
IFRS® Interpretations Committee meeting

Date	March 2026
Project	Assessment of a Specified Main Business Activity for the purposes of the Separate Financial Statements of a Parent (IFRS 18)
Topic	Comment letters on tentative agenda decision
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Introduction

1. At its November 2025 meeting, the IFRS Interpretations Committee (Committee) published a [tentative agenda decision](#) about how a parent applying IFRS 18 *Presentation and Disclosure in Financial Statements* assesses, for the purposes of its separate financial statements, whether it has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries.
2. The objective of this paper is:
 - (a) to summarise and analyse comments on the tentative agenda decision; and
 - (b) to ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

Structure

3. This paper includes:
 - (a) [background](#) (paragraphs 5–15);
 - (b) [comment letter summary](#) (paragraphs 16–18);

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- (c) [staff analysis](#) (paragraphs 19–46);
 - (d) [staff recommendation](#) (paragraphs 47–48); and
 - (e) questions for the Committee (page 16).
4. This paper includes two appendices:
- (a) [Appendix A](#)—Proposed wording of the agenda decision.
 - (b) [Appendix B](#)—Staff analysis of other comments.

Background

5. The request asked how a parent applying IFRS 18 assesses, for the purposes of its separate financial statements, whether it has a specified main business activity of investing in unconsolidated subsidiaries.

Fact pattern

6. 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*.
7. 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.

8. The request asks 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 subsidiaries 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.
9. The tentative agenda decision sets out the applicable requirements in IFRS 18.

Applying the requirements in IFRS 18 to the fact pattern

10. 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.
11. In the fact pattern described in the request, the parent has no substantive business activity apart from holding and managing investments in subsidiaries and distributing returns from those investments. In those circumstances, concluding that investing in unconsolidated subsidiaries is not a main business activity for the parent would result in the parent not having any main business activity. The Committee observed that an outcome in which an entity has no main business activity would be inconsistent with the IASB's rationale underlying the requirements of the Standard.

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12. 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.
13. 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, the parent is required to classify the income and expenses from its investments in unconsolidated subsidiaries in the operating category of its statement of profit or loss.
14. The Committee also observed that:
- (a) 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 intended to be an exhaustive list.
 - (c) 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

15. 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 tentatively decided not to add a standard-setting project to the work plan.

Comment letter summary

16. We received 17 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#).¹ This agenda paper includes analysis of only the comment letters received by the comment letter deadline.
17. Of the 17 respondents:
 - (a) twelve respondents agree with the Committee’s conclusion and tentative decision not to add a standard-setting project to the work plan for the reasons set out in the tentative agenda decision.
 - (b) three respondents—a standard-setter, an international accounting firm and a group of preparers—disagree with the technical basis for some of the Committee’s observations in the tentative agenda decision. Paragraphs 21–33 summarise and analyse those comments.
 - (c) one respondent (a standard-setter) does not express agreement or disagreement but expresses concern about potential outcomes of applying the tentative agenda decision. Paragraphs 34–45 summarise and analyse those comments—as well as comments about potential outcomes from a few respondents that nonetheless agree with the tentative agenda decision.
 - (d) one respondent (a standard-setter) disagrees with the Committee’s tentative decision not to add a standard-setting project to the work plan. This respondent

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

suggests standard-setting on IAS 27 and provides other comments. Appendix B to this paper summarises and analyses those comments.

18. A few respondents (including some that agree and some that disagree with the tentative agenda decision) provide other comments.

Staff analysis

19. In this section we discuss respondents’:
- (a) feedback on the Committee’s technical analysis and conclusions (paragraphs 21–33); and
 - (b) comments about potential outcomes (paragraphs 34–45).
20. Appendix B to this paper summarises and analyses other comments.

Committee’s technical analysis and conclusions

Background

21. The tentative agenda decision stated:

...

...The Committee observed that an outcome in which an entity has no main business activity would be inconsistent with the IASB’s rationale underlying the requirements of the Standard. 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.

...

22. The tentative agenda decision also stated:

...

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.

...

