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## IASB<sup>®</sup> meeting

Date	<b>April 2026</b>
Project	<b>Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent (IFRS 18)</b>
Topic	<b>Finalisation of agenda decision</b>
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## Introduction

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 how a parent applying IFRS 18 *Presentation and Disclosure in Financial Statements* assesses, for the purposes of its separate financial statements, whether it has a specified main business activity of investing in unconsolidated subsidiaries. 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](#).

## Background

### ***Summary of the fact pattern***

3. In [November 2025](#), the Committee discussed a request that asked how a parent applying IFRS 18 assesses, for the purposes of its separate financial statements,

whether it has a specified main business activity of investing in unconsolidated subsidiaries.

4. In the fact pattern described in the request, the reporting entity is the ultimate parent of a large group of entities. Its only activities are holding investments in subsidiaries, making decisions on the management, acquisition and disposal of those subsidiaries and distributing returns on those investments to shareholders. In its separate financial statements, the parent accounts for its investments in subsidiaries at cost in accordance with paragraph 10(a) of IAS 27 *Separate Financial Statements*.
5. The parent does not provide to its shareholders any segmental analysis or use any subtotals to explain its operating performance related to its separate financial statements. The parent also does not use such metrics for internal monitoring purposes.
6. The request asked whether the parent, for the purposes of its separate financial statements, has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries.

### ***The Committee's analysis and conclusions***

7. The [tentative agenda decision](#) set out the applicable requirements in IFRS 18 and the Committee's analysis of the application of those requirements to the fact pattern.
8. As noted in the tentative agenda decision, the Committee observed, amongst other things, that:
  - (a) assessing whether a parent has a main business activity of investing in unconsolidated subsidiaries for the purposes of its separate financial statements requires judgement—in particular, when the parent has more than one business activity—and depends on the parent's specific facts and circumstances.

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- (b) in the fact pattern described in the request, the parent has no substantive business activity apart from holding and managing investments in subsidiaries and distributing returns from those investments. In those circumstances, concluding that investing in unconsolidated subsidiaries is not a main business activity for the parent would result in the parent not having any main business activity. The Committee observed that an outcome in which an entity has no main business activity would be inconsistent with the IASB’s rationale underlying the requirements of the Standard.
- (c) for the parent described in the request, the absence of any other substantive activity is sufficient evidence to conclude that investing in unconsolidated subsidiaries is a main business activity for the purposes of the parent’s separate financial statements.
- (d) the examples provided in paragraphs B34–B36 of IFRS 18 of the types of factors an entity considers in assessing whether it has a specified main business activity do not apply in the fact pattern described in the request. The absence of those factors is not determinative and does not indicate that the parent’s only substantive business activity is not its main business activity.
9. The Committee concluded that the parent, for the purposes of its separate financial statements, has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. Consequently, the parent is required to classify the income and expenses from its investments in unconsolidated subsidiaries (accounted for at cost) in the operating category of its statement of profit or loss.
10. Based on its analysis, the Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for the parent described in the request to assess, for the purposes of its separate financial statements, whether it has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. Therefore, the Committee tentatively decided

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not to add a standard-setting project to the work plan and, instead, published a tentative agenda decision.

## Feedback on the tentative agenda decision

11. The Committee received 17 [comment letters](#) on its tentative agenda decision by the comment letter deadline.<sup>1</sup> [Agenda Paper 6](#) for the Committee’s March 2026 meeting (March 2026 agenda paper) summarised respondents’ comments and set out our analysis of those comments.
12. Of the 17 respondents:
  - (a) twelve agreed with the Committee’s conclusion and tentative decision not to add a standard-setting project to the work plan for the reasons set out in the tentative agenda decision. A few of these respondents provided comments about applying the requirements in IFRS 18 to investments in subsidiaries accounted for applying the equity method—while acknowledging that the investments in subsidiaries described in the request are accounted for at cost.
  - (b) three—a standard-setter, an international accounting firm and a group of preparers—disagreed with the technical basis for some of the Committee’s observations in the tentative agenda decision. These respondents said, for example, that some of the wording in the tentative agenda decision risked creating a presumption that all entities must have at least one main business activity or that every entity must have income or expenses classified in the operating category.
  - (c) one (a standard-setter) did not express agreement or disagreement but expressed concern about potential outcomes of applying the tentative agenda decision. In particular, this respondent expressed concern about the potential for a lack of aligned outcomes for a consolidated group and a subsidiary within the group.

