IFRS® Interpretations Committee meeting

Date	**September 2026**
Project	**Assets that generate a return individually and largely independently of an entity's other resources (IFRS 18)**
Topic	**Initial consideration**
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Introduction

1. The IFRS Interpretations Committee (Committee) received a submission about how an entity determines whether an asset generates a return individually and largely independently of the entity's other resources as specified in paragraph 53(c) of IFRS 18 *Presentation and Disclosure in Financial Statements* (53(c) type assets).

2. The objective of this paper is:

   (a) to provide the Committee with a summary of the matter;

   (b) to present our research and analysis; and

   (c) to ask the Committee whether it agrees with our conclusion that a standard-setting project is not needed to address the question and with our recommendation to publish a tentative agenda decision.

Structure of this paper

3. This paper includes:

   (a) background and summary of the matter (paragraphs 5–8);

(b) staff analysis (paragraphs 9–30); and

(c) staff conclusion and recommendation (paragraphs 31–32).

4. There are three appendices to this paper:

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

(b) Appendix B—submission; and

(c) Appendix C—excerpts from IFRS 18.

Background and summary of the matter

5. Paragraph 53 of IFRS 18 states:

> Except as required by paragraphs 55–58 for an entity that has a specified main business activity, an entity shall classify in the investing category [of the statement of profit or loss] income and expenses…from:
>
> …
>
> (c) other assets if they generate a return individually and largely independently of the entity's other resources.

6. Paragraphs B45–B49 of IFRS 18 (reproduced in Appendix C to this paper) contain additional requirements an entity applies in determining whether an asset is a 53(c) type asset—that is, an asset that generates a return individually and largely independently of the entity's other resources. These paragraphs include examples of assets that do and do not generate a return individually and largely independently of the entity's other resources. Paragraph B48 of IFRS 18 states '[a]ssets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources…'.

7. The submission asks how an entity determines whether an asset generates a return individually and largely independently of the entity's other resources. In particular,

the submission asks how an entity assesses the requirement in paragraph B48 of IFRS 18 on whether an entity uses the asset 'in combination to produce or supply goods or services'.

8. Appendix B to this paper reproduces the submission, which includes an illustrative example outlining different views on a fact pattern that the submitter has observed emerging in practice related to applying the requirements in paragraphs 53(c) and B48 of IFRS 18.

Staff analysis

9. Paragraph 5.19 of the IFRS Foundation's *Due Process Handbook* (*Handbook*) states that the Committee assesses the need for a standard-setting project based on whether:

   (a) the matter has widespread effect—that is:

      (i) the circumstance or transaction is prevalent, or is expected to be prevalent; and

      (ii) there is diversity, or expected diversity, in the application of IFRS Accounting Standards that has, or is expected to have, a material effect on those affected;

   (b) it is necessary to add or change requirements in IFRS Accounting Standards to improve financial reporting—that is, the principles and requirements in IFRS Accounting Standards do not provide an adequate basis for an entity to determine the required accounting;

   (c) the matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework for Financial Reporting*; and

   (d) the matter is sufficiently narrow in scope that the International Accounting Standards Board (IASB) or the Committee can address it efficiently, but not so narrow that it is not cost-effective for the IASB or the Committee and stakeholders to undertake the due process required to amend an IFRS Accounting Standard.

Does the matter have widespread effect? (paragraph 5.19(a))

10. The purpose of any information request we send to stakeholders is to understand whether a submission meets the criterion in paragraph 5.19(a) of the *Handbook*—that is, whether the matter set out in the submission has widespread effect. We consider:

    (a) the prevalence, or expected prevalence, of the transaction or fact pattern submitted; and

    (b) whether there is diversity, or expected diversity, in the application of IFRS Accounting Standards to that transaction or fact pattern that has, or is expected to have, a material effect on those affected.

11. We did not send an information request related to this submission for the following reasons:

    (a) most entities are in the process of applying—but have not yet applied—IFRS 18. Accordingly, stakeholders would be unable to comment on the existence of diversity in the application of the applicable requirements.

