
IFRS® Interpretations Committee meeting

Date	June 2026
Project	Assessment of Specified Main Business Activities for a Manufacturer-Lessor (IFRS 18)
Topic	Updated suggested wording of the tentative agenda decision
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Purpose of the paper

1. This addendum to Agenda Paper 6 sets out updated suggested wording of the tentative agenda decision to reflect the discussions at the Committee's meeting on 16 June 2026.
2. For ease of reading, this paper includes only a clean version of the updated suggested tentative agenda decision.

[Updated] Suggested wording of the tentative agenda decision**Assessment of Specified Main Business Activities for a Manufacturer-Lessor
(IFRS 18 *Presentation and Disclosure in Financial Statements*)**

The Committee received a request about how an entity that is a manufacturer-lessor assesses whether its lease activity is a specified main business activity—that is, a main business activity of providing financing to customers or investing in particular type of assets (investing in assets)—applying the requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*.

Fact pattern

The request describes a fact pattern in which an entity manufactures vehicles and either sells or leases them to customers. The entity:

- (a) manages vehicle sales, finance leases and operating leases together in one line of business. The entity's segments are based on geographical regions (that is, are not based on product lines).
- (b) classifies its leases, which do not differ significantly in nature, as either finance or operating leases applying IFRS 16 *Leases*.
- (c) enters into a refinancing arrangement with a bank for each lease contract, regardless of whether the lease contract is a finance or an operating lease. The refinancing arrangement bridges the cash flows the entity receives compared to what it would have received in a sale. The refinancing arrangements generate interest expenses.
- (d) uses, for both internal and external reporting purposes, one subtotal similar to gross profit as an important indicator of operating performance for its aggregated lease activity, comprising its finance lease and operating lease activities. This gross profit-like subtotal includes income and expenses from finance and operating leases as well as interest expenses on the refinancing arrangements.

Question

The Committee considered whether the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers and, if not, whether its operating lease activity is a main business activity of investing in assets. The assessment affects, amongst other things, the classification, in the statement of profit or loss, of interest expenses on the refinancing arrangements—particularly those related to lease contracts classified as operating leases.

Applicable requirements

To classify income and expenses in the operating, investing and financing categories, paragraph 49 of IFRS 18 requires an entity to assess whether it has a specified main business activity—that is, a main business activity of investing in assets or providing financing to customers.

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 or providing financing to customers 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 or providing financing to customers 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.

Applying the requirements in IFRS 18 to the fact pattern

An entity applies the requirements in IFRS 18 (including paragraph 49 and the application guidance in paragraphs B30–B41) in assessing whether an activity is a main business activity of investing in assets or providing financing to customers. In making that assessment, an entity uses its judgement and considers all relevant facts and circumstances.

The Committee observed that:

- (a) applying paragraph B34 of IFRS 18 to the fact pattern described in the request, it is likely that the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. This assessment is evidenced by the entity's use of one subtotal similar to gross profit (as described in the fact pattern) as an important indicator of operating performance for its aggregated lease activity.
- (b) the classification of leases as operating leases does not preclude that lease activity from being of a type that provides financing to customers.
- (c) paragraph B32 of IFRS 18 does not include an example of an entity that provides financing to customers in operating leases as a type of entity that might provide financing to customers as a main business activity. However, the absence of an entity that provides financing to customers in operating leases from the examples in paragraph B32 is not determinative; those examples are not an exhaustive list.

If, in the fact pattern described in the request, the entity concludes that its aggregated lease activity is not a main business activity of providing financing to customers, the entity applies IFRS 18 (including paragraphs 49(a) and 53 and the application guidance in paragraphs B30–B41 and B43–B49) to assess whether its operating lease activity is a main business activity of investing in assets.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether its aggregated lease activity is a main business activity of providing financing to customers and, if not, whether its operating lease activity is a main business activity of investing in assets.

Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.