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Introduction

Compilation of Agenda Decisions—Volume 14 compiles all agenda decisions published by the IFRS Interpretations Committee (Committee) in the period November 2025 to April 2026. The Committee publishes an agenda decision to explain why a standard-setting project is not needed to address a question submitted. This *Compilation* also includes updates to agenda decisions to reflect requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*. For ease of reference, the agenda decisions are sorted by IFRS Accounting Standard.

How the Committee supports consistent application of IFRS Accounting Standards

The Committee works together with the International Accounting Standards Board (IASB) in supporting the consistent application of IFRS® Accounting Standards. The Committee seeks to achieve a balance between maintaining the principles-based nature of the Accounting Standards and adding or changing requirements in response to emerging application questions.

The Committee's process

All Committee projects begin as a question regarding the application of an Accounting Standard. The process is designed to:

- allow any stakeholder to submit a question about the application of the Accounting Standards; and
- be open and transparent—application questions are considered at a public meeting.

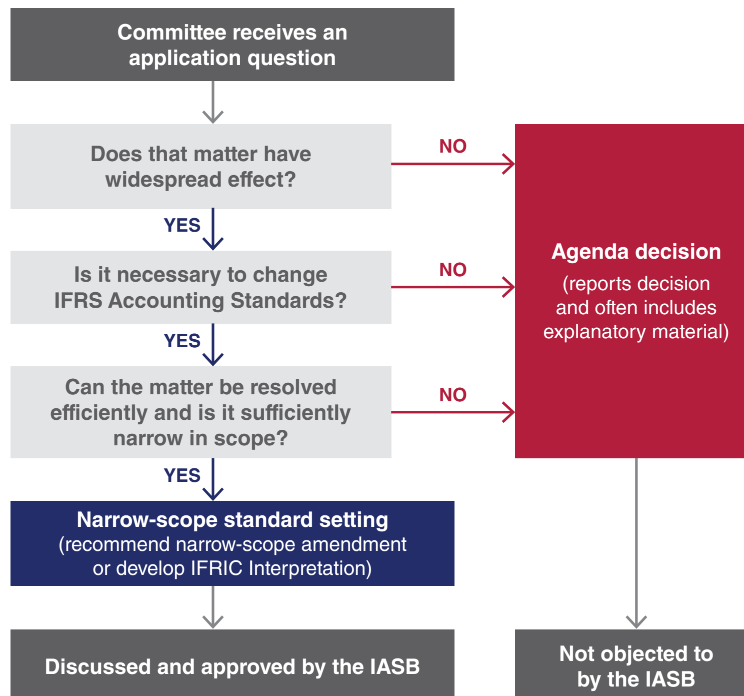
The Committee then assesses the need for a standard-setting project to address the question, either by developing an IFRIC Interpretation (see further details below) or recommending that the IASB add a narrow-scope standard-setting project to the work plan.

The Committee will decide a standard-setting project is not needed if it concludes that standard-setting is:

- unnecessary—typically because, in the Committee's view, either:
  - the matter does not have widespread effect (that is, the circumstance or transaction is prevalent, or is expected to be prevalent; and there is diversity, or expected diversity, in the application of the Accounting Standards that has, or is expected to have, a material effect on those affected); or
  - the principles and requirements in the Accounting Standards provide an adequate basis for an entity to determine the required accounting;
- not narrow enough to be resolved efficiently within the confines of existing Accounting Standards and the *Conceptual Framework* and can be resolved only as part of a larger IASB project, or not cost-effective for the IASB or the Committee and stakeholders to undertake the due process required to amend an Accounting Standard.

To explain why a standard-setting project is not needed, the Committee publishes an agenda decision. Agenda decisions are subject to due process. They are first published as tentative agenda decisions which are open for comment normally for 60 days. The Committee considers feedback from stakeholders and decides whether to finalise the agenda decision. Once finalised, the IASB is asked whether it objects to the agenda decision. If four or more IASB members object, the agenda decision is not published and the IASB decides how to proceed.

The following diagram summarises the criteria the Committee considers when deciding whether to recommend adding a standard-setting project to the IASB's work plan:



Explanatory material in an agenda decision

An agenda decision typically includes explanatory material if the Committee has concluded that the principles and requirements in the Accounting Standards provide an adequate basis for an entity to determine the required accounting. The objective of including such explanatory material is to improve the consistency of application of the Accounting Standards.

Explanatory material included as part of a tentative agenda decision is subject to comment.

Agenda decisions (including any explanatory material contained within them) do not have effective dates because they cannot add or change requirements in the Accounting Standards. Instead, explanatory material explains how the applicable principles and requirements in the Accounting Standards apply to the transaction or fact pattern described in the agenda decision.

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Explanatory material derives its authority from the Accounting Standards themselves. Accordingly, an entity is required to apply the applicable Accounting Standard(s), reflecting the explanatory material in agenda decisions. An entity is expected to have sufficient time to implement that accounting.

