
IFRS® Interpretations Committee meeting

Date	March 2026
Project	Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)
Topic	Comment letter summary and analysis
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Introduction

1. As explained in Agenda Paper 2 for this meeting, in September 2025, the IFRS Interpretations Committee (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) applying IFRS 18 *Presentation and Disclosure in Financial Statements*.
2. The objective of this paper is to summarise and analyse comments on the tentative agenda decision. There are no questions in this paper.
3. Agenda Paper 2 for this meeting provides background on the tentative agenda decision, summary staff analysis and conclusions, staff recommendation and questions for the Committee.

Structure of this paper

4. This paper includes:
 - (a) background (paragraphs 6–10);

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- (b) comment letter overview (paragraphs 11–17); and
 - (c) staff analysis (paragraphs 18–63).
5. This paper includes two appendices:
- (a) Appendix A—Respondents grouped by type and geographical region; and
 - (b) Appendix B—Staff analysis of other comments.

Background

6. As further described in Agenda Paper 2 for this meeting, the Committee discussed a request about the classification of a foreign exchange difference from an intragroup monetary liability (or asset) (the exchange difference).
7. 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 [of IFRS 18])’.
8. 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.
9. The tentative agenda decision included five views that are based on the views included in the request. Under those views, in its consolidated financial statements the entity:
- (a) *View 1*—classifies the exchange difference in the operating category as the default category in accordance with paragraph 52 of IFRS 18¹.

¹ Paragraph 52 of IFRS 18 states that an entity shall classify in the operating category all income and expenses included in the statement of profit or loss that are not classified in the investing, financing, income taxes or discontinued operations categories.

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- (b) *View 2*—classifies 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.
 - (c) *View 3*—classifies the exchange difference in the financing category because, for the entity, the transactions in the fact pattern involve only the raising of finance.
 - (d) *View 4*—classifies the exchange difference in the investing category because, for the entity, the exchange difference arose from the transfer of cash from one currency into another for a period of time.
 - (e) *View 5*—develops an accounting policy based on any of the views included in the request because IFRS 18 is not clear about how the exchange difference should be classified.
10. Agenda Paper 2 for this meeting summarises the Committee’s conclusions in the tentative agenda decision:
- (a) seven Committee members concluded that View 1 is the only reasonable reading of paragraph B65 of IFRS 18. The other seven Committee members concluded that both View 1 and View 2 are reasonable readings of paragraph B65 of IFRS 18.
 - (b) the Committee concluded that View 3, View 4 and View 5 are not reasonable readings of paragraph B65 of IFRS 18.
 - (c) notwithstanding the different views of its members, the Committee tentatively decided not to add a standard-setting project to the work plan.

Comment letter overview

11. We 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 This agenda paper includes our analysis of only the comment letters received by the comment letter deadline. Appendix A groups respondents by type and geographical region.

12. This paper uses the following terms to describe the extent to which feedback was provided by respondents:

<i>Term</i>	<i>Extent of response among respondents</i>
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

13. Some respondents (across all stakeholder types) agree (or do not disagree) that both View 1 and View 2 are reasonable readings of the requirements.
14. All respondents agree (or do not disagree) that View 3 and View 5 are not reasonable readings of the requirements and almost all respondents agree (or do not disagree) that View 4 is a not a reasonable reading of the requirements.
15. Many respondents agree (or do not disagree) with the Committee’s tentative decision to not add a standard-setting project to the work plan.
16. Amongst the respondents that disagree with the tentative agenda decision:
- (a) a few (an accountancy professional body and some preparers) disagree that View 1 is a reasonable reading of the requirements.

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

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- (b) some (across all stakeholder types) disagree that View 2 is a reasonable reading of the requirements (or ask the Committee to clarify the technical support for View 2).
 - (c) some disagree with the Committee's tentative decision not to add a standard-setting project to the work plan. Most of these respondents (of which most are preparers) disagree with the financial reporting *outcome* of applying either or both of View 1 or View 2. Some respondents suggest alternative solutions that would require standard-setting.
17. A few respondents request clarification in the agenda decision (see paragraphs 45–48) or provide comments on other matters (see Appendix B).