    (b) the submitter notes:

        (i) questions arise in a variety of industries as to how IFRS 18 should be interpreted in this context, particularly for financial assets not originated by the entity. For example, questions arise for investment funds holding financial assets.

        (ii) the question affects the classification of income and expenses from the asset and is also of increasing importance as a result of *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures—Amendments to IAS 28* that the IASB issued in June 2026. That amendment links the ability of an entity to measure investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (the fair value option in IAS 28 *Investments in Associates and Joint Ventures*) to the assessment of whether the entity has a main business activity of investing in particular types of assets, and, therefore, whether it has any of the assets specified in paragraph 53 of IFRS 18.

(iii) the question is time sensitive because the scope of the fair value option in IAS 28 interacts with the transition requirements in IFRS 18, which is required to be applied for annual reporting periods beginning on or after 1 January 2027.

(c) we have had informal feedback from some stakeholders (including, for example, accounting firms and preparers) that confirmed the points in paragraph (b). Those stakeholders informed us of discussions they have had on similar questions, and these conversations confirmed that stakeholders understand the applicable requirements differently.

12. In our view, the evidence gathered indicates the matter could have widespread effect because:

(a) investments in assets that an entity might need to assess, listed in paragraphs B46 and B48 of IFRS 18 (such as debt or equity investments and investment properties), are common.

(b) differences in applying the requirements could result in diversity, particularly in applying the fair value option in IAS 28.

13. In our view, the criterion set out in paragraph 5.19(a) of the *Handbook* is met for this matter. Therefore, we have proceeded to analyse the question submitted.

Is it necessary to add to or change the Standards? (paragraph 5.19(b))

What is the principle an entity is required to assess?

14. If an entity invests in the assets specified in paragraph 53 of IFRS 18 as a main business activity, it classifies the income and expenses from those assets in the operating category of its statement of profit or loss; otherwise, it classifies the income and expenses from investing in those assets in the investing category. Paragraph 53(c)

applies to 'other assets'—that is, assets other than (a) investments in associates, joint ventures and unconsolidated subsidiaries and (b) cash and cash equivalents—that generate a return individually and largely independently of the entity's other resources.

15. Paragraphs B45–B49 of IFRS 18—reproduced in Appendix C to this paper—include supporting requirements an entity applies in assessing whether an asset is a 53(c) type asset. Paragraph B48 explains that assets an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources and includes examples of such assets.

16. Paragraph B48 should be read in the context of the requirement in paragraph 53(c). Therefore, when considering whether an entity uses an asset in combination to produce or supply goods or services, the entity is making that assessment in the context of whether the asset is generating a return individually and largely independently of the entity's other resources. This point is supported by the discussion in paragraph BC142 of the Basis for Conclusions on IFRS 18 (Basis for Conclusions), which explains why the examples in paragraph B48 are assets that do not generate a return individually or largely independently of an entity's other resources, rather than explaining whether and how those assets are used in combination to produce or supply goods or services.

17. Therefore, when assessing paragraph 53(c) of IFRS 18 and applying paragraphs B45–B49 of IFRS 18, the principle an entity considers is whether the asset generates a return 'individually and largely independently of the entity's other resources'.

How does an entity assess the principle—that is, whether an asset generates a return individually and largely independently of the entity's other resources?

18. An entity is required to apply judgement in assessing the principle in paragraph 53(c) of IFRS 18. The entity considers all facts and circumstances when applying its judgement.

19. We think an asset can generate a return 'individually and largely independently' of an entity's other resources even when there is some interaction between the asset and the entity's other resources.

20. Paragraph B46 of IFRS 18 says examples of assets that generate a return individually and largely independently of an entity's other resources typically include investment properties. Investment properties (which, as defined in paragraph 6 of IAS 40 *Investment Property*, is property held to earn rentals or for capital appreciation or both) generate returns individually. Further, as explained in paragraph 7 of IAS 40, investment property 'generates cash flows largely independently of the other assets held by an entity'.