Agenda decisions published by the Committee are available on the 'how we help support consistent application of IFRS Accounting Standards' page.

Maintaining agenda decisions

New Accounting Standards and amendments to Accounting Standards may result in changes to the principles and requirements reflected in explanatory material in agenda decisions. The IASB takes the following approach in maintaining agenda decisions:

a. an agenda decision is withdrawn if the explanatory material within it refers to requirements that have been changed or removed from the Accounting Standards; and

b. the references included in the explanatory material are updated with those of the new or amended Accounting Standards if the requirements have been brought forward unchanged.

The IASB also can ask the Committee to consider updating particular agenda decisions that would otherwise be withdrawn to reflect new or amended requirements. Any proposed updated agenda decisions are subject to the same due process requirements as other proposed agenda decisions.

Narrow-scope standard-setting

Some questions result in a narrow-scope standard-setting project that follows the due process set out in our *Due Process Handbook*. The Committee may decide:

- to develop an IFRIC Interpretation, which adds requirements to the Accounting Standards but does not change or conflict with the Accounting Standards; or
- to recommend that the IASB develop a narrow-scope amendment to an Accounting Standard.

Narrow-scope standard-setting projects recommended by the Committee and approved by the IASB are added to the work plan as maintenance projects.

New agenda decisions

This *Compilation* includes the following agenda decisions published by the Committee in the period November 2025 to April 2026:

a. *Determining and Accounting for Transaction Costs* (IFRS 9 *Financial Instruments*);

b. *Embedded Prepayment Option* (IFRS 9);

c. *Economic Benefits from Use of a Battery under an Offtake Arrangement* (IFRS 16 *Leases*);

d. *Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements* (IFRS 18);

e. *Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset)* (IFRS 18);

f. *Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure* (IFRS 18);

g. *Scope of the Requirement to Disclose Expenses by Nature* (IFRS 18); and

h. *Fair Presentation and Compliance with IFRS Accounting Standards* (IAS 1 *Presentation of Financial Statements*).

Updates to, and withdrawal of, agenda decisions

In the light of the issuance of IFRS 18, the IASB asked the Committee to review agenda decisions that refer to general requirements about presentation, materiality and aggregation of information in the financial statements to consider replacing references to IAS 1 with references to the new or amended requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*.

Updates to agenda decisions

This Compilation includes updates to the following agenda decisions which were finalised by the Committee in November 2025 and March 2026:

a. *Disclosure of Revenues and Expenses for Reportable Segments* (IFRS 8 *Operating Segments*) (originally published in July 2024);

b. *Physical Settlement of Contracts to Buy or Sell a Non-financial Item* (IFRS 9) (originally published in March 2019);

c. *Normal operating cycle* (IAS 1) (originally published in June 2005);

d. *Demand Deposits with Restrictions on Use arising from a Contract with a Third Party* (IAS 7 *Statement of Cash Flows*) (originally published in April 2022);

e. *Disclosure of Changes in Liabilities Arising from Financing Activities* (IAS 7) (originally published in September 2019); and

f. *Subsequent Expenditure on Biological Assets* (IAS 41 *Agriculture*) (originally published in September 2019).

This *Compilation* includes the updates to those agenda decisions. New text added to the agenda decisions are underlined and deleted text is struck through.

Withdrawal of agenda decisions

In April 2025 and January 2026, the IASB decided to withdraw the following agenda decision as from 1 January 2027 when IFRS 18 becomes effective:

a. *Issues related to the application of IAS 1* (IAS 1) (originally published in May 2014);

b. *Presentation of Liabilities or Assets Related to Uncertain Tax Treatments* (IAS 1) (originally published in September 2019); and

c. *Income and expenses arising on financial instruments with a negative yield—presentation in the statement of comprehensive income* (IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 1) (originally published in January 2015).

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Other agenda decisions

In April 2026, the Committee also decided to finalise:

a. Agenda Decision *Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12* Income Taxes (IFRS 18); and

b. updates to agenda decisions *Presentation of payments on non-income taxes* (IAS 1 and IAS 12) and *Classification of tonnage taxes* (IAS 12).

In May 2026, the IASB decided to defer a decision on whether it objects to these finalised and updated agenda decisions. They are not included in this *Compilation*.

New Agenda Decisions

IFRS 9 *Financial Instruments*

Determining and Accounting for Transaction Costs (IFRS 9)

Published in January 2026

The Committee received a request about the application of the definition of transaction costs in IFRS 9 and the requirements in IFRS 9 relating to transaction costs.

Fact pattern

The request asked how an entity determines whether costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are 'incremental' and, therefore, meet the definition of transaction costs in Appendix A of IFRS 9.

In the fact pattern described in the request, an entity intends to enter into a loan contract with a bank and incurs legal and advisory fees while analysing the terms and conditions of the proposed loan. The entity expects to proceed with the contract, but the loan contract has not been signed as of the date the entity's financial statements are authorised for issue.