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<sup>1</sup> At the date of posting this agenda paper, there were no late comment letters.

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- (d) one (a standard-setter) disagreed with the Committee's tentative decision not to add a standard-setting project to the work plan. This respondent suggested standard-setting on IAS 27 because, amongst other reasons, it questioned whether income and expenses can arise from an investment in a subsidiary measured at cost.
13. For reasons explained in the March 2026 agenda paper, we continued to think the Committee's application of the requirements in IFRS 18 to the fact pattern in the request remains appropriate, with some clarifications. In addition to minor wording changes, we suggested to clarify in a final agenda decision that:
- (a) in the fact pattern described in the request, the parent *has* a substantive business activity of holding and managing investments in subsidiaries and distributing returns from those investments—and the Committee's observations in the agenda decision reflect those circumstances.
- (b) the parent in the fact pattern described in the request applies paragraph 55(b) of IFRS 18 because it accounts for its investments in unconsolidated subsidiaries *at cost* (that is, not applying the equity method).

## The Committee's discussion and feedback

14. The Committee considered the feedback at its March 2026 meeting. All Committee members agreed with our analysis of feedback on the tentative agenda decision.
15. The Committee agreed with our suggested changes (see paragraph 13) to the wording of the tentative agenda decision and decided to make some additional clarifying changes consistent with our suggestions.
16. All 14 Committee members voted to finalise the agenda decision. The [appendix](#) to this paper includes the wording of the agenda decision approved by the Committee.

## 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?

## Appendix—The agenda decision

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

### **Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent (IFRS 18 *Presentation and Disclosure in Financial Statements*)**

The Committee received a request about how a parent applying IFRS 18 assesses, for the purposes of its separate financial statements, whether it has a specified main business activity—in the fact pattern described in the request, a main business activity of investing in unconsolidated subsidiaries.

#### **Fact pattern**

In the fact pattern described in the request, the reporting entity is the ultimate parent of a large group of entities. Its only activities are holding investments in subsidiaries, making decisions on the management, acquisition and disposal of those subsidiaries and distributing returns on those investments to shareholders. The parent determines that it is not an investment entity as defined in IFRS 10 *Consolidated Financial Statements*.

In its separate financial statements, the parent accounts for its investments in subsidiaries (hereafter referred to as investments in unconsolidated subsidiaries) at cost in accordance with paragraph 10(a) of IAS 27 *Separate Financial Statements*. The parent does not provide to its shareholders any segmental analysis or use any subtotals to explain its operating performance related to its separate financial statements. The parent also does not use such metrics for internal monitoring purposes. Shareholders are provided segmental analysis and subtotals as indicators of the consolidated group's operating performance. For the purposes of the group's consolidated financial statements, no specified main business activity is identified.

The request asked whether the parent, for the purposes of its separate financial statements, has a specified main business activity—specifically, a main business activity of investing

in unconsolidated subsidiaries. In accordance with IFRS 18, the parent would classify income and expenses from those investments in subsidiaries (which are accounted for at cost) in its statement of profit or loss:

- a. in the operating category if it concludes that it has a main business activity of investing in unconsolidated subsidiaries; and
- b. in the investing category if it concludes that it does not have a main business activity of investing in unconsolidated subsidiaries.

### **Applicable requirements**

Paragraph 52 of IFRS 18 requires an entity to classify in the operating category all income and expenses included in the statement of profit or loss that are not classified in any of the other four categories—that is, the investing, financing, income taxes and discontinued operations categories. Paragraph B42 of IFRS 18 explains that the requirements in the Standard result in an entity classifying income and expenses from its main business activities in the operating category, except for income and expenses from investments accounted for using the equity method. Paragraph B30 of IFRS 18 explains that an entity may have more than one main business activity.

To classify income and expenses in the operating, investing and financing categories, an entity assesses, as required by paragraph 49 of IFRS 18, whether it has a specified main business activity. In accordance with paragraphs 49(a) and 53(a) of IFRS 18, one specified main business activity is investing in particular types of assets including investments in unconsolidated subsidiaries. As paragraph B44(c) of IFRS 18 notes, investments in unconsolidated subsidiaries include investments in subsidiaries in separate financial statements that are accounted for at cost applying paragraph 10(a) of IAS 27.