21. Investment properties held by an entity will typically have some interaction with the entity's other resources. For example, an investment property is likely to need to be maintained, using some of the entity's other resources. However, that interaction does not prevent an investment property from generating cash flows largely independently of the entity's other resources.

Assessing whether a financial asset is a 53(c) type asset

22. The submission includes an example of an investment fund that holds financial assets, such as debt and equity investments, to provide a return to investors. We therefore consider how an entity that holds financial assets would consider paragraph 53(c) of IFRS 18 and the related requirements. The example scenarios in the submission do not include all the relevant facts that might be needed to reach a conclusion on whether the financial assets held are 53(c) type assets and so we do not provide a conclusion on the example scenarios.

23. In assessing the principle in paragraph 53(c) of IFRS 18, an entity such as an investment fund would consider the supporting requirements in paragraphs B45–B49 of IFRS 18. Paragraph B46 of IFRS 18 says that assets that generate a return individually and largely independently of the entity's other resources in paragraph 53(c) typically include debt or equity investments.

24. The entities described in the submission would therefore start with a presumption that the debt and equity investments they hold would typically be assets that generate a return individually and largely independently of the entity's other resources.

25. Paragraph B48 of IFRS 18 contains examples of assets that are not 53(c) type assets because they are used in combination to produce or supply goods or services and therefore do not generate a return individually and largely independently of the entity's other resources. Two of these examples are debt instruments (that is, other parties owe funds to the entity)—one is receivables arising from the production or supply of goods and services for which the income and expenses are classified in the operating category; and the other is loans to a customer if the entity provides financing to customers as a main business activity.

26. We note that both debt instruments described in paragraph B48 of IFRS 18 are created by the production or supply of goods or services to a customer. Providing goods and services to customers is by its nature, an activity that is done in combination with other resources. It is therefore fundamental to the nature of these debt instruments that they do not generate a return individually and largely independently of the entity's other resources. The rationale for loans to customers not being an asset that generates a return individually and largely independently of an entity's other resources is explained in paragraph BC143 of the Basis for Conclusions, which states:

> If an entity provides financing to customers as a main business activity, any asset arising from providing financing to customers (for example, a loan to a customer) is not an asset that generates returns individually and largely independently of the entity's other resources. Consistent with the example in paragraph BC142(b), for such an entity, providing financing is the service it provides to customers, which it does in combination with its other resources.

27. An entity holding debt or equity investments would consider the examples in paragraph B48 of IFRS 18 in assessing whether its starting presumption, based on paragraph B46 of IFRS 18, is still appropriate. Therefore, the entity in the submission

would consider whether the debt and equity investments it holds were created by the production or supply of goods or services to a customer.

Conclusion on the application of the requirements

28. Based on our analysis in paragraphs 14–27, we think:

(a) An entity assesses whether an asset generates a return individually and largely independently of the entity's other resources (that is, whether it is a 53(c) type asset). This assessment is supported by considering the requirements in paragraphs B45–B49 of IFRS 18.

(b) An entity is required to apply judgement in making the assessment described in (a).

(c) An asset can generate a return 'individually and largely independently' of an entity's other resources even when there is some interaction between the asset and the entity's other resources.

(d) An entity holding financial assets such as debt and equity investments would typically conclude that those assets generate a return individually and largely independently of the entity's other resources (that is, they are 53(c) type assets). However, if the entity holds debt investments that are created by the entity's production or supply of goods or services to a customer, it would typically conclude that those investments do not generate a return individually and largely independently of the entity's other resources (that is, they are not 53(c) type assets).

Question 1 for the Committee
Does the Committee agree with our analysis of the application of the requirements in IFRS 18 summarised in paragraph 28 of this paper?

Is the criterion in paragraph 5.19(b) met?

29. Based on our analysis set out in paragraphs 14–27 of this paper, and as summarised in paragraph 28, we think the principles and requirements in IFRS 18 provide an adequate basis to assess whether an asset generates a return individually and largely independently of the entity's other resources.