The request outlined two views:

a. in one view, costs that are incurred before entering into the contractual arrangement cannot meet the definition of transaction costs set out in Appendix A of IFRS 9; and

b. in the other view, costs that are incurred before entering into the contractual arrangement can meet the definition of transaction costs set out in Appendix A of IFRS 9, even if there is a possibility that the financial instrument might not be originated or issued.

Assuming that the costs are determined to be transaction costs, the request asked how to account for such costs in the period between incurring the costs and entering into the contractual arrangement.

Findings

Evidence gathered by the Committee indicated no diversity in applying IFRS 9 that could have a material effect on entities' financial statements with regards to determining and accounting for costs incurred before entering into a contractual arrangement. Feedback suggested that:

a. costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are not precluded from being 'incremental' and, accordingly, could meet the definition of transaction costs in IFRS 9; and

b. transaction costs are recognised in the statement of financial position, often as prepayments or other assets.

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Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Embedded Prepayment Option (IFRS 9)

Published in January 2026

The Committee received a request about the application of the requirements in paragraph B4.3.5 of IFRS 9 to determine whether to separate an embedded prepayment option in a loan contract.

Fact pattern

The request asked whether, for purposes of applying paragraph B4.3.5(e)(ii) of IFRS 9 to a prepayment option in a financial liability, 'the entity' should be read to refer to 'the lender' or 'the reporting entity' (that is, the borrower).

In the fact pattern described in the request, a reporting entity (the borrower) signed a loan contract that contains an early repayment option (the prepayment option). The request stated that views differ in practice with regards to the meaning of 'the entity' in paragraph B4.3.5(e)(ii) of IFRS 9:

a. one view is that 'the entity' refers to 'the lender' because lost interest should be considered from the lender's perspective; and

b. the other view is that, similar to references to 'the entity' in other IFRS Accounting Standards, 'the entity' is 'the reporting entity' (that is, the borrower) and lost interest should be considered from the reporting entity's perspective.

The distinction between 'the entity' meaning 'the lender' or 'the reporting entity' can be significant, because the assessment of whether to separate an embedded derivative from the host contract could differ depending on whether it is assessed from the lender's or the borrower's perspective. The effects of accounting for an embedded derivative at fair value through profit or loss and for a host contract at amortised cost differ from the effects of accounting for the entire financial liability at amortised cost.

Findings

Evidence gathered by the Committee indicated no diversity in practice that could have a material effect on entities' financial statements with regards to interpreting the term 'the entity' in paragraph B4.3.5(e)(ii) of IFRS 9. Feedback suggested that stakeholders read the requirements as referring to the lender.

Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

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IFRS 16 *Leases*

Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)

Published in April 2026

The Committee received requests about how an entity applies the requirements in paragraph B9(a) of IFRS 16—specifically, how an entity determines whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset. The requests illustrate the question by describing a fact pattern involving a battery offtake arrangement.

Fact pattern

In the fact pattern described in the requests, a battery owner and an electricity retailer are registered participants in a gross pool electricity market.

The battery owner and the electricity retailer enter into a battery offtake arrangement. Under the terms and conditions of the offtake arrangement, the battery owner retains custody of the battery but is contractually obliged to operate it in accordance with the electricity retailer's instructions, which cover 100% of the capacity of the battery; the battery cannot be substituted. The electricity retailer's instructions would typically specify whether and when the battery owner charges and discharges the battery. The electricity retailer can instruct the battery owner to charge and discharge the battery throughout the period of use (including multiple times during each day).

In a gross pool electricity market, settlement of electricity transactions requires a single registered participant to transact with the market operator. As the battery owner is the registered participant, transactions occurring under the offtake arrangement are settled as follows:

a. the electricity retailer pays a fixed amount to the battery owner over the period of the contract for the right to use the battery. This fixed amount reflects the size of the battery and the period of use and is payable regardless of whether the battery is charged or discharged.

b. the battery owner operates the battery according to the electricity retailer's instructions by buying and selling electricity and settles those transactions with the market operator. In accordance with the gross pool market structure, all transactions with the market operator occur at the spot price. The battery owner pays all resulting cash flows to (or receives all resulting cash flows from) the electricity retailer.

c. the battery owner and the electricity retailer settle transactions in (a) and (b) periodically, net in cash.

Paragraph 9 of IFRS 16 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. Applying paragraph B9 of IFRS 16, to assess whether a contract conveys the right to control the use of an identified asset for a period of time an entity assesses whether, throughout the period of use, the customer has *both*:

a. the right to obtain substantially all of the economic benefits from use of the identified asset; *and*

b. the right to direct the use of that asset.

The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery (paragraph B9(b) of IFRS 16). The requests ask whether, under the offtake arrangement, the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16).

Applying IFRS 16 to the fact pattern

In determining whether it has the right to obtain substantially all of the economic benefits from use of an identified asset (paragraph B9(a) of IFRS 16) and the right to direct the use of that asset (paragraph B9(b) of IFRS 16), an entity considers the terms and conditions of the contract and all relevant facts and circumstances.

