

IFRIC Update March 2026

IFRIC Update is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past Updates can be found in the [IFRIC Update archive](#).

The Committee met on [17–18 March 2026](#) and discussed

Committee’s tentative agenda decisions

- [Reassessment of Control \(IFRS 10\)—Agenda Paper 5](#)

Agenda decisions for the IASB’s consideration

- [Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability \(or Asset\) \(IFRS 18\)—Agenda Paper 2](#)
- [Economic Benefits from Use of a Battery under an Offtake Arrangement \(IFRS 16\)—Agenda Paper 3](#)
- [Fair Presentation and Compliance with IFRS Accounting Standards \(IAS 1\)—Agenda Paper 4](#)
- [Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent \(IFRS 18\)—Agenda Paper 6](#)
- [Scope of the Requirement to Disclose Expenses by Nature \(IFRS 18\)—Agenda Paper 7](#)
- [Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure \(IFRS 18\)—Agenda Paper 8](#)
- [Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 *Income Taxes* \(IFRS 18\)—Agenda Paper 9A](#)
- [Updates to Committee’s agenda decisions for IFRS 18 *Presentation and Disclosure in Financial Statements*—Agenda Paper 9B](#)

Other matters

- [Control Assessment for a Single-investor Fund \(IFRS 10\)—Agenda Paper 10](#)
- [Post-implementation Review of IFRS 9—Hedge Accounting—Agenda Paper 11](#)
- [Work in Progress—Agenda Paper 12](#)

Related information

[The work plan](#)

[Supporting consistent application](#)

Addendum to IFRIC *Update*—Committee’s agenda decisions

- [Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability \(or Asset\) \(IFRS 18\)—Agenda Paper 2](#)
- [Economic Benefits from Use of a Battery under an Offtake Arrangement \(IFRS 16\)—Agenda Paper 3](#)
- [Fair Presentation and Compliance with IFRS Accounting Standards \(IAS 1\)—Agenda Paper 4](#)
- [Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent \(IFRS 18\)—Agenda Paper 6](#)
- [Scope of the Requirement to Disclose Expenses by Nature \(IFRS 18\)—Agenda Paper 7](#)
- [Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure \(IFRS 18\)—Agenda Paper 8](#)

Committee’s tentative agenda decisions

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the [Open for comment](#) page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

Reassessment of Control (IFRS 10 Consolidated Financial Statements)—Agenda Paper 5

Open for comment until 29 May 2026

The Committee received a request asking whether, in accordance with paragraph 8 of IFRS 10, an entity reassesses whether it retains control of an investee when the investee’s governing document is amended. The entity’s conclusion as to whether it controls the investee may or may not change as a result of such a reassessment.

Fact pattern

An entity was involved in setting the purpose and design of an investee when the investee was established. At that time, the entity concluded—applying IFRS 10—that it controlled the investee. At a later date, the governing document of the investee was amended in a way that could result in a change in the investee’s relevant activities, as well as in the rights of the entity and other parties relating to those relevant activities.

Question

The request asks whether—applying paragraph 8 of IFRS 10—the amendments to the investee’s governing document require the entity to reassess whether it retains control of the investee.

Findings

Evidence gathered by the Committee [to date] indicated no diversity in determining whether, in the fact pattern described in the request, the entity reassesses whether it retains control of the investee. Feedback suggests that, in that fact pattern, the entity reassesses whether it retains control of the investee.

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.

Agenda decisions for the IASB’s consideration

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18 *Presentation and Disclosure in Financial Statements*)—Agenda Paper 2

The Committee considered feedback on the **tentative agenda decision** published in the September 2025 IFRIC *Update* about the classification of a foreign exchange difference from an intragroup monetary liability (or asset).