30. Accordingly, we conclude that the criterion in paragraph 5.19(b) of the *Handbook* is not met. Therefore, in accordance with paragraph 5.22 of the *Handbook*, a standard-setting project is not needed to address the question submitted.

Staff conclusion and recommendation

31. Based on our assessment of the criteria in paragraph 5.19 of the *Handbook* we recommend that the Committee publishes a tentative agenda decision explaining its decision that a standard-setting project is not needed. In accordance with paragraphs 8.2–8.3 of the *Handbook*, we also recommend that the tentative agenda decision explains how an entity applies paragraph 53(c) of IFRS 18.

32. Appendix A sets out the suggested wording of the tentative agenda decision. In our view, the suggested tentative agenda decision (including the explanatory material contained within it) would not add or change requirements in IFRS Accounting Standards.[1]

[1] Paragraph 8.4 of the *Due Process Handbook* states: 'Agenda decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Accounting Standards. Instead, explanatory material explains how the applicable principles and requirements in IFRS Accounting Standards apply to the transaction or fact pattern described in the agenda decision.'

Questions for the Committee

Questions 2 and 3 for the Committee
2. Does the Committee agree with our conclusion that the criterion in paragraph 5.19(b) of the Handbook is not met and, consequently, there is no need for a standard-setting project? 3. Does the Committee have any comments on the wording of the tentative agenda decision suggested in Appendix A?

Appendix A—Suggested wording of the tentative agenda decision

Assets that generate a return individually and largely independently of an entity's other resources (IFRS 18 *Presentation and Disclosure in Financial Statements*)

The Committee received a request asking how an entity assesses whether an asset generates a return individually and largely independently of the entity's other resources as specified in paragraph 53(c) of IFRS 18 *Presentation and Disclosure in Financial Statements*. In particular, the request asked about how an investment fund makes this assessment for the financial assets (debt or equity investments) that it holds.

Applicable requirements

Paragraph 53(c) of IFRS 18 states that 'except as required by paragraphs 55–58 [of IFRS 18] for an entity that has a specified main business activity, an entity shall classify in the investing category [of the statement of profit or loss] income and expenses … from … (c) other assets if they generate a return individually and largely independently of the entity's other resources'.

Paragraph B46 states that assets that generate a return individually and largely independently of the entity's other resources in paragraph 53(c) typically include:

(a) debt or equity investments; and

(b) investment properties, and receivables for rent generated by those properties.

Paragraph B48 states that assets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources, and such assets typically include:

(a) property, plant and equipment;

(b) assets that arise from the production or supply of goods and services for which the income and expenses are classified in the operating category (for example, receivables for such goods and services); and

(c) if the entity provides financing to customers as a main business activity, any loans to a customer.

Applying the requirements in IFRS 18

An entity is required to apply judgement in assessing whether an asset generates a return individually and largely independently of the entity's other resources as specified in paragraph 53(c) of IFRS 18. Paragraphs B45–B49 of IFRS 18 include requirements that help an entity make that judgement.

An entity applying paragraphs B45–B49 of IFRS 18 does so in the context of the requirements in paragraph 53(c). In applying paragraph B48, an entity therefore considers whether it uses an asset in combination with its other resources for the purpose of assessing whether that asset generates a return individually and largely independently of its other resources.

The Committee observed that an asset can generate a return 'individually and largely independently' of an entity's other resources even when there is some interaction between the asset and the entity's other resources. For example, an investment property, which is typically an asset that generates a return individually and largely independently of an entity's other resources (paragraph B46(b) of IFRS 18), will often be maintained using some of the entity's other resources.

Applying the requirements in IFRS 18 to debt and equity investments

Applying paragraph B46(a), an entity holding financial assets, such as debt and equity investments, would typically conclude that those assets generate a return individually and largely independently of the entity's other resources.

Paragraph B48 contains examples of assets that do not generate a return individually and largely independently of an entity's other resources. Two of these examples are debt instruments: (1) receivables arising from the production or supply of goods and services for which the income and expenses are classified in the operating category; and (2) loans to a customer if the entity provides financing to customers as a main business activity.