Does the electricity retailer have the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16)?

Paragraph B21 of IFRS 16 specifies that 'a customer can obtain economic benefits from use of an asset directly or indirectly in many ways, such as by using, holding or sub-leasing the asset. The economic benefits from use of an asset include its primary output and by-products (including potential cash flows derived from these items), and other economic benefits from using the asset that could be realised from a commercial transaction with a third party.'

The Committee observed that, in the fact pattern described in the requests, the economic benefits from use of the battery are derived from its storage capability and capacity. The battery is used to store, and then release, electricity—and not to produce electricity.

The Committee also observed that the battery offtake arrangement provides the electricity retailer with the economic benefits derived from the battery storage because the electricity retailer has the exclusive right:

a. to use the entire capacity of the battery throughout the period of use (for the duration of the arrangement); and

b. to direct the battery owner as to whether, when and by how much to charge and discharge the battery.

Therefore, applying paragraph B21 of IFRS 16 to the fact pattern, the Committee concluded that the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery.

Does the electricity retailer have the right to direct the use of the battery (paragraph B9(b) of IFRS 16)?

The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery. Therefore, the Committee did not analyse the application of paragraph B9(b) of IFRS 16 to the fact pattern.

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Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an electricity retailer, as the customer in a battery offtake arrangement as described in the requests, to determine whether it has the right to obtain substantially all of the economic benefits from use of the battery. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent (IFRS 18)

Published in April 2026

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 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—that is, the investing, financing, income taxes and discontinued operations 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

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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 might provide evidence of an entity's main business activity. These factors include, for example, whether the entity uses a particular subtotal as an important indicator of operating performance 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 a substantive business activity of holding and managing investments in subsidiaries and distributing returns from those investments. The Committee observed that, in those circumstances, an outcome in which the parent described in the request 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.

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 classifies 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 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.

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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.

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)

Published in April 2026

The Committee received a request about the classification of a foreign exchange difference from an intragroup monetary liability (or asset). Paragraph B65 of IFRS 18 requires an entity to 'classify foreign exchange differences included in the statement of profit or loss applying IAS 21 [*The Effects of Changes in Foreign Exchange Rates*] in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort (see paragraph B68)'.

The request asked how an entity applying paragraph B65 of IFRS 18 classifies a foreign exchange difference if the income and expenses from the intragroup monetary liability (or asset) that gave rise to the foreign exchange difference have been eliminated on consolidation.

Fact pattern

In the fact pattern described in the request, an entity enters into a loan with its subsidiary (intragroup loan). The entity and its subsidiary have different functional currencies. This intragroup loan:

a. is denominated in the functional currency of either the entity or its subsidiary; and

b. is not part of the entity's net investment in the subsidiary.

The entity or the subsidiary for which the intragroup loan is a foreign currency monetary item applies IAS 21 to translate the loan to its functional currency and recognises any resulting exchange difference in profit or loss (the exchange difference). In preparing its consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements*, the entity eliminates in full the intragroup assets, liabilities, income, expenses and cash flows relating to the loan. However, in accordance with paragraph 45 of IAS 21, the entity does not eliminate the exchange difference and recognises that exchange difference in its consolidated statement of profit or loss.

Applying the requirements in IFRS Accounting Standards

To determine how an entity classifies the exchange difference in accordance with paragraph B65 of IFRS 18, the Committee considered what 'the items that gave rise to the foreign exchange differences' are.

Paragraph 45 of IAS 21 states '[t]he incorporation of the results and financial position of a foreign operation with those of the reporting entity follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary (see IFRS 10 *Consolidated Financial Statements*). However, an intragroup monetary asset (or liability), whether short-term or long-term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations…'.

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The Committee observed that—according to paragraph 45 of IAS 21—it is the intragroup monetary liability (or asset) that gives rise to the exchange difference. The monetary item represents a commitment to convert one currency into another currency.

Consequently, the Committee concluded that a reasonable reading of paragraph B65 of IFRS 18 applied to the fact pattern described in the request results in two possible ways (described as View 1 and View 2 in this agenda decision) to classify the exchange difference.

View 1—Classify the exchange difference in the operating category as the default category

The income and expenses from the item that gave rise to the exchange difference are not included in the consolidated statement of profit or loss. Consequently, the entity could reasonably conclude it cannot apply paragraph B65 of IFRS 18 to this exchange difference because there is no 'same' category within which the entity can classify the exchange difference. The entity therefore, by default, classifies the exchange difference in the operating category in accordance with paragraph 52 of IFRS 18.

View 2—Classify the exchange difference in the same category in which the income and expenses from the intragroup loan would have been classified before their elimination on consolidation, or, if doing so would involve undue cost or effort, in the operating category

The entity might consider that the exchange difference arose from the intragroup loan before the elimination of that loan—and of any income and expenses (other than the exchange difference) arising from that loan—on consolidation.