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation’s *Due Process Handbook*, the International Accounting Standards Board (IASB) will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16 *Leases*)—Agenda Paper 3

The Committee considered feedback on the **tentative agenda decision** published in the September 2025 IFRIC *Update* about how an entity applies the requirements in paragraph B9(a) of IFRS 16—specifically, how an entity determines whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation’s *Due Process Handbook*, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1 *Presentation of Financial Statements*)—Agenda Paper 4

The Committee considered feedback on the **tentative agenda decision** published in the November 2025 IFRIC *Update* about the application of the requirements in paragraphs 15–24 of IAS 1 *Presentation of Financial Statements* [paragraphs 6A–6J of IAS 8 *Basis of Preparation of Financial Statements*] relating to fair presentation and compliance with IFRS Accounting Standards.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation’s *Due Process Handbook*, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

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*)—Agenda Paper 6

The Committee considered feedback on the **tentative agenda decision** published in the November 2025 IFRIC *Update* 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.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

Scope of the Requirement to Disclose Expenses by Nature (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 7

The Committee considered feedback on the **tentative agenda decision** published in the November 2025 IFRIC *Update* about the scope of the requirements in paragraph 83 of IFRS 18.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 8

The Committee considered feedback on the **tentative agenda decision** published in the November 2025 IFRIC *Update* about how an entity applies the requirements in paragraphs B70–B76 of IFRS 18 to classify gains or losses on a derivative financial instrument in its consolidated statement of profit or loss.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 *Income Taxes* (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 9A

The Committee considered feedback on the **tentative agenda decision** published in the November 2025 IFRIC *Update* about the presentation, in the statement of profit or loss, of taxes or other charges that are not tax expense or tax income applying IAS 12 *Income Taxes*.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

Updates to Committee's agenda decisions for IFRS 18 Presentation and Disclosure in Financial Statements—Agenda Paper 9B

The Committee considered feedback on its **proposals** published in the November 2025 IFRIC *Update* to update agenda decisions:

- a. *Presentation of payments on non-income taxes* (IAS 1 and IAS 12); and
- b. *Classification of tonnage taxes* (IAS 12).

The Committee decided to finalise the proposed updates to the two agenda decisions.

The IASB will consider the Committee's decision at a future meeting. If the IASB agrees, the updates to the two agenda decisions will be published in an addendum to this IFRIC *Update*.

Other matters

Control Assessment for a Single-investor Fund (IFRS 10 *Consolidated Financial Statements*)—Agenda Paper 10

The Committee discussed a request about how an entity—the only investor in a fund other than the fund manager—assesses whether it controls the fund, if the fund manager is an agent.

The Committee will continue its discussions on the matter at a future meeting.

Post-implementation Review of IFRS 9—Hedge Accounting—Agenda Paper 11

Committee members discussed and provided their views on:

- a. the implementation and application of the hedge accounting requirements in IFRS 9 *Financial Instruments* and the related disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*; and
- b. matters that the IASB should investigate in the first phase of the post-implementation review of those requirements.

Next step

The IASB will consider this input as it identifies matters to include in a request for information for public consultation.

Work in Progress—Agenda Paper 12

The Committee received an update on the status of open matters not discussed at its March 2026 meeting.

Addendum to IFRIC Update—Committee’s agenda decisions

Agenda decisions, in many cases, include explanatory material. Explanatory material may provide additional insights that might change an entity's understanding of the principles and requirements in IFRS Accounting Standards. Because of this, an entity might determine that it needs to change an accounting policy as a result of an agenda decision. It is expected that an entity would be entitled to **sufficient time** to make that determination and implement any necessary accounting policy change (for example, an entity may need to obtain new information or adapt its systems to implement a change). Determining how much time is sufficient to make an accounting policy change is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless an entity would be expected to implement any change on a timely basis and, if material, consider whether disclosure related to the change is required by IFRS Accounting Standards.

The Committee discussed the following matters and decided not to add standard-setting projects to the work plan.

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 2

Published in April 2026¹

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.

¹ In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2026 meeting, the IASB discussed, and did not object to, this agenda decision.

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.

Agenda Paper 2: Report to the IASB

The Committee's discussion 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. The Committee suggested reporting these potential challenges to the IASB. **Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16 Leases)—Agenda Paper 3**

Published in April 2026²

The Committee received requests about how an entity applies the requirements in paragraph B9(a) of IFRS 16—specifically, how an entity determines whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset. The requests illustrate the question by describing a fact pattern involving a battery offtake arrangement.

