Staff paper

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IFRS® Interpretations Committee meeting

Date	**November 2026**
Project	**Entities with specified main business activities**
Topic	**Classification of income and expenses from cash and cash equivalents—Comment letters**
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Introduction

1. At its June 2026 meeting, the IFRS Interpretations Committee (Committee) published a tentative agenda decision in response to a question about how an entity classifies income and expenses from cash and cash equivalents in its consolidated statement of profit or loss if the entity has, alongside other business activities, a main business activity of:

   (a) investing in financial assets within the scope of paragraph 53(c) of IFRS 18 *Presentation and Disclosure in Financial Statements*[1]; and

   (b) providing financing to customers.

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.

[1] Assets within the scope of paragraph 53(c) of IFRS 18 include assets that generate a return individually and largely independently of the entity's other resources—other than investments in associates, joint ventures and unconsolidated subsidiaries and cash and cash equivalents, which are included in the scope of paragraphs 53(a) and 53(b) of IFRS 18 respectively.

Structure of this paper

3. This paper includes:

   (a) background (paragraphs 5–10);

   (b) comment letter summary (paragraphs 11–13);

   (c) staff analysis (paragraphs 14–27); and

   (d) staff recommendation and questions for the Committee (paragraphs 28–29).

4. This paper includes three appendices:

   (a) Appendix A—Suggested wording of the agenda decision;

   (b) Appendix B—Excerpts from IFRS 18; and

   (c) Appendix C—Alternative view.

Background

5. The Committee received a submission about how an entity classifies income and expenses from cash and cash equivalents in its consolidated statement of profit or loss if the entity has, alongside other business activities, a main business activity of:

   (a) investing in financial assets within the scope of paragraph 53(c) of IFRS 18; and

   (b) providing financing to customers.

6. Paragraph 56(a) of IFRS 18 requires an entity that invests as a main business activity in financial assets within the scope of paragraph 53(c) of IFRS 18 to classify income and expenses from cash and cash equivalents in the operating category of the statement of profit or loss.

7. The submission asked whether the requirement in paragraph 56(a) applies to the income and expenses from all cash and cash equivalents even if income and expenses

from some of the cash and cash equivalents relate to providing financing to customers and some relate to another business activity such as manufacturing products.

Applying the requirements in IFRS 18

8. Paragraph B37 of IFRS 18 requires an entity to assess whether investing in assets or providing financing to customers is a main business activity for the reporting entity as a whole.

9. The Committee observed that:

   (a) paragraph 56(a) of IFRS 18 requires income and expenses from all cash and cash equivalents to be classified in the operating category, regardless of whether an entity has another specified main business activity.

   (b) although the entity described in the fact pattern also has a main business activity of providing financing to customers, the accounting policy choice described in paragraph 56(b)(ii) of IFRS 18 is not available to the entity and the requirement in paragraph 57 of IFRS 18 is not applicable. However, the accounting policy choice set out in paragraph 65(a)(ii) of IFRS 18, relating to liabilities that arise from transactions that involve only the raising of finance, remains available to the entity.

   (c) Figure 3.3 of the Illustrative Examples on IFRS 18 illustrates the application of the requirements set out in paragraphs 55–57 of IFRS 18.[2]

Conclusion

10. The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to determine how to classify income and expenses from cash and cash equivalents in its statement of profit or loss.

[2] Appendix B to this paper reproduces Figure 3.3 of the Illustrative Examples on IFRS 18.

Consequently, the Committee decided that a standard-setting project is not needed and it instead published a tentative agenda decision.

Comment letter summary

11. We received 13 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our website.[3] This agenda paper includes analysis of only the comment letters received by the comment letter deadline.

12. Of the 13 respondents:

    (a) nine respondents agree (or do not disagree) with the Committee's conclusion that a standard-setting project is not needed to address the question for the reasons set out in the tentative agenda decision. Some of these respondents ask for clarification of particular matters in the tentative agenda decision.

    (b) three respondents—an accounting firm and two standard-setters—agree with the Committee's analysis and conclusions in the tentative agenda decision but express concern about the potential outcome of applying the requirements in IFRS 18 as explained in the tentative agenda decision.

    (c) one respondent (Sounder Rajan) disagrees with the technical basis for some of the Committee's observations in the tentative agenda decision. This respondent agrees with the alternative view identified by the submitter (see Appendix C to this paper).