The Committee observed that while paragraph B65 of IFRS 18 requires the exchange difference to be classified in the 'same' category as the income and expenses from the item that gave rise to the exchange difference, it does not require those income and expenses to be included in the consolidated statement of profit or loss.

Therefore, applying paragraph B65 of IFRS 18, the entity could reasonably conclude it can classify the exchange difference in the category in which the income and expenses from the intragroup loan would have been classified before the elimination of those income and expenses.

The Committee observed that applying View 2:

a. if the entity determines—in accordance with paragraph B68 of IFRS 18—that classifying the exchange difference in the same category in which the income and expenses would have been classified before their elimination involves undue cost or effort, the entity instead classifies the exchange difference in the operating category. In accordance with paragraph B68 of IFRS 18, an entity assesses whether classifying foreign exchange differences involves undue cost or effort 'for each item that gives rise to foreign exchange differences.'

b. the entity classifies the exchange difference from its perspective (as a consolidated group). This means, for example, that the category in which the entity classifies the exchange difference might differ from the category in which the subsidiary classified the exchange difference in its statement of profit or loss (if applicable to the subsidiary). A reason those categories might differ is if the entity's assessment of its specified main business activities—as a consolidated group—differs from the subsidiary's assessment of its specified main business activities.

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Other views

The Committee concluded that the other views described in the request would not be reasonable readings of the requirements. Those views were that:

a. the transaction in the fact pattern involves only the raising of finance and, consequently, the entity classifies the exchange difference in the financing category. The Committee concluded that this view is not a reasonable reading of the requirements because the exchange difference does not always arise from a transaction that involves only the raising of (intragroup) finance.

b. the exchange difference arose from the transfer of cash from one currency into another for a period of time and, consequently, the entity classifies the exchange difference in the investing category. The Committee concluded that this view is not a reasonable reading of the requirements because it is not cash (or currency) that gave rise to the exchange difference.

Other observations

The Committee observed that an entity develops and applies an accounting policy—that is, View 1 or View 2 as described in this agenda decision—in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

Conclusion

In the light of its analysis, the Committee considered whether to add a standard-setting project to the work plan. The Committee concluded that the expected benefits of a standard-setting project to further clarify the classification of the exchange difference in the fact pattern described in the request would not outweigh the costs. Consequently, the Committee decided not to add a standard-setting project to the work plan.

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Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)

Published in April 2026

The Committee received a request about how an entity applies the requirements in paragraphs B70–B76 of IFRS 18 to classify gains or losses on a derivative financial instrument in its consolidated statement of profit or loss. The derivative is a forward contract that is used to manage the foreign currency risk of a net liability exposure, but is not designated as a hedging instrument applying IFRS 9 *Financial Instruments*.

The request asks how the entity, applying IFRS 18, classifies any gain or loss arising from the derivative in its consolidated statement of profit or loss.

Fact pattern

An entity (Parent P) has three subsidiaries—Subsidiary A, Subsidiary B and Treasury Entity—that it consolidates when preparing its consolidated financial statements. Subsidiaries A and B have the same functional currency (LC) and have the following loans denominated in foreign currency (FC):

a. Subsidiary A issued a loan of FC100 to a third party (investing asset); and

b. Subsidiary B obtained a loan of FC120 from a different third party (financing liability).

Therefore, the group has a net liability exposure of FC20.

Applying paragraph 49 of IFRS 18, Parent P assesses that—for the purposes of its consolidated financial statements—it does not have a specified main business activity of investing in particular types of assets or of providing financing to customers. Consequently, in its consolidated financial statements, Parent P classifies the interest income from the investing asset in the investing category and the interest expense from the financing liability in the financing category. Applying paragraph B65 of IFRS 18, Parent P classifies any related foreign exchange differences in the same category as the interest income and interest expense from those financial instruments.

To manage the foreign currency risk of the group's net liability exposure, Treasury Entity enters into a forward contract with a third party at a notional amount of FC20 to sell local currency and buy foreign currency (external derivative).

Consistent with the group's risk management policy, the purpose of the external derivative is to manage the identified foreign currency risk of the net liability exposure, not the group of gross exposures (the investing asset and the financing liability) that make up the net exposure.

Parent P does not designate the external derivative as a hedging instrument applying IFRS 9.

Parent P concludes that the undue cost or effort exemption in paragraph B72 of IFRS 18 is not applicable. In particular, Parent P has identified the link between the external derivative and the risk it uses that derivative to manage.

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Treasury Entity also enters into intercompany derivatives (internal derivatives) with:

a. Subsidiary A at a notional amount of FC100, to sell foreign currency and buy local currency; and

b. Subsidiary B at a notional amount of FC120, to sell local currency and buy foreign currency.