Fact pattern

In the fact pattern described in the requests, a battery owner and an electricity retailer are registered participants in a gross pool electricity market.

The battery owner and the electricity retailer enter into a battery offtake arrangement. Under the terms and conditions of the offtake arrangement, the battery owner retains custody of the battery but is contractually obliged to operate it in accordance with the electricity retailer's instructions, which cover 100% of the capacity of the battery; the battery cannot be substituted. The electricity retailer's instructions would typically specify whether and when the battery owner charges and discharges the battery. The electricity retailer can instruct the battery owner to charge and discharge the battery throughout the period of use (including multiple times during each day).

In a gross pool electricity market, settlement of electricity transactions requires a single registered participant to transact with the market operator. As the battery owner is the registered participant, transactions occurring under the offtake arrangement are settled as follows:

- a. the electricity retailer pays a fixed amount to the battery owner over the period of the contract for the right to use the battery. This fixed amount reflects the size of the battery and the period of use and is payable regardless of whether the battery is charged or discharged.

² In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2026 meeting, the IASB discussed, and did not object to, this agenda decision.

- b. the battery owner operates the battery according to the electricity retailer's instructions by buying and selling electricity and settles those transactions with the market operator. In accordance with the gross pool market structure, all transactions with the market operator occur at the spot price. The battery owner pays all resulting cash flows to (or receives all resulting cash flows from) the electricity retailer.
- c. the battery owner and the electricity retailer settle transactions in (a) and (b) periodically, net in cash.

Paragraph 9 of IFRS 16 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. Applying paragraph B9 of IFRS 16, to assess whether a contract conveys the right to control the use of an identified asset for a period of time an entity assesses whether, throughout the period of use, the customer has *both*:

- a. the right to obtain substantially all of the economic benefits from use of the identified asset; *and*
- b. the right to direct the use of that asset.

The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery (paragraph B9(b) of IFRS 16). The requests ask whether, under the offtake arrangement, the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16).

Applying IFRS 16 to the fact pattern

In determining whether it has the right to obtain substantially all of the economic benefits from use of an identified asset (paragraph B9(a) of IFRS 16) and the right to direct the use of that asset (paragraph B9(b) of IFRS 16), an entity considers the terms and conditions of the contract and all relevant facts and circumstances.

Does the electricity retailer have the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16)?

Paragraph B21 of IFRS 16 specifies that 'a customer can obtain economic benefits from use of an asset directly or indirectly in many ways, such as by using, holding or sub-leasing the asset. The economic benefits from use of an asset include its primary output and by-products (including potential cash flows derived from these items), and other economic benefits from using the asset that could be realised from a commercial transaction with a third party.'

The Committee observed that, in the fact pattern described in the requests, the economic benefits from use of the battery are derived from its storage capability and capacity. The battery is used to store, and then release, electricity—and not to produce electricity.

The Committee also observed that the battery offtake arrangement provides the electricity retailer with the economic benefits derived from the battery storage because the electricity retailer has the exclusive right:

- a. to use the entire capacity of the battery throughout the period of use (for the duration of the arrangement); and
- b. to direct the battery owner as to whether, when and by how much to charge and discharge the battery.

Therefore, applying paragraph B21 of IFRS 16 to the fact pattern, the Committee concluded that the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery.

Does the electricity retailer have the right to direct the use of the battery (paragraph B9(b) of IFRS 16)?

The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery. Therefore, the Committee did not analyse the application of paragraph B9(b) of IFRS 16 to the fact pattern.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an electricity retailer, as the customer in a battery offtake arrangement as described in the requests, to determine whether it has the right to obtain substantially all of the economic benefits from use of the battery. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1 Presentation of Financial Statements [IAS 8 Basis of Preparation of Financial Statements])—Agenda Paper 4

Published in April 2026³

The Committee received a request about the application of the requirements in paragraphs 15–24 of IAS 1 [paragraphs 6A–6J of IAS 8] relating to fair presentation and compliance with IFRS Accounting Standards.

Fact pattern and question

In the fact pattern described in the request, an entity applying paragraph 19 of IAS 1 [paragraph 6E of IAS 8] departs from a requirement in an IFRS Accounting Standard. The request asked whether the entity is nonetheless required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 [paragraph 6A of IAS 8].