13. In addition to this paper, Appendix B of Agenda Paper 9 for this meeting summarises and analyses comments from CPA Australia that apply to all the tentative agenda decisions on IFRS 18 that the Committee decided to publish at its June 2026 meeting. As stated in that paper, we recommend no further action in response to those comments.

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

Staff analysis

14. This section is organised into the following sections:

    (a) the Committee's technical analysis and conclusions (paragraphs 15–23); and

    (b) comments about the potential outcomes (paragraphs 24–27).

Committee's technical analysis and conclusions

Feedback

15. Almost all respondents agree with the Committee's conclusion that a standard-setting project is not needed to address the question for the reasons set out in the tentative agenda decision (see paragraphs 8–10 of this paper).

16. Some respondents also explicitly agree with the Committee's observation—reproduced in paragraph 9 of this paper—that the accounting policy choice set out in paragraph 65(a)(ii) of IFRS 18, relating to specified liabilities, remains available to the entity when an entity is required to classify in the operating category, income and expenses from all cash and cash equivalents in accordance with paragraph 56(a) of IFRS 18.

17. A few of these respondents—the South African Institute of Chartered Accountants and Tesla Independent Auditing Inc.—say that it would be helpful for the Committee to explain, in the agenda decision, the reasons why the accounting policy choice in paragraph 65(a)(ii) of IFRS 18 remains available, particularly in the light of the Committee's observation that the accounting policy choice described in paragraph 56(b)(ii) of IFRS 18 is not available to the entity.

18. Sounder Rajan disagrees with the Committee's observations—reproduced in paragraphs 8–9 of this paper—and instead agrees with the alternative view provided by the submitter (See Appendix C to this paper).

19. A few respondents also make the following drafting or clarification suggestions:

    (a) the Saudi Organization for Chartered and Professional Accountants suggests explaining that paragraph B40 of IFRS 18 includes requirements an entity applies in assessing whether it invests in assets or provides financing to customers as a main business activity and does not specify how to classify income and expenses from those main business activities. In their view, this clarification would help explain why the alternative view is not a reasonable reading of the requirements.

    (b) Forvis Mazars suggest including a brief description of the all the underlying requirements referenced to make the analysis more accessible and facilitate its application by stakeholders.

    (c) the tentative agenda decision states that when paragraph 56(a) of IFRS 18 applies, it applies 'regardless of whether an entity has another specified main business activity'. Forvis Mazars and the Group of Latin American Accounting Standard Setters (GLASS) suggest clarifying that paragraph 56(a) of IFRS 18 also applies when an entity has other business activities and not only other specified main business activities.

    (d) GLASS suggests emphasising that paragraph 56(a) is applicable only if the entity invests as a main business activity in financial assets within the scope of paragraph 53(c) of IFRS 18.

Staff analysis

20. Having considered the feedback, we continue to agree with the Committee's analysis and conclusions as set out in the tentative agenda decision. We note almost all respondents agree with the Committee's analysis and conclusions. The respondent that disagrees (see paragraph 18 of this paper) does not provide any arguments in support of the alternative view that were not previously considered by the Committee. Therefore, we continue to disagree with the alternative view for the reasons in paragraph C3 of Appendix C to this paper.

21. Nonetheless, in our view, it could be helpful to update the agenda decision to:

    (a) explain why the accounting policy choice set out in paragraph 65(a)(ii) of IFRS 18 remains available to the entity (see paragraph 17 of this paper). In particular, the Committee could explain that paragraph 65(a)(ii) does not require the accounting policy choice set out in that paragraph to be consistent with paragraph 56(a) of IFRS 18.

    (b) include a brief description of requirements in paragraphs 53(c), 56(a), 56(b)(ii)–57 and 65(a)(ii) of IFRS 18, which are referenced in the agenda decision (see paragraph 19(b) of this paper).

    (c) clarify that paragraph 56(a) of IFRS 18 applies regardless of whether an entity has another specified main business activity or any other business activity (see paragraph 19(c) of this paper).

    (d) make other minor editorial changes.

22. However, we think it is unnecessary to:

    (a) explain why the alternative view is not a reasonable reading of the requirements (see paragraph 19(a) of this paper). The Agenda Decision discusses the application of the requirements to the fact pattern in the submission. It is unnecessary to set out the alternate view and why it is an unacceptable reading.

    (b) further emphasise that paragraph 56(a) applies only if the entity invests as a main business activity in financial assets within the scope of paragraph 53(c) of IFRS 18 (see paragraph 19(d) of this paper). We think this is unnecessary because the tentative agenda decision already includes such explanation (see paragraph A2 of Appendix A to this paper).