Applicable requirements

Paragraphs B70–B76 of IFRS 18 provide application guidance about classifying gains and losses on derivatives and designated hedging instruments. Paragraph B72 of IFRS 18 requires an entity to classify gains and losses on a derivative that is not designated as a hedging instrument applying IFRS 9, but is used to manage identified risks, in the same category as the income and expenses affected by the risks that the derivative is used to manage. However, if doing so would require the grossing up of gains or losses or involve undue cost or effort, the entity is instead required to classify all gains or losses on the derivative in the operating category.

Paragraph B74 of IFRS 18 states '…grossing up of gains and losses might arise from situations in which:

a. an entity uses financial instruments to manage the risks of a group of items with offsetting risk positions…; and

b. the risks managed affect line items in more than one category of the statement of profit or loss'.

Paragraph B75 of IFRS 18 provides an example in which grossing up of gains or losses on a derivative might arise.

Applying the requirements

The Committee considered the application of the requirements only to gains or losses on the external derivative, not on the internal derivatives. That is because:

a. the request asked about the classification of gains and losses on the external derivative in the entity's consolidated statement of profit or loss.

b. as paragraph BC6.144 of the Basis for Conclusions on IFRS 9 explains, for financial reporting purposes, the mitigation or transformation of risk is generally only relevant if it results in a transfer of risk to a party outside the reporting entity. Any transfer of risk within the reporting entity does not change the risk exposure from the perspective of that reporting entity as a whole. This is consistent with the principles of consolidated financial statements.

The Committee observed that, based on the application guidance in paragraphs B70–B76 of IFRS 18, an entity first needs to identify the risk(s) a derivative is used to manage. Doing so enables the entity to determine the categories in profit or loss affected by that risk and the resulting classification of gains or losses on that derivative.

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The risk the external derivative is used to manage

The Committee observed that entities typically enter into derivatives used to manage identified risks in accordance with their approved risk management policies. Therefore, an entity is generally expected to be able to identify the risk managed using a derivative based on facts and circumstances and its risk management policy.

In the fact pattern described in the request, consistent with the group's risk management policy, the external derivative is used to manage only the foreign currency risk of the net liability exposure—not the gross exposures (the investing asset and the financing liability).

The categories affected by the risk managed using the external derivative

In the fact pattern described in the request, Parent P classifies foreign exchange differences on financial liabilities in the financing category of its consolidated statement of profit or loss.

Because the external derivative is used to manage foreign currency risk of the net *liability* exposure, applying paragraph B72 of IFRS 18, Parent P is required to classify any gain or loss on the external derivative in the financing category of its consolidated statement of profit or loss, unless doing so would require the grossing up of gains and losses or involve undue cost or effort.

In the fact pattern described in the request, Parent P concluded that the undue cost or effort exemption is not applicable.

Does classification in the financing category require grossing up gains or losses on the external derivative?

Based on the requirements in paragraphs B74–B75 of IFRS 18, the Committee observed that the grossing up of gains and losses on a derivative:

a. does not arise in situations in which an entity manages an identified risk that affects line items in a single category of the statement of profit or loss.

b. might arise in situations in which an entity manages the risks of a group of items with offsetting risk positions using a derivative and those risks affect line items in more than one category of the statement of profit or loss. To classify the gain or loss on the derivative in each of the categories affected, the entity would need to present in each category a larger gain or loss than occurred on the derivative. Such an outcome is prohibited by paragraphs B70 and B72 of IFRS 18. For example, if the group's risk management policy was to instead use the external derivative to manage the foreign currency risk of both the investing asset and the financing liability on a gross basis, then these risks would affect line items in the investing category and in the financing category of the consolidated statement of profit or loss. Consequently, classifying gains or losses on the external derivative in these categories would have required the grossing up of gains or losses on the derivative, which is prohibited by paragraph B72 of IFRS 18.

The Committee observed that, in the fact pattern described in the request, the external derivative is used to manage only the net liability foreign currency exposure, which affects a single category of the consolidated statement of profit or loss—the financing category. Therefore, classifying gains or losses on the external derivative in the financing

category would not require the grossing up of such gains or losses. As a result, the prohibition in paragraph B72 of IFRS 18 would not apply.

Consequently, the Committee concluded that the entity is required to classify any gain or loss on the external derivative in the same category as the income and expenses affected by the risks the derivative is used to manage—in the fact pattern described in the request, it would be in the financing category of its consolidated statement of profit or loss.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for the classification of gains or losses on a derivative—in accordance with an entity's risk management policy—that is used to manage an identified risk but is not designated as a hedging instrument applying IFRS 9. Consequently, the Committee decided not to add a standard-setting project to the work plan.

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Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)

Published in April 2026

The Committee received a request about the scope of the requirements in paragraph 83 of IFRS 18.

Paragraph 75 of IFRS 18 requires an entity to present line items in the statement of profit or loss, including for:

a. operating expenses (paragraph 75(a)(ii)); and

b. amounts required by IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* (paragraph 75(b)–(c)).