Paragraph 53(a) of IFRS 18 requires an entity to classify income and expenses from investments in unconsolidated subsidiaries in the investing category unless the entity invests in that type of asset as a specified main business activity. If an entity invests in unconsolidated subsidiaries as a specified main business activity, paragraph 55 of IFRS 18

requires the entity to classify income and expenses from those subsidiaries in the operating category (unless those investments are accounted for applying the equity method).

Paragraphs B30–B41 of IFRS 18 include application guidance an entity applies when determining whether it has a specified main business activity. In particular:

- a. paragraph B33 of IFRS 18 states that whether investing in assets is a main business activity of the entity is a matter of fact and not merely an assertion. It requires an entity to use its judgement to assess whether investing in assets is a main business activity and to base that assessment on evidence.
- b. paragraphs B34–B36 of IFRS 18 discuss factors that might provide evidence of an entity’s main business activity. These factors include, for example, whether the entity uses a particular subtotal as an important indicator of operating performance or whether, applying IFRS 8 *Operating Segments*, the entity has a reportable segment that comprises a single business activity.

Paragraph B37 of IFRS 18 requires an entity to assess whether investing in assets is a main business activity for the reporting entity as a whole. Accordingly, the assessment of whether investing in assets is a main business activity by a reporting entity that is a consolidated group and a reporting entity that is one of the subsidiaries in the consolidated group could have different outcomes. Paragraph BC99 of the Basis for Conclusions on IFRS 18 explains the IASB’s rationale for the related requirements and notes that a parent entity’s conclusion as to whether an activity is a main business activity for the purposes of its separate financial statements might differ from its conclusion for the purposes of the group’s consolidated financial statements.

### **Applying the requirements in IFRS 18 to the fact pattern**

In accordance with paragraph 55 of IFRS 18, an entity can have a main business activity of investing in unconsolidated subsidiaries. The Committee observed that assessing whether a parent has a main business activity of investing in unconsolidated subsidiaries for the purposes of its separate financial statements requires judgement—in particular, when the

parent has more than one business activity—and depends on the parent’s specific facts and circumstances.

In the fact pattern described in the request, the parent has a substantive business activity of holding and managing investments in subsidiaries and distributing returns from those investments. The Committee observed that, in those circumstances, an outcome in which the parent described in the request has no main business activity would be inconsistent with the IASB’s rationale underlying the requirements of the Standard—in particular:

- a. all income and expenses included in profit or loss—other than those related to investing, financing, income taxes and discontinued operations—arise from an entity’s operations; and
- b. an entity’s operations include—but are not limited to—one or more main business activities, including income and expenses from investing in assets if that activity is a main business activity of the entity.

The Committee observed that, for the parent described in the request, the absence of any other substantive activity is sufficient evidence to conclude that investing in unconsolidated subsidiaries is a main business activity for the purposes of the parent’s separate financial statements.

Therefore, the Committee concluded that the parent, for the purposes of its separate financial statements, has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. The parent accounts for its investments in unconsolidated subsidiaries at cost. Consequently, in accordance with paragraph 55(b) of IFRS 18, the parent classifies the income and expenses from its investments in unconsolidated subsidiaries in the operating category of its statement of profit or loss.

The Committee also observed that:

- a. the parent described in the request does not provide to its shareholders any segmental analysis or use any subtotals to explain its operating performance related to its separate financial statements; therefore, the examples provided in paragraphs

B34–B36 of IFRS 18 of the types of factors an entity considers in assessing whether it has a specified main business activity do not apply in the fact pattern described in the request. The absence of those factors is not determinative and does not indicate that the parent’s only substantive business activity is not its main business activity.

- b. the absence of a parent from the examples provided in paragraph B31 of IFRS 18 is not determinative; those examples are not an exhaustive list.
- c. consistent with the IASB’s rationale in developing the requirements (as set out in paragraphs BC98–BC99 of the Basis for Conclusions on IFRS 18), the assessment of a main business activity is made for the reporting entity as a whole and, therefore, the outcome of that assessment for the purposes of the separate financial statements of a parent can differ from the outcome of the assessment for the purposes of the consolidated financial statements of the parent and its subsidiaries as a single economic entity.

### **Conclusion**

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the parent described in the request to assess, for the purposes of its separate financial statements, whether it has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. Consequently, the Committee decided not to add a standard-setting project to the work plan.