Conclusion

23. Based on our analysis, we continue to agree with the Committee's analysis and conclusions as set out in the tentative agenda decision. We suggest updating the final

agenda decision as set out in paragraph 21 of this paper. Our suggested changes are set out in Appendix A to this paper.

Comments about the potential outcome

Feedback

24. Some respondents—the Accounting Standards Board of Japan (ASBJ), Forvis Mazars and the Institute of Indonesia Chartered Accountants (DSAK IAI)— agree with the Committee's analysis and conclusions in the tentative agenda decision but nonetheless express concerns about the outcome of applying the requirements as explained in the tentative agenda decision.

25. These respondents say that for an entity that has a main business activity of investing in assets, classifying income and expenses from *all* cash and cash equivalents in the operating category, regardless of the relative significance of the investing activity would not provide useful information. For example, DSAK IAI says an 'all-in operating classification outcome…may lead to significantly different classification outcomes between entities with otherwise similar activities and may affect comparability'.

26. These respondents suggest referring the matter to the IASB to reconsider the requirement in paragraph 56(a) of IFRS 18.

Staff analysis

27. 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. Nonetheless, we note:

    (a) paragraph BC136 of the Basis for Conclusions on IFRS 18 explains that in developing the requirement, the IASB noted that an entity that invests in financial assets as a main business activity—such as an insurer or investment

fund[4]—often has large balances of cash and cash equivalents because of continuously rebalancing investment portfolios. Feedback from users of financial statements indicated that for such entities, classifying income and expenses from cash and cash equivalents in the operating category (instead of the investing category) provides more useful information.

(b) paragraph BC138 of the Basis for Conclusions on IFRS 18 explains that the requirement in paragraph 56(a) of IFRS 18 also applies to an entity that, in addition to investing in financial assets as a main business activity, provides financing to customers as a main business activity.

Staff recommendation and questions for the Committee

28. Based on our analysis in this paper, we recommend finalising the agenda decision, as published in IFRIC Update in June 2026, with changes to the tentative agenda decision as explained in paragraph 21 of this paper. Appendix A to this paper sets out the suggested wording for the agenda decision.

29. 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 28 of this paper? 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?

[4] Paragraph B31 of IFRS 18 includes investment entities and insurers as examples of entities that might invest in assets as a main business activity.

Appendix A—Suggested wording of the agenda decision

This appendix sets out the suggested wording of the agenda decision. Paragraph numbers are included to facilitate referencing but will be removed when the agenda decision is published in IFRIC *Update*. New text is underlined and deleted text is struck through.

Classification of Income and Expenses from Cash and Cash equivalents (IFRS 18 *Presentation and Disclosure in Financial Statements*)

A1. The Committee received a request about how an entity classifies income and expenses from cash and cash equivalents in its consolidated statement of profit or loss if the entity has, alongside other business activities, a main business activity of:

(a) investing in financial assets within the scope of paragraph 53(c) of IFRS 18—that is, assets (other than investments in associates, joint ventures and unconsolidated subsidiaries and cash and cash equivalents) that generate a return individually and largely independently of the entity's other resources; and

(b) providing financing to customers.

A2. Paragraph 56(a) of IFRS 18 requires an entity that invests as a main business activity in financial assets within the scope of paragraph 53(c) of IFRS 18 to classify income and expenses from cash and cash equivalents in the operating category of the statement of profit or loss.

A3. The request asked whether the requirement in paragraph 56(a) applies to the income and expenses from all cash and cash equivalents even if income and expenses from some of the cash and cash equivalents relate to providing financing to customers and some relate to another business activity such as manufacturing products.

Applicable requirements

A4. In addition to paragraph 56(a) of IFRS 18 set out above:

(a) paragraphs 56(b)(ii) and 65(a)(ii) of IFRS 18 require an entity's choice of accounting policy for classifying income and expenses from cash and cash equivalents and from liabilities that arise from transactions that involve only the raising of finance to be consistent with each other; and

(b) paragraph 57 of IFRS 18 requires an entity applying paragraph 56(b) to classify income and expenses from cash and cash equivalents in the operating

category if it cannot distinguish between cash and cash equivalents that relate to providing financing to customers and those that do not.