The Committee observed that the examples of debt instruments in paragraph B48 are debt instruments created by the production or supply of goods or services to a customer. Therefore, in applying paragraph B48, an entity holding debt instruments created by the entity’s production or supply of goods or services to a customer would typically conclude that those instruments do not generate a return individually and largely independently of the entity’s other resources.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to assess, in the context of paragraph 53(c), whether an asset it holds generates a return individually and largely independently of its other resources. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Appendix B—Submission

B1. We have reproduced the submission below.

Agenda request – assessing whether assets generate returns individually and largely independently of the entity's other resources (IFRS 18.53(c))

We have identified divergent views about the appropriate accounting requirements for determining whether an asset or assets may be considered to generate returns individually and largely independently of the entity's other resources (IFRS 18.53(c)). This question may affect the classification of income and expenses relating to those assets, as well as whether an entity is eligible to use the fair value option in IAS 28, as recently amended by the IASB in June 2026.

These questions have begun to arise since the IASB considered amending the scope of the fair value option, which refers to IFRS 18.49 and IFRS 18.53. While the expanded scope of the fair value option has not been applied in practice, in the cases we have discussed, these questions are likely to have a material effect and are time sensitive as the scope of the fair value option interacts with the transitional requirements of IFRS 18.

We have set out a description of our question and preliminary analysis of the potential views in the attached submission, which is accompanied by an appendix.

Submission

Background

IFRS 18.B48 sets out a principle for determining whether an asset 'generates a return individually and largely independently of the entity's other resources'. This assessment is important because it determines whether an asset meets the criteria in IFRS 18.53(c). This IFRS 18.53(c) assessment affects whether an entity's main business activities affect the classification of such assets, and also affects the scope of the fair value option, as the amendments to IAS 28 issued by the IASB in June 2026 extend the fair value option to entities that invest in assets as a main business activity as set out in IFRS 18.53(a)-(c).

The transition requirements of IFRS 18 also permit entities to 'redesignate' associates and joint ventures from applying the equity method to being measured at fair value through profit or loss on transition to IFRS 18, making the scope of the fair value option time sensitive as this election is only available on transition to IFRS 18 (IFRS 18.C7).

The principle set out in IFRS 18.B48 is that assets that 'an entity uses in combination to produce or supply goods or services' are not IFRS 18.53(c) type assets.

Question

How does an entity assess whether it uses an asset or assets in combination to produce or supply goods or services?

Analysis

While IFRS 18.B48 and 53 do not refer to IAS 40, the requirements for determining whether assets generate individually and largely independent returns (i.e. they are not used in combination to produce or supply goods or services) are similar to the requirements in IAS 40 for determining whether an asset meets the definition of investment property and similar terminology is used (IAS 40.7 – ***emphasis added***):

> *Investment property is held to earn rentals or for capital appreciation or both. Therefore,* ***an investment property generates cash flows largely independently of the other assets held by an entity****. This distinguishes investment property from owner-occupied property.* ***The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process.*** *IAS 16 applies to owned owner-occupied property and IFRS 16 Leases applies to owner-occupied property held by a lessee as a right-of-use asset.*

Therefore, an office building that is leased to tenants will generally meet the definition of investment property and, applying the terminology in IAS 40 to the requirements of IFRS 18.53(c), investment property will also generate returns individually and largely independently of the entity's other resources. This is contrast to, for example, a building that is used as a hotel, where the entity uses the hotel asset in combination with other assets to provide a combined service that requires the use of those other assets that is more significant than other incidental services provided to tenants in an office building (e.g. cleaning of common areas).

Therefore, assuming that the scoping of investment property in IAS 40.7 is intended to be consistent with the scoping of IFRS 18.53(c) type assets, it appears that an asset may be IFRS 18.53(c) type despite the entity providing some level of services relating to that asset. Despite the fact that IFRS 18.B48 does not set a threshold for 'used in combination to produce or supply goods or services', it appears that the significance of the combination must be relevant as IFRS 18.B48 interprets the primary requirement in IFRS 18.53(c) – whether the assets generate individually and ***largely*** independently of the entity's other resources.