Staff analysis

18. We discuss respondents' comments on the tentative agenda decision in the following sections:
- (a) feedback on the technical basis for the views (paragraphs 19–48);
 - (b) concerns about the outcomes of applying the agenda decision (paragraphs 49–55);
 - (c) suggestions for standard-setting (paragraphs 56–63); and
 - (d) summary of staff conclusions (paragraphs 64–65).

Feedback on the technical basis for the views

19. The tentative agenda decision included five views (see paragraph 9) and explained the basis for those views. This section discusses respondents' comments on the basis for those views. This section considers feedback on:
- (a) the item that gave rise to the exchange difference (paragraphs 20–31);
 - (b) feedback on the technical basis for View 1 (paragraphs 32–36);

- (c) feedback on the technical basis for View 2 (paragraphs 37–44); and
- (d) requests for clarification (paragraphs 45–48).

The item that gave rise to the exchange difference

Background

- 20. Paragraph B65 of IFRS 18 requires an entity to ‘classify foreign exchange differences included in the statement of profit or loss applying IAS 21 in the same category as the income and expenses *from the items that gave rise to the foreign exchange differences...*’ (emphasis added).
- 21. The basis for View 1 and View 2 as set out in the tentative agenda decision is that the exchange difference arises from the intragroup loan which is eliminated on consolidation. This was also one of the key reasons why we (staff) concluded in our analysis in September 2025 that View 3 and View 4 (see paragraph 9) are not reasonable readings of paragraph B65 of IFRS 18³.
- 22. Because the item that gave rise to the exchange difference is fundamental to the analysis of the different views set out in the tentative agenda decision, we first consider comments on this matter.

Feedback

- 23. Most respondents did not directly comment on the description in the tentative agenda decision of the item that gave rise to the exchange difference. However, one respondent (KPMG)—which agrees that View 1 is a reasonable reading of the requirements—says about View 2:

Paragraph 41 of IFRS 18 defines an ‘item’ for the purposes of applying IFRS 18 as an asset, liability, equity instrument or reserve, income, expense or cash flow [...]. Paragraph 45 of

³ See paragraph 30 of [Agenda Paper 2](#) of the Committee’s September 2025 meeting for further information.

IAS 21 explains that the ‘monetary item’ giving rise to the FX differences ‘represents a commitment to convert one currency into another’. We do not believe that a commitment to exchange currencies is an item as described in IFRS 18. Even if the commitment to exchange currencies could be considered as the item in this context, interest income and expenses from the ‘item’ are not recognised in the consolidated financial statements.

Staff analysis

24. We disagree with this respondent’s reading of paragraph 45 of IAS 21.
25. Paragraph 45 of IAS 21 states:

The 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. Accordingly, in the consolidated financial statements of the reporting entity, such an exchange difference is recognised in profit or loss ...
26. In the context of that paragraph, ‘the monetary item’ in the third sentence refers to ‘an intragroup monetary asset (or liability)’ described in the second sentence.
27. It is, then, the translation of that intragroup monetary asset (liability) that gives rise to the exchange difference that remains recognised after the intragroup monetary items

(and its related income and expenses) are eliminated upon consolidation. Paragraph 45 of IAS 21 states that the intragroup monetary asset (or liability) ‘cannot be eliminated ... without showing the results of currency fluctuations...’.

28. We therefore think it would be inappropriate to consider an item other than the intragroup monetary liability (or asset) as ‘...the items that gave rise to the foreign exchange differences...’ when applying paragraph B65 of IFRS 18.
29. This is also why we continue to think View 3 and View 4 (see paragraph 9) are not reasonable readings of the requirements. In particular:
- (a) View 3 requires an entity to classify the exchange difference in the financing category because, for the entity, the transactions in the fact pattern involve only the raising of finance. We think this is not a reasonable reading of the requirements because the entity within the group for which the intragroup monetary liability (or asset) is a foreign currency transaction could be the borrower or the lender. Accordingly, it is unreasonable to say that the exchange difference always arises from a transaction that involves only the raising of (intragroup) finance.
 - (b) View 4 requires an entity to classify the exchange difference in the investing category because, for the entity, the exchange difference arose from the transfer of cash from one currency into another for a period of time. We think this is not a reasonable reading of the requirements because it is the intragroup monetary liability (or asset), and not cash (or currency), that gives rise to the exchange difference.