Respondents' comments

23. Three respondents disagree with the Committee's observations in paragraphs 21–22. These respondents say the observations are not based on explicit requirements in, or are inconsistent with requirements in, IFRS 18. For example:
- (a) The Hong Kong Institute of Certified Public Accountants (HKICPA) says 'IFRS 18 does not specify whether all entities must have at least one main business activity, nor does it state that an entity with no main business activity would be inconsistent with the IASB's rationale underlying the requirements of IFRS 18.'
 - (b) Deloitte Touche Tohmatsu Limited (Deloitte) says IFRS 18 does not require every entity to have income or expenses classified in the operating category and says this would be the natural outcome of a requirement to always have a main business activity.
24. HKICPA and the Brazilian Association of Public Companies (Abrasca) say the observations risk creating a presumption or constraining the use of judgement for

analogous fact patterns. For example, HKICPA says the Committee's observations risk creating a presumption that, in the absence of other substantive activities, investing in unconsolidated subsidiaries is automatically concluded to be a main business activity for the purposes of a parent's financial statements. Forvis Mazars, while agreeing with the tentative agenda decision, expresses concerns similar to those of HKICPA about potential unintended consequences.

25. HKICPA, Deloitte and Abrasca suggest ways to clarify or improve the tentative agenda decision, including:
- (a) to remove one or both of the observations;
 - (b) to specify that, to reach a conclusion in the fact pattern, the entity applies judgement (as required by paragraph B33 of IFRS 18²) considering relevant factors—including the purpose and business model of the parent, the existence of a management team responsible for investment decisions and whether dividend income is the sole income stream of the parent; and
 - (c) to clarify whether, based on facts and circumstances and the application of management's judgement, an entity could conclude that it has no main business activity.
26. Deloitte recommends referring this matter to the IASB for standard-setting 'if the Committee believes that inferring a requirement for every entity to identify a main business activity is necessary to reach a conclusion on the circumstances described in the tentative agenda decision'.

Staff analysis

27. As paragraphs 19–21 of [Agenda Paper 7](#) for the Committee's November 2025 meeting note:

² 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.

19. 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.

20. Paragraph B42 of IFRS 18 explains that the requirements in the Standard result in an entity classifying income and expenses from its main business activities in the operating category (except for income and expenses from investments accounted for using the equity method).³ Paragraph B30 of IFRS 18 explains that an entity may have more than one main business activity.

21. Paragraph BC89 of the Basis for Conclusions on IFRS 18, which sets out the IASB's rationale in developing the related requirements, explains that the operating category is the 'default' category in the statement of profit or loss. That approach reflects the IASB's view that 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. An entity's operations include, but are not limited to, an entity's main business activities.

28. As a few respondents have said, IFRS 18 does not explicitly state that an entity must have a main business activity. However, we note:
- (a) because the operating category is the default category, IFRS 18 does not require that an entity identify all business activities and assess whether each activity constitutes a main business activity. The role of main business activities is limited to the assessment required by paragraph 49 of IFRS 18 which requires that, for the purpose of classifying income and expenses, an

³ Paragraph B42 of IFRS 18 also explains that the operating category is not limited to income and expenses from an entity's main business activities and includes all income and expenses that are not classified by an entity in the other categories.

entity assesses whether it has a specified main business activity—that is, a main business activity of investing in certain types of assets or providing financing to customers.

- (b) paragraph B30 of IFRS 18 states that ‘an entity may have more than one main business activity’—and the Standard does not discuss a situation in which an entity has no main business activity.

29. Paragraph 8.4 of the IFRS Foundation *Due Process Handbook* (Due Process Handbook) states that explanatory material in an agenda decision ‘explains how the applicable principles and requirements in IFRS [Accounting] Standards apply *to the transaction or fact pattern described in the agenda decision*’ (emphasis added). The Committee’s observations reproduced in paragraphs 21–22 were made in the context of considering the fact pattern described in the tentative agenda decision. The fact pattern describes a parent that *has an activity*—that is, the parent’s 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 observations reproduced in paragraphs 21–22 were not intended to be applied more widely to other fact patterns that are not analogous to the one considered by the Committee or to, for example, opine on whether every entity is expected to have a main business activity.
30. The observation reproduced in paragraph 21 was within a paragraph that started with ‘In the fact pattern described in the request’. Nonetheless, because that observation referred more generally to ‘an entity’, we understand why respondents might have considered that observation as being applicable more generally. In the light of respondents’ feedback, we think it would be helpful to add wording to the agenda decision to clarify that the observation reproduced in paragraph 21 applies to the parent described in the request. Our suggested changes to the wording of the agenda decision are set out in Appendix A to this paper. The observation reproduced in paragraph 22 already refers to the parent described in the request and, therefore, we recommend no changes to that observation.