IFRS 18.B48(c) includes an example of how an entity may use assets in combination to produce or supply goods or services, meaning the assets are not IFRS 18.53(c) type: 'if the entity provides financing to customers as a main business activity, any loans to a customer.' Therefore, a bank or other lender that provides financing to customers as a main business activity would classify the income and expenses from such loans in the operating category because they are not IFRS 18.53(c) type assets. Additionally, unless they held other assets that would qualify, such entities would not be able to elect to use the fair value option as described in the amendments to IAS 28, because such entities would not invest in specified assets as set out in IFRS 18.49(a).

Questions have begun arising in practice in a variety of industries as to how IFRS 18.B48 should be interpreted in a number of contexts, particularly for financial assets not originated by the entity, such as loans which, as set out in IFRS 18.B48(c), will not be IFRS 18.53(c) type if an entity has a specified main business activity of providing financing to customers. For example, how should entities that hold significant financial assets (e.g. asset managers) assess whether those assets are used in combination to produce or supply goods or services?

It appears that for an entity to use assets in combination to produce or supply goods or services, it is not necessary for the entity to identify a good or service that is transferred to the customer in the scope of another IFRS Accounting Standard. That is because IFRS 18.B48 is clear that if an entity provides financing to customers as a main business activity, the loans to customers are used in combination to provide services (the financing provided to customers) despite the fact that the income arising from this 'service' would be accounted for in the scope of IFRS 9 in the measurement of the financial asset, rather than as a service that is accounted for separately in the scope of another standard (e.g. IFRS 15).

Said another way, despite the fact that the income from the lending service is accounted for as part of the effective interest rate of the financial asset (assuming the assets are accounted for at amortised cost applying IFRS 9), this does not mean that the entity is not providing a 'service' to its customers. Therefore, it appears that IFRS 18 does not require that, in order for it to be concluded that assets are used in combination to produce or supply goods or services, those goods or services are accounted for as distinct transferred goods or services in the scope of any particular IFRS Accounting Standard.

We have included Appendix A, which sets out variations on fact patterns which demonstrate how, depending on how an entity interprets IFRS 18.B48 and 53, it may change the conclusion as to whether the entity invests in assets as a main business activity, which then affects the scope of the fair value option in IAS 28.

Appendix A – illustrative fact patterns

The following three scenarios illustrate the potential views of how IFRS 18.B48 may be interpreted, with the differences in outcome that arise:

Scenario	**Scenario 1**	**Scenario 2**	**Scenario 3**
Description	Investment fund which actively trades financial assets in order to generate a combined return for investors; investment management is directed by the entity	Investment fund which actively trades financial assets in order to generate a combined return for investors; investment management is directed by a third party	Investment fund which passively holds financial assets with limited trading activity; investment management is directed by the entity
View 1: the entity does not 'use' the financial assets in combination to supply services because the entity does not change or transform them	In all three scenarios, an investment fund holds financial assets in order to provide a return to investors (the service). Regardless of whether the entity actively trades the financial assets or not, they are not 'used' by the entity as the investment fund simply holds the financial assets to receive dividend/interest income or to realise gains on sale arising from appreciation in value. Therefore, the financial assets are all IFRS 18.53(c) type and assuming that the investment funds invest in them as a main business activity (IFRS 18.49(a)), the fair value option in IAS 28 will be available to all entities.		
View 2: the entity only 'uses' the financial assets if it makes decisions that affect the overall service that it provides	In scenarios 1 and 2, the investment fund actively trades financial assets in order to generate a combined return. Said another way, the activities of the investment fund affect the return that is generated because the buy and sell decisions affect the income the fund generates, similar to how the underwriting and credit management activities of a lender affect the return (IFRS 18.B48(c)). Therefore, for these entities, the financial assets are used in combination to supply services and therefore, they are not IFRS 18.53(c) type. The fair value option in IAS 28 is not available to		In contrast to scenarios 1 and 2, the investment fund only passively holds financial assets (e.g. it acquires government bonds and holds them to maturity). While the entity does make decisions about the composition of the investment portfolio initially, it does not 'use' the financial assets because it does not undertake activities that affect the return that is earned.