Conclusion

30. We continue to think the intragroup monetary liability (or asset) is ‘...the items that gave rise to the foreign exchange differences...’ when applying paragraph B65 of IFRS 18. As set out in the appendix to Agenda Paper 2 for this meeting, we also suggest including in a final agenda decision the text of paragraph 45 of IAS 21 and the

Committee's observation that it is the intragroup monetary liability (or asset) that gives rise to the exchange difference.

31. Given our analysis, we continue to think View 3 and View 4 are not reasonable readings of the requirements and recommend confirming this in a final agenda decision. The appendix to Agenda Paper 2 for this meeting sets out the suggested wording for a final agenda decision.

Feedback on the technical basis for View 1

Background

32. The tentative agenda decision stated:

Views

View 1—Classify the exchange difference in the operating category as the default category in accordance with paragraph 52 of IFRS 18

The income and expenses arising from the intragroup loan have been eliminated on consolidation and are not presented in the consolidated statement of profit or loss. Consequently, there is no 'same' category within which the entity can classify the exchange difference in accordance with paragraph B65 of IFRS 18. The entity therefore, by default, classifies the exchange difference in the operating category in accordance with paragraph 52 of IFRS 18.

...

Feedback

33. Some respondents agree that View 1 is a reasonable reading of the requirements primarily for the reasons set out in the tentative agenda decision. A few respondents support View 1 for reasons other than as described in the tentative agenda decision.

For example, some of these respondents support requiring the classification of the exchange difference in the operating category ‘for reasons of accounting consistency’ and to ‘improve the comparability of financial statements’.

34. A few respondents disagree that View 1 is a reasonable reading of the requirements. They say classifying an exchange difference in the operating category by default (as in View 1) is not permitted by IFRS 18 except in specified circumstances or when its use results in a faithful representation of the entity’s business activities. These respondents say paragraph B65 of IFRS 18 (as reinforced by the IASB’s rationale for the requirements discussed in paragraphs BC207–BC219 of the Basis for Conclusions on IFRS 18 (Basis for Conclusions)) specifies when exchange differences are classified in the operating category. Applying paragraph B65, an entity classifies exchange differences in the operating category *only if* classifying such exchange differences in an appropriate category would involve undue cost or effort.⁴

Staff analysis

35. We continue to agree with the basis for view 1 as set out in the tentative agenda decision (see paragraph 32). We acknowledge respondents’ view that paragraph B65 of IFRS 18 might be understood to *require* an entity to classify the exchange difference in an appropriate category—that is, an entity is prohibited from automatically defaulting to the operating category. However, we think if an entity cannot determine the category in which to classify the exchange difference in accordance with paragraph B65 of IFRS 18, then the entity is effectively unable to apply that paragraph. Consequently, the entity will be required to classify the exchange difference in the operating category by default in accordance with paragraph 52 of IFRS 18.

⁴ One respondent (Petrobras) refers to paragraphs A9–A10 of [Agenda Paper 12C](#) of the IASB’s July 2021 meeting (that covers ‘classification of FX differences on intercompany balances’) which they say also confirms this understanding. This respondent, however, does not disagree that View 1 is also a reasonable reading of the requirements.

Conclusion

36. We continue to think View 1 is a reasonable reading of paragraph B65 of IFRS 18 for the reasons set out in the tentative agenda decision (see paragraph 32) and recommend confirming this view in a final agenda decision. The appendix to Agenda Paper 2 for this meeting sets out the suggested wording for a final agenda decision.

Feedback on the technical basis for View 2**Background**

37. The tentative agenda decision states:

Views

...

View II—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

According to paragraph 45 of IAS 21, the exchange difference arose from the intragroup loan before the elimination of that loan—and the elimination of any income and expenses arising from that loan—on consolidation. Therefore, applying paragraph B65 of IFRS 18, the entity classifies the exchange difference using the category in which the income and expenses from the intragroup loan would have been classified before the elimination of those income and expenses. If the entity determines that classifying the exchange difference in this way would involve undue cost or effort, it instead classifies the exchange difference in the operating category.