Findings

Evidence gathered by the Committee indicated that the fact pattern described in the request arises infrequently.

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.

³ In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2026 meeting, the IASB discussed, and did not object to, this agenda decision.

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)—Agenda Paper 6

Published in April 2026⁴

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,

⁴ In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2026 meeting, the IASB discussed, and did not object to, this agenda decision.

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.

Scope of the Requirement to Disclose Expenses by Nature (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 7

*Published in April 2026*⁵

The Committee received a request about the scope of the requirements in paragraph 83 of IFRS 18.

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)).

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 said these expenses might include amounts that have been recognised as part of the carrying amount of an asset—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. That means, for example, that 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 presents any line item comprising expenses classified by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18 that are classified by function.

⁵ In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2026 meeting, the IASB discussed, and did not object to, this agenda decision.

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. 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. Note 1 of paragraph IE7 of the Illustrative Examples on IFRS 18 illustrates a way to apply paragraph 83 of IFRS 18 and the related application guidance.

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.

Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 8

Published in April 2026⁶

The Committee received a request about how an entity applies the requirements in paragraphs B70–B76 of IFRS 18 to classify gains or losses on a derivative financial instrument in its consolidated statement of profit or loss. The derivative is a forward contract that is used to manage the foreign currency risk of a net liability exposure, but is not designated as a hedging instrument applying IFRS 9 *Financial Instruments*.

The request asks how the entity, applying IFRS 18, classifies any gain or loss arising from the derivative in its consolidated statement of profit or loss.

Fact pattern

An entity (Parent P) has three subsidiaries—Subsidiary A, Subsidiary B and Treasury Entity—that it consolidates when preparing its consolidated financial statements. Subsidiaries A and B have the same functional currency (LC) and have the following loans denominated in foreign currency (FC):

- a. Subsidiary A issued a loan of FC100 to a third party (investing asset); and
- b. Subsidiary B obtained a loan of FC120 from a different third party (financing liability).

Therefore, the group has a net liability exposure of FC20.

⁶ In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2026 meeting, the IASB discussed, and did not object to, this agenda decision.

Applying paragraph 49 of IFRS 18, Parent P assesses that—for the purposes of its consolidated financial statements—it does not have a specified main business activity of investing in particular types of assets or of providing financing to customers. Consequently, in its consolidated financial statements, Parent P classifies the interest income from the investing asset in the investing category and the interest expense from the financing liability in the financing category. Applying paragraph B65 of IFRS 18, Parent P classifies any related foreign exchange differences in the same category as the interest income and interest expense from those financial instruments.

To manage the foreign currency risk of the group's net liability exposure, Treasury Entity enters into a forward contract with a third party at a notional amount of FC20 to sell local currency and buy foreign currency (external derivative).

Consistent with the group's risk management policy, the purpose of the external derivative is to manage the identified foreign currency risk of the net liability exposure, not the group of gross exposures (the investing asset and the financing liability) that make up the net exposure.

Parent P does not designate the external derivative as a hedging instrument applying IFRS 9.

Parent P concludes that the undue cost or effort exemption in paragraph B72 of IFRS 18 is not applicable. In particular, Parent P has identified the link between the external derivative and the risk it uses that derivative to manage.

Treasury Entity also enters into intercompany derivatives (internal derivatives) with:

- a. Subsidiary A at a notional amount of FC100, to sell foreign currency and buy local currency; and
- b. Subsidiary B at a notional amount of FC120, to sell local currency and buy foreign currency.

Applicable requirements

Paragraphs B70–B76 of IFRS 18 provide application guidance about classifying gains and losses on derivatives and designated hedging instruments. Paragraph B72 of IFRS 18 requires an entity to classify gains and losses on a derivative that is not designated as a hedging instrument applying IFRS 9, but is used to manage identified risks, in the same category as the income and expenses affected by the risks that the derivative is used to manage. However, if doing so would require the grossing up of gains or losses or involve undue cost or effort, the entity is instead required to classify all gains or losses on the derivative in the operating category.