Applying the requirements in IFRS 18

~~A5. Paragraph B37 of IFRS 18 requires an entity to assess whether investing in assets or providing financing to customers is a main business activity for the reporting entity as a whole.~~

A6. The Committee observed that:

(a) paragraph 56(a) of IFRS 18 requires an entity to classify income and expenses from all cash and cash equivalents ~~to be classified~~ in the operating category, regardless of whether ~~an~~the entity has another specified main business activity or any other business activity.

(b) although the entity described in the fact pattern also has a main business activity of providing financing to customers, the accounting policy choice described in paragraph 56(b)(ii) of IFRS 18 is not available to the entity and the requirement in paragraph 57 of IFRS 18 is not applicable. However, the accounting policy choice set out in paragraph 65(a)(ii) of IFRS 18, relating to liabilities that arise from transactions that involve only the raising of finance, remains available to the entity. Paragraph 65(a)(ii) of IFRS 18 does not require the accounting policy choice set out in that paragraph to be consistent with paragraph 56(a) of IFRS 18.

(c) Figure 3.3 of the Illustrative Examples on IFRS 18 illustrates the application of the requirements set out in paragraphs 55–57 of IFRS 18.

Conclusion

A7. The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to determine how to classify income and expenses from cash and cash equivalents in its statement of profit or loss. Consequently, the Committee ~~[~~decided~~]~~ that a standard-setting project is not needed to address the request.

Appendix B—Excerpts from IFRS 18

B1. This appendix reproduces relevant excerpts from IFRS 18.

B2. Paragraphs 56–57 of IFRS 18 state:

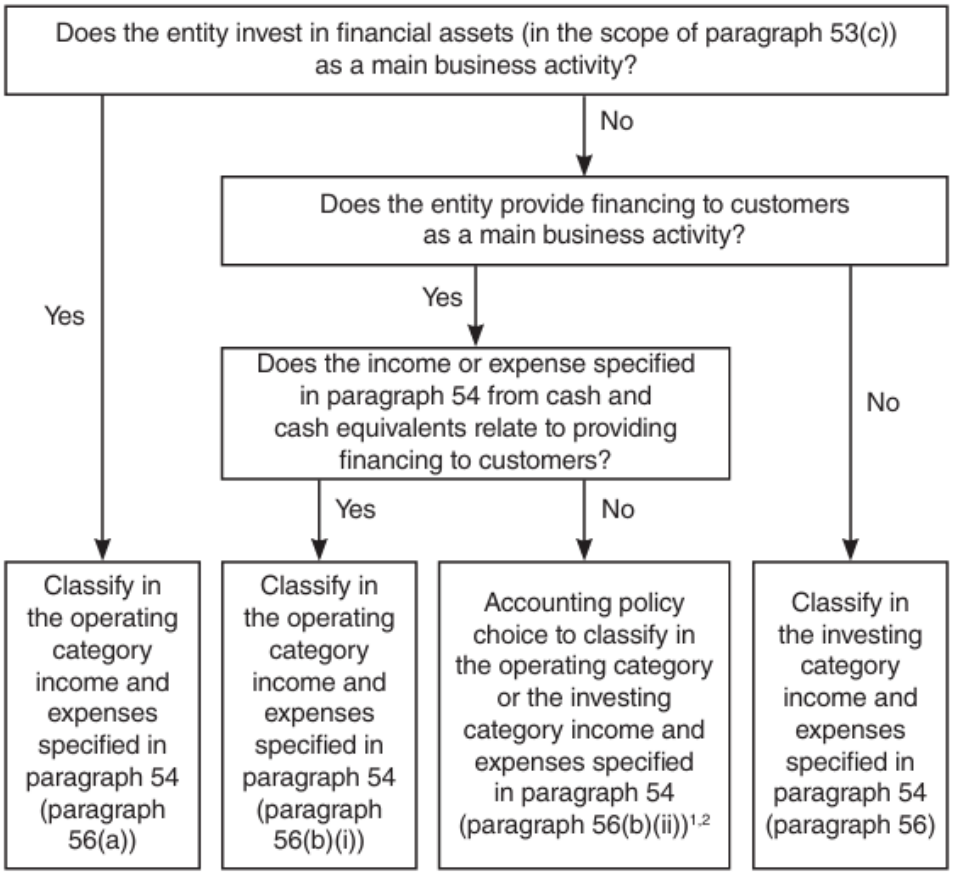
> 56. For the assets specified in paragraph 53(b) (that is, cash and cash equivalents), an entity shall classify the income and expenses specified in paragraph 54 in the investing category unless:
>
> (a) it invests as a main business activity in financial assets within the scope of paragraph 53(c)—in which case it shall classify the income and expenses in the operating category.
>
> (b) it does not meet the requirements in (a) but provides financing to customers as a main business activity—in which case it shall classify:
>
> (i) the income and expenses from cash and cash equivalents that relate to providing financing to customers, for example cash and cash equivalents held for related regulatory requirements—in the operating category.
>
> (ii) the income and expenses from cash and cash equivalents that do not relate to providing financing to customers—by applying an accounting policy choice to classify the income and expenses specified in paragraph 54 in the operating category or the investing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for income and expenses from liabilities in paragraph 65(a)(ii).
>
> 57. If an entity applying paragraph 56(b) cannot distinguish between the cash and cash equivalents described in paragraphs 56(b)(i) and 56(b)(ii), it shall apply the accounting policy choice in paragraph 56(b)(ii) to classify income and expenses from all cash and cash equivalents in the operating category.