Question

The request asked whether the requirements in paragraph 83 of IFRS 18 apply:

a. only when an entity presents operating expenses listed in paragraph 75(a)(ii) of IFRS 18 by function in the operating category of the statement of profit or loss; or

b. when an entity presents any expense by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18. The request said these expenses might include amounts that have been recognised as part of the carrying amount of an asset—for example, insurance service expense recognised in the statement of profit or loss might include the amortisation of insurance acquisition costs that were previously capitalised as part of insurance contract assets.

Applying the applicable requirements

The Committee observed that paragraph 83 of IFRS 18 contains no exceptions or exclusions. That means, for example, that the reason for classifying an expense by function—that is, classifying an expense by function applying an entity's judgement or because of a requirement in an IFRS Accounting Standard—is irrelevant in determining whether an entity is required to apply paragraph 83.

Therefore, the Committee concluded that paragraph 83 of IFRS 18 applies when an entity presents any line item comprising expenses classified by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18 that are classified by function.

The Committee observed that, as paragraph B84 of IFRS 18 states, the amounts disclosed in accordance with paragraph 83 of IFRS 18 need not be the amounts recognised as an expense in the period. The amounts disclosed could include amounts that have been recognised as part of the carrying amount of an asset. If an entity applying paragraph 83(b) of IFRS 18 discloses amounts that are not the amounts recognised as an expense in the period, the entity is required to provide a qualitative explanation of that fact, identifying the assets involved. Note 1 of paragraph IE7 of the Illustrative Examples on IFRS 18 illustrates a way to apply paragraph 83 of IFRS 18 and the related application guidance.

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Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the scope of the requirements in paragraph 83 of IFRS 18. Consequently, the Committee decided not to add a standard-setting project to the work plan.

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IAS 1 *Presentation of Financial Statements* [IAS 8 *Basis of Preparation of Financial Statements*]

Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1) [IAS 8]

Published in April 2026

The Committee received a request about the application of the requirements in paragraphs 15–24 of IAS 1 [paragraphs 6A–6J of IAS 8] relating to fair presentation and compliance with IFRS Accounting Standards.

Fact pattern and question

In the fact pattern described in the request, an entity applying paragraph 19 of IAS 1 [paragraph 6E of IAS 8] departs from a requirement in an IFRS Accounting Standard. The request asked whether the entity is nonetheless required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 [paragraph 6A of IAS 8].

Findings

Evidence gathered by the Committee indicated that the fact pattern described in the request arises infrequently.

Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

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Updates to Agenda Decisions

IFRS 8 *Operating Segments*

Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)

Published in July 2024

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements *with references to IFRS 18* Presentation and Disclosure in Financial Statements

The Committee received a request about how an entity applies the requirements in paragraph 23 of IFRS 8 to disclose for each reportable segment specified amounts related to segment profit or loss.

The request asked:

a. whether an entity is required to disclose the specified amounts in paragraph 23(a)–(i) of IFRS 8 for each reportable segment if those amounts are not reviewed separately by the chief operating decision maker (CODM);

b. whether an entity is required to disclose the specified amounts in paragraph 23(f) of IFRS 8 for each reportable segment if the entity presents or discloses those specified amounts applying a requirement in IFRS Accounting Standards other than paragraph 97 of IAS 1 *Presentation of Financial Statements* [now paragraph 42 of IFRS 18]; and

c. how an entity determines 'material items' in paragraph 23(f) of IFRS 8. In particular:

    i. whether 'material items' are only those items that are material on a qualitative basis;

    ii. whether 'material items' include amounts that are an aggregation of individual items that are quantitatively immaterial; and

    iii. whether the materiality assessment is performed at an income statement level (from an overall reporting entity perspective) or at a segment level.

The Committee observed that there are two main aspects to the questions:

a. the requirements of paragraph 23 of IFRS 8 to disclose, for each reportable segment, specified amounts included in segment profit or loss reviewed by the CODM; and

b. the meaning of 'material items of income and expense' in the context of paragraph 97 of IAS 1 [now paragraph 42 of IFRS 18] as referenced in paragraph 23(f) of IFRS 8.

Disclosure of specified amounts

Paragraph 23 of IFRS 8 requires an entity to report a measure of profit or loss for each reportable segment and to disclose specified amounts for each reportable segment. Paragraph 23 sets out specified amounts that an entity is required to disclose for each reportable segment if the specified amounts are included in the measure of segment

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profit or loss reviewed by the CODM, or are otherwise regularly provided to the CODM, even if not included in that measure of segment profit or loss.

The Committee observed that paragraph 23 of IFRS 8 requires an entity to disclose the specified amounts for each reportable segment when those amounts are:

- included in the measure of segment profit or loss reviewed by the CODM, even if they are not separately provided to or reviewed by the CODM, or
- regularly provided to the CODM, even if they are not included in the measure of segment profit or loss.