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31. We disagree with:
- (a) Deloitte’s view that the natural outcome of a requirement to always have a main business activity is that every entity must have income or expenses classified in the operating category. We note, for example, that paragraph 55(a) of IFRS 18 requires that if an entity invests in assets specified in paragraph 53(a) of IFRS 18 as a main business activity, and it accounts for those investments applying the equity method, it classifies the income and expenses from those investments in the investing category. Nonetheless we think our suggested change, as explained in paragraph 30, to the Committee observation reproduced in paragraph 21 addresses Deloitte’s comments and avoids implying ‘a requirement for every entity to identify a main business activity’.
 - (b) respondents’ comments that the tentative agenda decision risks creating a presumption or constraining the use of judgement. An agenda decision does not constrain the application of judgement, in accordance with the applicable requirements, in a different fact pattern.
32. We think it is unnecessary:
- (a) to emphasise in the agenda decision the requirements of paragraph B33 of IFRS 18. The tentative agenda decision already refers to paragraph B33 in the ‘Applicable requirements’ section and notes the requirement for an entity to apply judgement in the first paragraph of the ‘Applying the requirements in IFRS 18 to the fact pattern’ section.
 - (b) to clarify whether, based on facts and circumstances and the application of management’s judgement, an entity could conclude that it has no main business activity. An agenda decision discusses the application of the applicable requirements to the fact pattern in the request and not to other situations.

Staff conclusion

33. We continue to think the Committee’s application of the requirements in IFRS 18 to the fact pattern in the request, and its related observations in the tentative agenda decision, remain appropriate. As paragraph 30 explains, we suggest clarifying in a final agenda decision that the observation reproduced in paragraph 21 applies to the parent described in the request. Our suggested changes are set out in Appendix A to this paper.

*Comments about potential outcomes**Respondents’ comments*

34. A few respondents provide comments about potential outcomes of applying the tentative agenda decision related to:
- (a) lack of aligned outcomes for a consolidated group and a subsidiary (paragraphs 35–37); and
 - (b) entities whose only business activity is investments in assets accounted for applying the equity method (paragraphs 38–40).

Lack of aligned outcomes for consolidated group and subsidiaries

35. The tentative agenda decision states (based on the requirements in paragraph B37 of 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.

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36. The Saudi Organization for Chartered and Professional Accountants (SOCPA) questions whether the tentative agenda decision's 'reliance on this rationale produces the most decision-useful outcome'. SOCPA says requiring a parent to present itself as having materially different main business activity 'narratives' across consolidated and separate financial statements can be difficult to reconcile with the economic substance of the parent's relationship with its controlled subsidiaries. SOCPA encourages addressing this matter through clarifying guidance or targeted standard-setting.
37. If the Committee proceeds with a final agenda decision, SOCPA recommends changes including to state that identifying a specified main business activity is an evidence-based assessment and 'a matter of fact and not merely an assertion' (in accordance with paragraph B33 of IFRS 18); and to provide a more implementation-oriented explanation of why outcomes might differ in separate and consolidated financial statements (in accordance with paragraph B37 of IFRS 18) to avoid users viewing the outcome as form-driven.

Sole business activity is investments in assets accounted for applying the equity method

38. Two respondents—Forvis Mazars and the Accounting Standards Board of Japan (ASBJ)—agree with the tentative agenda decision but nonetheless express concerns about outcomes that result from applying the requirements in IFRS 18 to investments in assets accounted for applying the equity method.
39. Both of these respondents say that in a situation in which a parent's only business activity is to invest in assets accounted for applying the equity method, all its income and expenses would be classified in the investing category applying paragraph 55 of IFRS 18. These respondents question the relevance of such an outcome and say it would not provide useful information to users of financial statements and 'contradicts the assumption in the agenda decision that an entity would always have one or more main business activities'. The ASBJ asks the Committee or the IASB to revisit the requirements in paragraph 55 of IFRS 18 in the light of this type of situation.