	these entities because they do not invest in specified assets as a main business activity (IFRS 18.49(a)).	Therefore, the financial assets are not used in combination to supply services and therefore, they are IFRS 18.53(c) type. The fair value option in IAS 28 is available to this entity because it invests in specified assets as a main business activity (IFRS 18.49(a)).
View 3: the entity only ‘uses’ the financial assets if it makes decisions that affect the overall service that it provides and those decisions must be made by the entity	In contrast to view 2, a distinction is drawn between scenario 1 and 2 because in scenario 2, the entity delegates its decision-making process to an investment manager. Therefore, in scenario 2, the entity does not ‘use’ the financial assets in combination to supply services, but the entity does in scenario 1. Therefore, for these entities, the financial assets are used in combination to supply services and therefore, they are not IFRS 18.53(c) type. The fair value option in IAS 28 is not available to these entities because they do not invest in specified assets as a main business activity (IFRS 18.49(a)).	For scenario 2, the entity itself does not ‘use’ the financial assets in combination to supply services because its decision making concerning the financial assets is delegated to an investment manager. For scenario 3, the same logic as view 2 applies. Therefore, in both scenarios 2 and 3, the financial assets are not used in combination to supply services and therefore, they are IFRS 18.53(c) type. The fair value option in IAS 28 is available to this entity because it invests in specified assets as a main business activity (IFRS 18.49(a)).

Appendix C—Excerpts from IFRS 18

B1. We have reproduced paragraphs B45–B48 of IFRS 18 below:

> **Assets that generate a return individually and largely independently of the entity's other resources**
>
> B45 Paragraph 53(c) requires an entity to identify assets that generate a return individually and largely independently of the entity's other resources. The return could be positive or negative.
>
> B46 Assets that generate a return individually and largely independently of the entity's other resources in paragraph 53(c) typically include:
>
> (a) debt or equity investments; and
>
> (b) investment properties, and receivables for rent generated by those properties.
>
> B47 Income and expenses specified in paragraph 54 from such assets typically include:
>
> (a) interest;
>
> (b) dividends;
>
> (c) rental income;
>
> (d) depreciation;
>
> (e) impairment losses and reversals of impairment losses;
>
> (f) fair value gains and losses; and
>
> (g) income and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs B60–B64).

Assets that do not generate a return individually and largely independently of the entity's other resources

B48 Assets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources. Such assets typically include:

(a) property, plant and equipment;

(b) assets that arise from the production or supply of goods and services for which the income and expenses are classified in the operating category (for example, receivables for such goods and services); and

(c) if the entity provides financing to customers as a main business activity, any loans to a customer.

B49 Income and expenses from the assets described in paragraph B48 are classified in the operating category—for example:

(a) revenue for goods or services produced or supplied by the entity using a combination of assets;

(b) interest income;

(c) depreciation and amortisation;

(d) impairment losses and reversals of impairment losses;

(e) income and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs B60–B64); and

(f) income and expenses arising on a business combination that includes assets that will give rise to income and expenses that will be classified in the operating category, such as a gain on a bargain purchase and remeasurements of contingent consideration.

B2. Paragraph BC142 states:

> Assets that generate a return individually and largely independently of an entity's other resources—for example, debt and equity investments—generate returns differently from the way returns are generated by:
>
> (a) assets that do not generate returns either individually or largely independently of an entity's other resources, such as plant and equipment used to produce goods or supply services;
>
> (b) assets that generate returns individually but not largely independently of an entity's other resources, such as an entity's receivables arising from the supply of goods and services for which income and expenses are classified in the operating category; and
>
> (c) assets that generate returns largely independently of an entity's other resources, but only as part of a group of assets, such as assets in a disposal group held for sale.