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Feedback

38. Some respondents support View 2. A group of preparers (Brazilian Association of Public Companies (Abrasca)) says View 2 is a reasonable reading of paragraph B65 of IFRS 18 because that paragraph ‘does not explicitly require the recognition’ of income and expenses that have been eliminated on consolidation for the classification of the exchange differences to ‘follow the same category’.
39. Some respondents say they do not understand why View 2 might be a reasonable reading of paragraph B65 of IFRS 18, or how to apply it. For example:
- (a) an accountancy professional body (Chartered Accountants Ireland) says the tentative agenda decision does not explain why ‘having regard to eliminated transactions’ (in applying View 2) is appropriate.
 - (b) an organisation representing a group of securities regulators (European Securities and Markets Authority (ESMA)) says the income and expenses from the items that gave rise to the foreign exchange differences referred to in paragraph B65 of IFRS 18 are not presented in the consolidated statement of profit or loss and ‘can therefore not be identified in the relevant financial statements’.
40. A few respondents (including an international accounting firm and a group of preparers) say that View 2’s ‘look-through’ approach implies that classification of the exchange difference in the consolidated statement of profit or loss should be based on how it is classified in the separate financial statements of group entities. They say such an approach is inconsistent with the principle of assessing whether an entity has specified main business activities from the perspective of the reporting entity as required by paragraph B37 of IFRS 18.

Staff analysis

41. We continue to agree with the basis for View 2 as set out in the tentative agenda decision (see paragraph 37).

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42. Paragraph B65 of IFRS 18 does not require that the income and expenses from the eliminated monetary liability (or asset) be *presented* in the consolidated statement of profit or loss in order for the exchange difference to ‘follow’ their same classification—we therefore agree with the respondent in paragraph 38 who makes this observation.
43. With respect to the comments in paragraph 39, we note that, applying View 2, an entity classifies the exchange difference from its perspective—that is, the category in which the entity, as a consolidated group, classifies the exchange difference is the category in which the entity, as a consolidated group, would have classified the income and expenses from the intragroup loan before their elimination on consolidation. This classification might differ from the category in which the subsidiary classified the exchange difference in its financial statements (if applicable to the subsidiary).

Conclusion

44. We continue to think View 2 is a reasonable reading of paragraph B65 of IFRS 18 for the reasons set out in the tentative agenda decision (see paragraph 37) and recommend confirming this view in a final agenda decision. In addition, we think it would be helpful to include in a final agenda decision Committee observations that:
- (a) paragraph B65 of IFRS 18 does not require that the income and expenses from the eliminated monetary liability (or asset) be presented in the consolidated statement of profit or loss in order for the exchange difference to ‘follow’ their same classification; and
 - (b) an entity classifies the exchange difference from its perspective (similar to the explanation in paragraph 43 of this paper).

*Requests for clarification***Feedback**

45. A few respondents say the tentative agenda decision did not adequately explain the technical basis of View 2. One international accounting firm (KPMG) asks the Committee to expand the agenda decision to include substantive technical analysis of View 2 and an explanation and illustration of how to apply View 2 to the scenario in the request and to other common scenarios.
46. Some respondents (including a few international accounting firms and accountancy professional bodies and a national standard-setter) ask the Committee to better explain why views other than View 1 and View 2 are not reasonable readings of the requirements.

Staff analysis and conclusion

47. We agree with respondents that it would be helpful to add to the agenda decision further explanation about the technical basis that supports View 2. See our suggestions in paragraph 44.
48. For reasons set out in paragraph 28, we continue to think View 3 and View 4 (and therefore View 5) are not reasonable readings of IFRS 18. In response to feedback, we suggest including a summarised analysis of the other views (Views 3 and 4) in a final agenda decision, as set out in the appendix to Agenda Paper 2 for this meeting.

