
IASB[®] meeting

Date **January 2026**

Project **Determining and Accounting for Transaction Costs (IFRS 9)**

Topic **Finalisation of agenda decision**

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Purpose of the meeting

1. At its November 2025 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 application of the definition of transaction costs and the requirements in IFRS 9 *Financial Instruments* relating to transaction costs. 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

3. The submission asked how an entity determines whether costs that are directly attributable to origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are 'incremental' and, therefore, meet the

definition of transaction costs in Appendix A of IFRS 9.¹ Assuming that the costs are determined to be transaction costs, the submission asked how to account for such costs in the period between incurring the costs and entering into the contractual arrangement. The agenda decision (see the [appendix](#) to this paper) describes the fact pattern and the questions.

4. Upon receiving the submission, we sent an information request to members of the International Forum of Accounting Standard Setters, securities regulators and large accounting firms. The responses to the information request indicated no diversity in applying IFRS 9 that could have a material effect on entities' financial statements with regards to determining and accounting for costs incurred before entering into a contractual arrangement. Feedback suggested that:
 - (a) costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement, are not precluded from being 'incremental', and, accordingly, could meet the definition of transaction costs in IFRS 9; and
 - (b) transaction costs are recognised in the statement of financial position, often as prepayments or other assets.²
5. Based on its findings, in June 2025, the Committee concluded that the matter described in the request does not meet the criteria for adding a standard-setting project to the work plan set out in paragraph 5.16 of the [Due Process Handbook](#). In particular, the matter did not meet the criterion in sub-paragraph 5.16(a) that 'the matter has widespread effect...'. Consequently, the Committee decided to publish a [tentative agenda decision](#) outlining its findings and explaining its reasons for not adding a standard-setting project.

¹ Appendix A of IFRS 9 defines transaction costs as 'incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.'

² See paragraphs 10–16 of [Agenda Paper 2](#) for the Committee's June 2025 meeting.

Feedback on the tentative agenda decision

6. The Committee received 15 comment letters on its tentative agenda decision by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#).³ [Agenda Paper 5](#) for the Committee's November 2025 meeting summarised the comments and set out our analysis of those comments.
7. In summary:
- (a) nine respondents agreed with the Committee's decision not to add a standard-setting project to the work plan for the reasons set out in the tentative agenda decision. Four of these respondents suggested adding further clarifications and guidance, such as illustrative examples, regarding the accounting for costs incurred before entering into a contractual arrangement.
 - (b) one respondent did not object to the Committee's decision not to add a standard-setting project to the work plan. However, that respondent said the fact pattern described in the tentative agenda decision is common. Therefore, the respondent suggested that the Committee undertake a technical analysis of the matter and include explanatory material in the agenda decision.
 - (c) three respondents disagreed with the Committee's decision not to add a standard-setting project to the work plan. These respondents said the Committee should add a standard-setting project to the workplan to clarify the definition of the term 'incremental costs' and to ensure its consistent application across different IFRS Accounting Standards.
 - (d) two respondents did not specify whether they agree with the decision but provided their own technical analysis of the submitted fact pattern.

³ At the date of posting this agenda paper, there were no late comment letters.

The Committee's discussion and feedback

8. The Committee considered the feedback at its November 2025 meeting. The Committee confirmed its conclusion that the matter described in the request does not have widespread effect and its decision not to add a standard-setting project to the work plan.
9. The Committee made no significant changes to the wording of the tentative agenda decision. The [appendix](#) to this paper includes the wording of the agenda decision approved by the Committee.
10. All 14 Committee members voted to finalise the agenda decision.

Questions for the IASB

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 November 2025 meeting.

Determining and Accounting for Transaction Costs (IFRS 9 *Financial Instruments*)

The Committee received a request about the application of the definition of transaction costs in IFRS 9 and the requirements in IFRS 9 relating to transaction costs.

Fact pattern

The request asked how an entity determines whether costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are ‘incremental’ and, therefore, meet the definition of transaction costs in Appendix A of IFRS 9.

In the fact pattern described in the request, an entity intends to enter into a loan contract with a bank and incurs legal and advisory fees while analysing the terms and conditions of the proposed loan. The entity expects to proceed with the contract, but the loan contract has not been signed as of the date the entity’s financial statements are authorised for issue.

The request outlined two views:

- (a) in one view, costs that are incurred before entering into the contractual arrangement cannot meet the definition of transaction costs set out in Appendix A of IFRS 9; and
- (b) in the other view, costs that are incurred before entering into the contractual arrangement can meet the definition of transaction costs set out in Appendix A of IFRS 9, even if there is a possibility that the financial instrument might not be originated or issued.

Assuming that the costs are determined to be transaction costs, the request asked how to account for such costs in the period between incurring the costs and entering into the contractual arrangement.

Findings

Evidence gathered by the Committee indicated no diversity in applying IFRS 9 that could have a material effect on entities' financial statements with regards to determining and accounting for costs incurred before entering into a contractual arrangement. Feedback suggested that:

- (a) costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are not precluded from being 'incremental' and, accordingly, could meet the definition of transaction costs in IFRS 9; and
- (b) transaction costs are recognised in the statement of financial position, often as prepayments or other assets.

Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.