 - (d) explaining, similar to paragraph 16 of this paper, why the Committee decided not to add a standard-setting project to the work plan; and
 - (e) making other editorial changes.
- 18. Ten of 14 Committee members voted to finalise the agenda decision.

Questions

Do you object to the Committee's:

- a. decision not to add a standard-setting project to the work plan?
- b. conclusion that the agenda decision does not add or change requirements in IFRS Accounting Standards?

Report to the IASB

19. The Committee's discussion at its March 2026 meeting and feedback on the tentative agenda decision highlighted potential challenges in applying the requirements in paragraph B65 of IFRS 18 to classify foreign exchange differences that arise from intragroup monetary items. In particular:
- (a) in some situations, neither of the views that the Committee considers to be reasonable readings appears to result in what some stakeholders view as faithfully representing the economic substance of the intragroup arrangement.
 - (b) a few Committee members suggested monitoring this matter and considering it as part of a future post-implementation review of IFRS 18.

Appendix—The agenda decision

A1. The agenda decision below was approved by the Committee at its March 2026 meeting.

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 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, unless doing so would involve undue cost or effort (see paragraph B68)’.

The request asked how an entity applying paragraph B65 of IFRS 18 classifies a foreign exchange difference if 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 enters into a loan with its subsidiary (intragroup loan). The entity and its subsidiary have different functional currencies. This intragroup loan:

- a. is denominated in the functional currency of either the entity or its subsidiary; and
- b. is not part of the entity’s net investment in the subsidiary.

The entity or the subsidiary for which the intragroup loan is a foreign currency monetary item applies IAS 21 to translate the loan to its functional currency and recognises any resulting exchange difference in profit or loss (the exchange difference). In preparing its consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements*, the entity 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 entity does not eliminate the exchange difference and recognises that exchange difference in its consolidated statement of profit or loss.

Applying the requirements in IFRS Accounting Standards

To determine how an entity classifies the exchange difference in accordance with paragraph B65 of IFRS 18, the Committee considered what ‘the items that gave rise to the foreign exchange differences’ are.

Paragraph 45 of IAS 21 states ‘[t]he incorporation of the results and financial position of a foreign operation with those of the reporting entity follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary (see IFRS 10 Consolidated Financial Statements). However, an intragroup monetary asset (or liability), whether short-term or long-term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations...’.

The Committee observed that—according to paragraph 45 of IAS 21—it is the intragroup monetary liability (or asset) that gives rise to the exchange difference. The monetary item represents a commitment to convert one currency into another currency.

Consequently, the Committee concluded that a reasonable reading of paragraph B65 of IFRS 18 applied to the fact pattern described in the request results in two possible ways (described as View 1 and View 2 in this agenda decision) to classify the exchange difference.

View 1—Classify the exchange difference in the operating category as the default category

The income and expenses from the item that gave rise to the exchange difference are not included in the consolidated statement of profit or loss. Consequently, the entity could reasonably conclude it cannot apply paragraph B65 of IFRS 18 to this exchange difference because there is no ‘same’ category within which the entity can classify the exchange

difference. The entity therefore, by default, classifies the exchange difference in the operating category in accordance with paragraph 52 of IFRS 18.

View 2—Classify the exchange difference in the same category in which the income and expenses from the intragroup loan would have been classified before their elimination on consolidation, or, if doing so would involve undue cost or effort, in the operating category

The entity might consider that the exchange difference arose from the intragroup loan before the elimination of that loan—and of any income and expenses (other than the exchange difference) arising from that loan—on consolidation.

The Committee observed that while paragraph B65 of IFRS 18 requires the exchange difference to be classified in the ‘same’ category as the income and expenses from the item that gave rise to the exchange difference, it does not require those income and expenses to be included in the consolidated statement of profit or loss.

Therefore, applying paragraph B65 of IFRS 18, the entity could reasonably conclude it can classify the exchange difference in the category in which the income and expenses from the intragroup loan would have been classified before the elimination of those income and expenses.

The Committee observed that applying View 2:

- a. if the entity determines—in accordance with paragraph B68 of IFRS 18—that classifying the exchange difference in the same category in which the income and expenses would have been classified before their elimination involves undue cost or effort, the entity instead classifies the exchange difference in the operating category. In accordance with paragraph B68 of IFRS 18, an entity assesses whether classifying foreign exchange differences involves undue cost or effort ‘for each item that gives rise to foreign exchange differences.’
- b. the entity classifies the exchange difference from its perspective (as a consolidated group). This means, for example, that the category in which the entity classifies the exchange difference might differ from the category in which the subsidiary classified the exchange difference in its statement of profit or loss (if applicable to the subsidiary). A reason those categories might differ is if the entity’s assessment of its

specified main business activities—as a consolidated group—differs from the subsidiary’s assessment of its specified main business activities.

Other views

The Committee concluded that the other views described in the request would not be reasonable readings of the requirements. Those views were that:

- a. the transaction in the fact pattern involves only the raising of finance and, consequently, the entity classifies the exchange difference in the financing category. The Committee concluded that this view is not a reasonable reading of the requirements because the exchange difference does not always arise from a transaction that involves only the raising of (intragroup) finance.
- b. the exchange difference arose from the transfer of cash from one currency into another for a period of time and, consequently, the entity classifies the exchange difference in the investing category. The Committee concluded that this view is not a reasonable reading of the requirements because it is not cash (or currency) that gave rise to the exchange difference.

Other observations

The Committee observed that an entity develops and applies an accounting policy—that is, View 1 or View 2 as described in this agenda decision—in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

Conclusion

In the light of its analysis, the Committee considered whether to add a standard-setting project to the work plan. The Committee concluded that the expected benefits of a standard-setting project to further clarify the classification of the exchange difference in the fact pattern described in the request would not outweigh the costs. Consequently, the Committee decided not to add a standard-setting project to the work plan.