Concerns about the outcome of applying the agenda decision**Feedback**

49. Some respondents (mostly preparers of financial statements) disagree with the financial reporting outcomes of applying either or both of View 1 or View 2. Some of these respondents include illustrative examples in their comment letters to explain why. They say the outcomes of applying either or both of View 1 or View 2 are

inappropriate because the outcomes of those views do not faithfully represent an entity's business activities. For example, these respondents say:

- (a) View 1 can distort or cause significant volatility in an entity's operating profit—and might result in entities introducing additional or modified management performance measures to explain their operational performance.
- (b) View 2 disregards the role of the consolidated financial statements in providing information about the assets, liabilities, equity, income and expenses of both the parent and its subsidiaries as a single reporting entity. Activities such as cash pooling and intragroup loans, whether short-term or long-term, are tools for managing the group's overall cash resources or external borrowings. These activities are investing or financing in nature—and the required classification of the exchange difference applying View 2 might not align with the nature of those activities.
- (c) both views distort the reporting of economic hedges. In practice, entities typically manage their exposure to foreign currency centrally. Applying either View 1 or View 2, the exchange differences on related transactions might be classified in different categories in the statement of profit or loss in a way that does not reflect the economics of the transactions. For example, an entity might obtain funding denominated in one foreign currency that exposes the group to that currency. The entity then distributes those funds throughout the group in different currencies using a combination of intragroup short-term trade accounts and longer-term loan accounts depending on what the funds will be used for. These respondents say neither View 1 nor View 2 results in the exchange differences being classified in categories that reflect how the entity manages its external net exposure to foreign exchange risk.

50. The Swedish Corporate Reporting Board says View 2 could 'create opportunities for entities to achieve a particular presentation outcome by changing the nominal currency of an intragroup loan'.

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51. Some respondents (mostly preparers of financial statements) say an entity should, applying IFRS 18, classify the exchange difference by using judgement to determine the economic nature and purpose of the original transaction. These respondents say:
- (a) an entity can analogise to the principle underlying paragraph B67 of IFRS 18⁵. For example, a group of preparers (Business Europe) says ‘IFRS 18, particularly paragraph B67, acknowledges that classification of income and expenses may require judgement, especially when items do not fit neatly into prescribed categories’.
 - (b) an entity, in applying its judgement, would develop, and apply consistently, an accounting policy for how it classifies in its consolidated statement of profit or loss the exchange difference on intragroup transactions. Treatments might vary, but an entity would be required to disclose information about its material accounting policies in accordance with paragraph 27A of IAS 8 *Basis of Preparation of Financial Statements*.

Staff analysis and conclusion

52. We acknowledge respondents’ concerns about the potential outcome of applying either View 1 or View 2 described in the tentative agenda decision. However, the IASB considers the effects of requirements when it develops those requirements—and it is not the Committee’s role to reconsider the effects or outcomes of those requirements. Paragraphs BC207–BC219 of the Basis for Conclusions on IFRS 18 set out the IASB’s considerations when developing paragraph B65 of IFRS 18 and related requirements.⁶
53. As we conclude in paragraphs 36 and 44, we continue to think both View 1 and View 2 are reasonable readings of paragraph B65 of IFRS 18. Accordingly, we agree an

⁵ Paragraph B67 of IFRS 18 states ‘An entity might classify in more than one category income and expenses from a transaction that does not involve only the raising of finance... In such cases, subject to paragraph B68, an entity shall use its judgement to determine whether the foreign exchange difference relates to the amount classified in the financing category—and classify it in that category—or whether it relates to the amount classified in another category—and classify it in that category...’.

⁶ Paragraphs A9–A10 of [Agenda Paper 12C](#) of the IASB’s July 2021 meeting specifically analyse feedback on the classification of foreign exchange differences on intercompany balances.

entity would develop and consistently apply an accounting policy—but only with respect to View 1 and View 2, not more broadly. It would be inappropriate for an entity to apply paragraph B67 by analogy and develop an accounting policy that differs from View 1 or View 2. In accordance with IAS 8, when a requirement in an IFRS Accounting Standard specifically applies to a transaction, an entity’s accounting policy is determined by applying that requirement.

54. In accordance with paragraph 13 of IAS 8, an entity would apply its reading of the requirements—that is, View 1 or View 2 as described in the agenda decision—consistently to the classification of all similar exchange differences (that is, exchange differences arising from an item for which the income and expenses from that same item have been eliminated on consolidation).
55. We think it would be useful to include in a final agenda decision a Committee observation that an entity consistently applies either View 1 or View 2 in accordance with paragraph 13 of IAS 8. The appendix to Agenda Paper 2 for this meeting sets out the suggested wording for a final agenda decision.