Paragraph B74 of IFRS 18 states '...grossing up of gains and losses might arise from situations in which:

- a. an entity uses financial instruments to manage the risks of a group of items with offsetting risk positions...; and
- b. the risks managed affect line items in more than one category of the statement of profit or loss'.

Paragraph B75 of IFRS 18 provides an example in which grossing up of gains or losses on a derivative might arise.

Applying the requirements

The Committee considered the application of the requirements only to gains or losses on the external derivative, not on the internal derivatives. That is because:

- a. the request asked about the classification of gains and losses on the external derivative in the entity's consolidated statement of profit or loss.
- b. as paragraph BC6.144 of the Basis for Conclusions on IFRS 9 explains, for financial reporting purposes, the mitigation or transformation of risk is generally only relevant if it results in a transfer of risk to a party outside the reporting entity. Any transfer of risk within the reporting entity does not change the risk exposure from the perspective of that reporting entity as a whole. This is consistent with the principles of consolidated financial statements.

The Committee observed that, based on the application guidance in paragraphs B70–B76 of IFRS 18, an entity first needs to identify the risk(s) a derivative is used to manage. Doing so enables the entity to determine the categories in profit or loss affected by that risk and the resulting classification of gains or losses on that derivative.

The risk the external derivative is used to manage

The Committee observed that entities typically enter into derivatives used to manage identified risks in accordance with their approved risk management policies. Therefore, an entity is generally expected to be able to identify the risk managed using a derivative based on facts and circumstances and its risk management policy.

In the fact pattern described in the request, consistent with the group's risk management policy, the external derivative is used to manage only the foreign currency risk of the net liability exposure—not the gross exposures (the investing asset and the financing liability).

The categories affected by the risk managed using the external derivative

In the fact pattern described in the request, Parent P classifies foreign exchange differences on financial liabilities in the financing category of its consolidated statement of profit or loss.

Because the external derivative is used to manage foreign currency risk of the net *liability* exposure, applying paragraph B72 of IFRS 18, Parent P is required to classify any gain or loss on the external derivative in the financing category of its consolidated statement of profit or loss, unless doing so would require the grossing up of gains and losses or involve undue cost or effort.

In the fact pattern described in the request, Parent P concluded that the undue cost or effort exemption is not applicable.

Does classification in the financing category require grossing up gains or losses on the external derivative?

Based on the requirements in paragraphs B74–B75 of IFRS 18, the Committee observed that the grossing up of gains and losses on a derivative:

- a. does not arise in situations in which an entity manages an identified risk that affects line items in a single category of the statement of profit or loss.

- b. might arise in situations in which an entity manages the risks of a group of items with offsetting risk positions using a derivative and those risks affect line items in more than one category of the statement of profit or loss. To classify the gain or loss on the derivative in each of the categories affected, the entity would need to present in each category a larger gain or loss than occurred on the derivative. Such an outcome is prohibited by paragraphs B70 and B72 of IFRS 18. For example, if the group's risk management policy was to instead use the external derivative to manage the foreign currency risk of both the investing asset and the financing liability on a gross basis, then these risks would affect line items in the investing category and in the financing category of the consolidated statement of profit or loss. Consequently, classifying gains or losses on the external derivative in these categories would have required the grossing up of gains or losses on the derivative, which is prohibited by paragraph B72 of IFRS 18.

The Committee observed that, in the fact pattern described in the request, the external derivative is used to manage only the net liability foreign currency exposure, which affects a single category of the consolidated statement of profit or loss—the financing category. Therefore, classifying gains or losses on the external derivative in the financing category would not require the grossing up of such gains or losses. As a result, the prohibition in paragraph B72 of IFRS 18 would not apply.

Consequently, the Committee concluded that the entity is required to classify any gain or loss on the external derivative in the same category as the income and expenses affected by the risks the derivative is used to manage—in the fact pattern described in the request, it would be in the financing category of its consolidated statement of profit or loss.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for the classification of gains or losses on a derivative—in accordance with an entity's risk management policy—that is used to manage an identified risk but is not designated as a hedging instrument applying IFRS 9. Consequently, the Committee decided not to add a standard-setting project to the work plan.