B3. Paragraphs 65–66 of IFRS 18 state:

> 65. If an entity provides financing to customers as a main business activity, it shall classify income and expenses (see paragraph B59):
>
> (a) from the liabilities specified in paragraph 59(a) (that is, liabilities that arise from transactions that involve only the raising of finance):
>
> (i) if the liabilities relate to providing financing to customers—in the operating category.
>
> (ii) if the liabilities do not relate to providing financing to customers—by applying an accounting policy choice to classify the income and expenses specified in paragraph 60 in the operating category or the financing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for income and expenses from cash and cash equivalents in paragraph 56(b)(ii).
>
> (b) from the liabilities specified in paragraph 59(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance):
>
> (i) if the income and expenses are specified in paragraph 61—in the financing category; or
>
> (ii) if the income and expenses are not specified in paragraph 61—in the operating category.
>
> 66. If an entity applying paragraph 65(a) cannot distinguish between the liabilities described in paragraphs 65(a)(i) and 65(a)(ii), it shall apply the accounting policy choice in paragraph 65(a)(ii) to classify income and expenses from all such liabilities in the operating category.

B4. Figure 3.3 of the Illustrative Examples on IFRS 18 illustrates the application of the requirements set out in paragraphs 55–57 of IFRS 18:

Figure 3.3—Classification of income and expenses from cash and cash equivalents by entities with specified main business activities



[1] The choice of accounting policy shall be consistent (where applicable) with that made for the classification of income and expenses from liabilities that arise from transactions that involve only the raising of finance that do not relate to providing financing to customers (paragraph 56(b)(ii)) (see Figure 3.2).

[2] If an entity cannot distinguish which cash and cash equivalents relate to providing financing to customers, it shall apply the accounting policy choice to classify income and expenses from all cash and cash equivalents in the operating category (paragraph 57).

Appendix C—Alternative view

C1. For the purposes of applying the requirement in paragraph 56(a) of IFRS 18, the submitter identified an alternative view to that set out in the agenda decision. Applying the alternative view, only the income and expenses arising from cash and cash equivalents related to investing in financial assets within the scope of paragraph 53(c) of IFRS 18 should be classified in the operating category.

C2. The alternative view is based on paragraph B40 of IFRS 18 which specifies that the determination of whether an investment constitutes a specified main business activity should be made at the level of individual assets (or groups of assets with the same characteristics). Because cash and cash equivalents are highly interrelated to the investing activities of the group, the entity applies the requirement in paragraph B40 to assess cash and cash equivalents at the level of their related individual assets. If the income and expenses arising from cash and cash equivalents of a subsidiary that does not have a main business activity of investing in financial assets can be distinguished from that of other subsidiaries that do have a main business activity of providing financing from customers, the entity classifies those income and expenses in the investing category or as required by paragraph 56(b) of IFRS 18[5].

C3. As explained in paragraph 20 of Agenda Paper 4A for the Committee's June 2026 meeting, we disagree with the alternative view because:

> … [p]aragraph B40 of IFRS 18 is part of the section of application guidance (paragraphs B30–B41 of IFRS 18) which provides application guidance to assist entities in applying the requirements in paragraph 49 of IFRS 18 when assessing whether an entity invests in assets or provides financing to customers as a main business activity. This application guidance does not relate to the classification of income or expenses and therefore cannot be applied to override the requirements in paragraph 56 of IFRS 18.

[5] Paragraph 56(b) of IFRS 18 applies when an entity does not invest in financial assets within the scope of paragraph 53(c) as a main business activity but provides financing to customers as a main business activity.