40. Two respondents—Consejo Mexicano de Normas de Información Financiera y de Sostenibilidad (CINIF) and the Group of Latin American Accounting Standard Setters (GLASS)—do not comment on the outcome of an entity applying paragraph 55 of IFRS 18 but instead suggest drafting changes. These respondents suggest clarifying in the agenda decision that if the investments were accounted for applying the equity method, the related income and expenses would be classified in the investing category in accordance with paragraph 55(a) of IFRS 18.

Staff analysis

41. We acknowledge respondents' comments about potential outcomes of an entity applying the requirements in IFRS 18. 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.

Lack of alignment for consolidated group and subsidiaries

42. As referenced in the tentative agenda decision, paragraphs BC98–BC99 of the Basis for Conclusions on IFRS 18 explain the IASB's decision to require an entity to assess whether investing in assets or providing financing to customers is a main business activity at the reporting entity level—and the IASB acknowledged that a parent entity might reach a different conclusion for the purposes of its separate financial statements and its consolidated financial statements.
43. We disagree with the suggested changes to the tentative agenda decision summarised in paragraph 37. The tentative agenda decision already references the requirements in paragraphs B33 and B37 of IFRS 18, and, in our view, no further explanation or discussion of those requirements is needed in the agenda decision.

Sole business activity is investments in assets accounted for applying the equity method

44. Considering an entity whose sole activity is investments in assets accounted for applying the equity method is beyond the scope of the question asked to the

Committee. The tentative agenda decision does not apply to nor affect the classification of income and expenses from investments in assets accounted for applying the equity method. We therefore recommend not adding to the agenda decision further references to or discussion about investments accounted for applying the equity method.

45. In the light of the fact pattern in the request, each section of the tentative agenda decision refers to the parent's investments in unconsolidated subsidiaries accounted for *at cost*. In addition, the tentative agenda decision states that '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)'. Nonetheless, in respect of the comments in paragraph 40 and for additional clarity in the agenda decision, we recommend minor wording changes as set out in Appendix A to this paper to refer to paragraph 55(b) of IFRS 18—which applies to investments in unconsolidated subsidiaries 'not accounted for applying the equity method'.

Other comments

46. Appendix B to this paper summarises and analyses other comments. Based on our analysis in that appendix, we recommend no action in respect of those comments.

Staff recommendation

47. Based on our analysis in this paper, we recommend finalising the agenda decision, as published in [IFRIC Update](#) in November 2025, with changes to the tentative agenda decision as explained in paragraphs 30 and 45, and a few other minor changes, marked in Appendix A to this paper.

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48. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Questions for the Committee

1. Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 47?
2. Do Committee members have any comments on the wording of the agenda decision in Appendix A to this paper?
3. Do Committee members have additional observations they would like to report to the IASB regarding this matter?

Appendix A—Proposed wording of the agenda decision

A1. We propose the following wording for the final agenda decision (new text is underlined and deleted text is struck through).

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

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

Fact pattern

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

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

The request ~~asked asks~~ 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. Paragraph B42 of IFRS 18 explains that the requirements in the Standard result in an entity classifying income and expenses from its main business activities in the operating category (except for income and expenses from investments accounted for using the equity method). Paragraph B30 of IFRS 18 explains that an entity may have more than one main business activity.

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

Paragraph 53(a) of IFRS 18 requires an entity to classify income and expenses from investments in unconsolidated subsidiaries in the investing category unless the entity

invests in that type of asset as a specified main business activity. If an entity invests in unconsolidated subsidiaries as a specified main business activity, paragraph 55 of IFRS 18 requires the entity to classify income and expenses from those subsidiaries in the operating category (unless those investments are accounted for applying the equity method).