Suggestions for standard-setting

Feedback

General

56. A few respondents express concerns about the Committee’s tentative decision not to add a standard-setting project to the work plan. These respondents say that having more than one reasonable reading of the requirements in paragraph B65 of IFRS 18 reduces the comparability of information reported by entities. One respondent (the Accounting Standards Board of Japan) asks the Committee to explain in the agenda decision why it decided not to add a standard-setting project to the work plan.

Suggestions to amend IFRS 18

57. Many of the respondents that disagree with the outcome of applying either or both of View 1 and View 2 (discussed in paragraph 49) suggest standard-setting to change IFRS 18 to result in the classification of exchange differences from intragroup liabilities (or assets) that, in their view, would better reflect an entity's business activities. These respondents suggest several alternatives which include, for example:
- (a) requiring an entity to classify such exchange differences in the category that faithfully represents the reporting entity's activities. These activities could vary, ranging from back-to-back financing to centralised financing and cash management without direct matching. Possible standard-setting solutions suggested include:
 - (i) if the reporting entity is a net lender to third parties, the entity's intragroup transactions are part of the entity's cash management activities. Therefore, the entity would classify the exchange difference in the investing category.
 - (ii) if the reporting entity is a net borrower from external parties, intragroup transactions are part of the entity's financing activities. Therefore, the entity would classify the exchange difference in the financing category.
 - (iii) to permit an entity to classify the exchange difference by applying judgement in the same way as in paragraph B67 of IFRS 18 (see paragraph 51(a)).
 - (b) to classify the exchange difference in the same category as the income and expenses affected by the identified currency risk the entity manages—similar to the requirements in paragraphs B70 and B72 of IFRS 18 for classification of gains and losses on derivatives that are not designated as a hedging instrument.
 - (c) to classify the exchange difference in a single category—such as the financing category because intragroup transactions are viewed as an essential component of a group's financing activities.

Suggestions to amend IAS 21

58. One respondent (Peter Clark) says paragraph 45 of IAS 21 contains flawed wording because ‘a loan does not create a commitment to exchange currencies: it merely creates an obligation to repay the loan’. This respondent says the Committee is trying to answer ‘the wrong question’ because ‘no translation gains or losses on intragroup loans can survive on consolidation’ and the exchange difference is part of the overall translation gain or loss on the entity’s net investment in its subsidiary—which should be recognised in other comprehensive income. This respondent says, given the ‘misleading wording’ of paragraph 45 of IAS 21, the Committee might find it difficult to reach a definitive conclusion without standard-setting.

Staff analysis

59. As we conclude in paragraphs 36 and 44, we think both View 1 and View 2 are reasonable readings of the requirements. We agree that IFRS Accounting Standards do not, therefore, provide an adequate basis to determine the required accounting. That is, the criteria in paragraph 5.16(b) of the IFRS Foundation [Due Process Handbook](#) (Due Process Handbook) is not met.
60. We discuss in paragraphs 26–33 of Agenda Paper 2 for this meeting whether the Committee should recommend adding a standard-setting project to the work plan and whether and what it should say in a final agenda decision if it decides not to do so. The following paragraphs discuss our analysis of the specific suggestions made by respondents as summarised in paragraphs 57–58 of this paper.

Suggestions to amend IFRS 18

61. We think the standard-setting solutions related to IFRS 18 suggested by respondents (as summarised in paragraph 57) can be broadly split into solutions that would:
- (a) develop a classification requirement that attempts to aligns with the IASB’s rationale in developing the requirements in paragraph B65 of IFRS 18—that is, to require an entity to classify the exchange difference in a way that would,

in the respondents' views, faithfully represent an entity's business activities⁷— but would do so in a manner different than is set out in paragraph B65 of IFRS 18; or

- (b) require an entity to classify the exchange difference in a single specified category.

62. We discuss in paragraphs 32–33 of Agenda Paper 2 for this meeting whether the Committee should recommend a standard-setting solution along these lines.

Suggestion to amend IAS 21

63. We recommend no action in response to the respondent's suggestion in paragraph 58. We think considering amendments to paragraph 45 of IAS 21 is unnecessary to answer the question asked to the Committee and could have unintended consequences on other matters.

Summary of staff conclusions

64. In light of our analysis in this paper, we conclude:

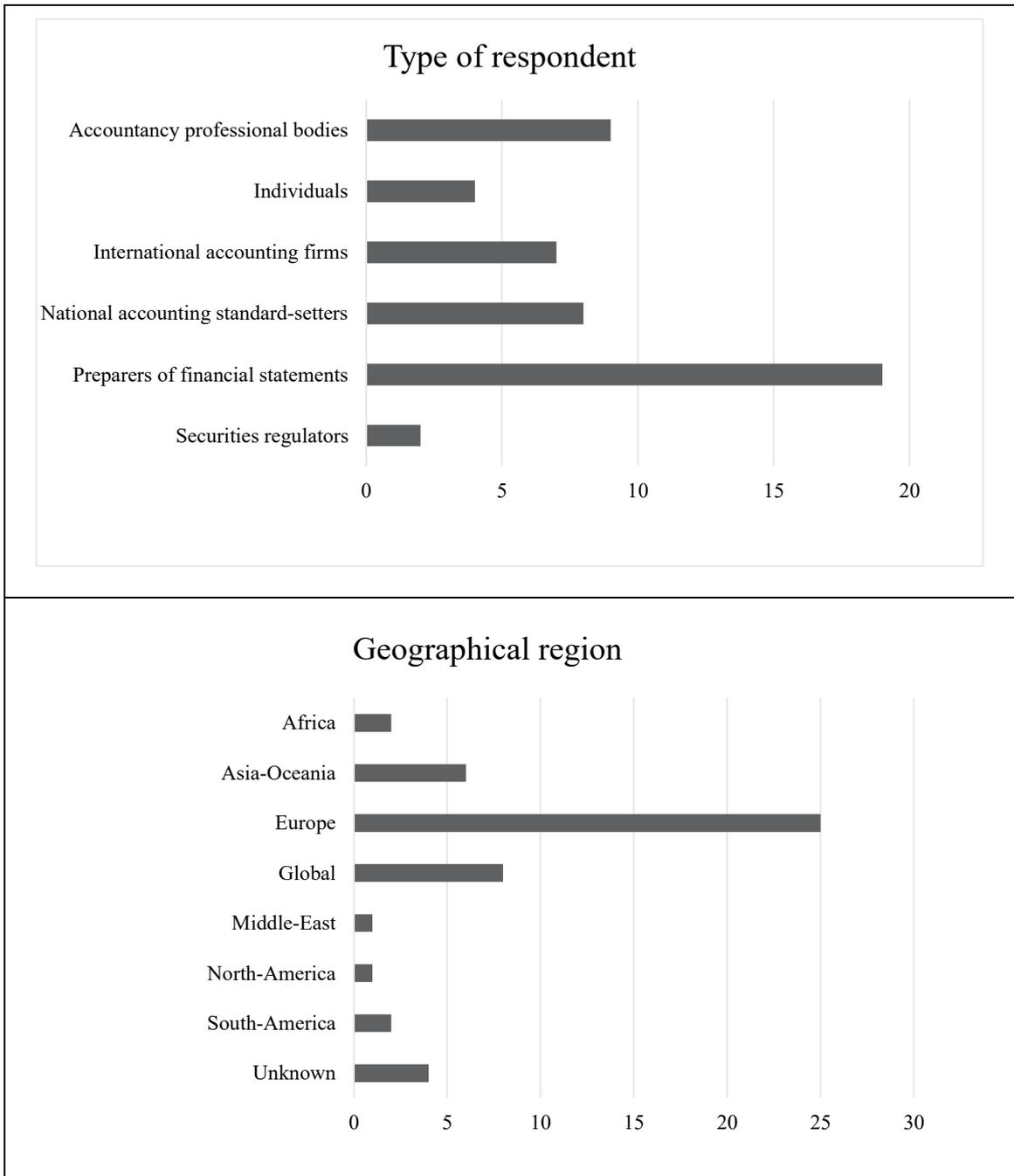
- (a) View 1 and View 2 are reasonable readings of the requirements; and
- (b) View 3 and View 4 (and therefore, View 5) are not reasonable readings.