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

- (a) paragraph B33 of IFRS 18 states that whether investing in assets is a main business activity of the entity is a matter of fact and not merely an assertion. It requires an entity to use its judgement to assess whether investing in assets is a main business activity and to base that assessment on evidence.
- (b) paragraphs B34–B36 of IFRS 18 discuss factors that may 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 no substantive business activity apart from holding and managing investments in subsidiaries and distributing returns from those investments. In those circumstances, concluding that investing in unconsolidated subsidiaries is not a main business activity for the parent would result in the parent not having any main business activity. The Committee observed that an outcome in which the parent described in the request ~~an entity~~ has no main business activity would be inconsistent with the IASB’s rationale underlying the requirements of the Standard ~~in~~. ~~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 is required to classify 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 intended to be 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.

Appendix B—Staff analysis of other comments

B1. A few respondents provide other comments that we analyse in this appendix.

More complex fact patterns

Respondents' comments

- B2. A few respondents—Organismo Italiano di Contabilità (OIC), Forvis Mazars and SOCPA—suggest that the agenda decision acknowledge that more complex scenarios are possible or discuss a more complex scenario. For example, Forvis Mazars and SOCPA say it is common for a parent company to provide services to its subsidiaries including internal management services, financing or a treasury function.
- B3. Forvis Mazars acknowledges that the Committee focuses on fact patterns as submitted but says it would be helpful to include in the agenda decision additional non-determinative indicators to assist entities assessing the existence of a specified main business activity in fact patterns in which the holding company provides services or financing to the unconsolidated subsidiaries.

Staff analysis

- B4. We recommend no change to the agenda decision in respect of the comments in paragraphs B2–B3. Considering additional facts or other fact patterns would go beyond the request to the Committee. The Committee's analysis and conclusions in the tentative agenda decision are based on applying the requirements in IFRS 18 to the fact pattern described in the request. The tentative agenda decision also already states:

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.

- B5. Agenda decisions cannot add or change requirements in IFRS Accounting Standards.⁴ Accordingly, we think it would be inappropriate for the Committee to develop (and include in the agenda decision) additional indicators beyond those in IFRS 18 for an entity to apply in assessing whether it has a specified main business activity.

Income and expenses from an investment measured ‘at cost’

Respondent’s comments

- B6. The Accounting Methodological Centre (AMC) says the tentative agenda decision ‘focuses on the classification question ... while leaving unresolved a more fundamental question: whether ‘income and expenses’ from investments in subsidiaries measured ‘at cost’ under IAS 27 exist at all in profit or loss, absent an explicit IFRS accounting model’. This respondent says IAS 27 provides no definition or application guidance explaining what ‘at cost’ means for an investment in a subsidiary. It questions whether income and expenses can arise from an investment in a subsidiary measured at cost.
- B7. The AMC suggests either (a) standard-setting to ‘clarify the meaning and mechanics of IAS 27 ‘at cost’ for investments in subsidiaries’; or (b) to revise the agenda decision to address ‘whether and when income and expenses can arise from subsidiaries accounted for at cost under IAS 27(10)(a)’.

Staff analysis

- B8. We recommend no action in respect of the comments in paragraphs B6–B7. Considering the questions raised by the respondent would go beyond the request to the Committee.

⁴ Paragraph 8.4 of the Due Process Handbook.

Post-implementation review***Respondent's comment***

- B9. Given that determining whether an entity has a specified main business activity involves significant judgement, RSM International encourages the IASB to address this topic within the post-implementation review (PIR) of IFRS 18.

Staff analysis

- B10. We recommend no action. As paragraphs 9 and 15 of [Agenda Paper 26A](#) to the IASB's February 2026 meeting note:

9. The objective of a PIR is to assess whether the effects of applying the new requirements on users, preparers, auditors and regulators of financial statements are as intended when the IASB developed those new requirements.

...

15. The earliest a PIR would start is after the new requirements have been implemented for at least 24 months. However, financial statements that reflect 24 months of implementation are generally available in practice only about 30–36 months after the effective date of the new requirements.

- B11. Respondents can raise the matter in the PIR of IFRS 18 to the extent it is relevant for the PIR at that time.