65. Agenda Paper 2 for this meeting provides:

- (a) a summary of our staff analysis and conclusions related to:
 - (i) applying the applicable requirements to the fact pattern; and
 - (ii) whether to add a standard-setting project to the work plan;
- (b) staff recommendations to revise the wording of the tentative agenda decision; and
- (c) an appendix setting out the proposed wording of a final agenda decision.

⁷ See paragraphs BC207–BC219 of the Basis for Conclusions on IFRS 18.

Appendix A—Respondents grouped by type and geographical region



Appendix B—Staff analysis of other comments

Respondents' comments	Staff analysis and conclusions
<p>1. <i>Change the Due Process Handbook if the Committee cannot agree</i></p> <p>A few respondents (including a professional accountancy body and an international accounting firm) suggest the IFRS Foundation change the Due Process Handbook to provide guidance for situations when the Committee has a split vote.</p> <p>An international accounting firm says the agenda decision could more clearly present the Committee's views if members are asked to vote separately on View 1, View 2 and any other relevant views received from feedback.</p>	<p><i>We recommend no action.</i></p> <p>Paragraph 5.17 of the Due Process Handbook requires that a simple majority of Committee members decides, after a debate in a public meeting, whether a standard-setting project should be added to the work plan. If a simple majority of members do not agree to standard-setting (including in a split vote situation), paragraph 5.19 requires the Committee to explain why in an agenda decision. We think no change to the Due Process Handbook is needed.</p> <p>While Committee members had different views on the application of the requirements in IFRS Accounting Standards to the fact pattern described in the submission, the Committee unanimously agreed—that is, it did not have a split view—that a standard-setting project should not be added to the work plan.</p>

Respondents' comments	Staff analysis and conclusions
<p data-bbox="225 416 612 562">2. <i>Delete the result of the Committee's vote from explanatory material</i></p> <p data-bbox="225 589 735 1010">A few respondents (including a few international accounting firms, a national accounting standard-setter and a professional accountancy body) say the result of the Committee's vote about the views should not be included in explanatory material.</p>	<p data-bbox="810 416 1267 450"><i>We recommend some changes.</i></p> <p data-bbox="810 477 1374 1010">Information about the Committee's vote at its September 2025 meeting was included in the tentative agenda decision as context for respondents in providing comments. We agree it is unnecessary to include this information in a final agenda decision. The appendix to Agenda Paper 2 for this meeting includes suggested wording for a final agenda decision.</p>
<p data-bbox="225 1043 699 1245">3. <i>Application of 'undue cost or effort' in the context of paragraph B65 of IFRS 18 might suggest a low hurdle</i></p> <p data-bbox="225 1272 735 1917">An international accounting firm says all entities are expected to have information about their intragroup loans readily available to apply the procedures required for consolidation, and it is therefore unclear why applying the assessment required by paragraph B65 of IFRS 18 to an intragroup loan would involve undue cost or effort in the way the IASB has used this term in other instances.</p>	<p data-bbox="810 1043 1187 1077"><i>We recommend no action.</i></p> <p data-bbox="810 1104 1358 1861">The IASB explicitly included an 'undue cost or effort' exemption in paragraph B65 of IFRS 18 with a reference to paragraph B68 which explains the application of the exemption. We think no further explanation or clarification is needed. Nonetheless, we think it would be helpful to include a reference to paragraph B68 of IFRS 18 in a final agenda decision. The appendix to Agenda Paper 2 for this meeting includes suggested wording for a final agenda decision.</p>

Respondents' comments	Staff analysis and conclusions
<p>4. <i>Clarify description of intragroup loan</i></p> <p>One respondent (PwC International Limited) says the 'intragroup loan' in the tentative agenda decision is not specified as the 'intragroup monetary asset (or liability) denominated in a foreign currency'—and imprecise drafting might lead to inconsistent interpretation about classification of the exchange difference because 'the intragroup loan will generate income and expenses for both entities [intragroup borrower and lender] before elimination'.</p>	<p><i>We recommend some changes.</i></p> <p>We think our suggested changes to the wording of the agenda decision (as set out in the appendix to Agenda Paper 2 for this meeting) address this concern. For example, the updated agenda decision (if finalised) would state:</p> <ul style="list-style-type: none"> - 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; and - ...the entity within the group for which the intragroup monetary liability (or asset) is a foreign currency transaction could be the borrower or the lender ...