Material items of income and expense

Paragraph 23(f) of IFRS 8 sets out one of the required 'specified amounts', namely, 'material items of income and expense disclosed in accordance with paragraph 42 of IFRS 18 ~~paragraph 97 of IAS 1~~'. Paragraph 42 of IFRS 18 states that '[a]pplying the principles in paragraph 41, an entity shall disaggregate items whenever the resulting information is material…'. ~~Paragraph 97 of IAS 1 states that 'when items of income or expense are material, an entity shall disclose their nature and amount separately'.~~

Definition of 'material'

Appendix A of IFRS 18 ~~Paragraph 7 of IAS 1~~ defines 'material information' and states 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Paragraph B2 of IFRS 18 ~~Paragraph 7 of IAS 1~~ also states that 'materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole'.

Aggregation and disaggregation of information

Paragraphs 41–43 of IFRS 18 ~~Paragraphs 30–31 of IAS 1~~ provide requirements about how an entity aggregates and disaggregates information in the financial statements, which include the notes. Paragraph 41(d)–(e) of IFRS 18 states that an entity shall 'aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information' and 'ensure that aggregation and disaggregation in the financial statements do not obscure material information…'. ~~Paragraph 30A of IAS 1 states that 'an entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions'.~~

Applying paragraph 23(f) of IFRS 8 *—material items of income and expense*

The Committee observed that when IFRS 18 ~~IAS 1~~ refers to materiality, it is in the context of 'information' being material. An entity applies judgement in considering whether disclosing, or not disclosing, information in the financial statements could reasonably be expected to influence decisions users of financial statements make on the basis of those financial statements.

The Committee observed that, in applying paragraph 23(f) of IFRS 8 by disclosing, for each reportable segment, material items of income and expense disclosed in accordance with paragraph 42 of IFRS 18 ~~paragraph 97 of IAS 1~~, an entity:

a. applies the definition of 'material information' in Appendix A and paragraph B2 of IFRS 18 ~~paragraph 7 of IAS 1~~ and assesses whether information about an item of income and expense is material in the context of its financial statements taken as a whole;

b. applies the requirements in paragraphs 41–43 of IFRS 18 ~~paragraphs 30–31 of IAS 1~~ in considering how to aggregate and disaggregate information in its financial statements;

c. considers the nature or magnitude of information—in other words, qualitative or quantitative factors—or both, in assessing whether information about an item of income and expense is material; and

d. considers circumstances including, but not limited to, those in paragraph B79 of IFRS 18 ~~paragraph 98 of IAS 1~~.

The Committee further observed that paragraph 23(f) of IFRS 8 does not require an entity to disclose by reportable segment each item of income and expense presented in its statement of profit or loss or disclosed in the notes. In determining information to disclose for each reportable segment, an entity applies judgement and considers the core principle of IFRS 8—which requires an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to apply the disclosure requirements in paragraph 23 of IFRS 8.

Consequently, the Committee decided not to add a standard-setting project to the work plan.

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IFRS 9 *Financial Instruments*

Physical Settlement of Contracts to Buy or Sell a Non-financial Item (IFRS 9)

Published in March 2019

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements *with references to IFRS 18* Presentation and Disclosure in Financial Statements

The Committee received a request about how an entity applies IFRS 9 to particular contracts to buy or sell a non-financial item in the future at a fixed price. The request describes two fact patterns in which an entity accounts for such contracts as derivatives at fair value through profit or loss (FVPL) but nonetheless physically settles the contracts by either delivering or taking delivery of the underlying non-financial item.

IFRS 9 must be applied to contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if those contracts were financial instruments, with one exception. That exception applies to contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements ('own use scope exception' in paragraph 2.4 of IFRS 9).

In the fact patterns described in the request, the entity concludes that the contracts are within the scope of IFRS 9 because they do not meet the own use scope exception. Consequently, the entity accounts for the contracts as derivatives measured at FVPL. The entity does not designate the contracts as part of a hedging relationship for accounting purposes.

At the settlement date, the entity physically settles the contracts by either delivering or taking delivery of the non-financial item. In accounting for that settlement, the request explains that the entity records the cash paid (in the case of the purchase contract) or received (in the case of the sale contract) and derecognises the derivative.

In addition, the entity:

a. recognises inventory for the non-financial item at the amount of the cash paid plus the fair value of the derivative on the settlement date (in the case of the purchase contract); or

b. recognises revenue for the sale of the non-financial item at the amount of the cash received plus the fair value of the derivative on the settlement date (in the case of the sale contract). The request assumes the entity has an accounting policy of recognising revenue on a gross basis for such contracts.

The request asked whether, in accounting for the physical settlement of these contracts, the entity is permitted or required to make an additional journal entry that would:

a. reverse the accumulated gain or loss previously recognised in profit or loss on the derivative (even though the fair value of the derivative is unchanged); and

b. recognise a corresponding adjustment to either revenue (in the case of the sale contract) or inventory (in the case of the purchase contract).

The Committee observed that, in the fact patterns described in the request, the contracts are settled by the receipt (or delivery) of a non-financial item in exchange for both cash and the settlement of the derivative asset or liability. The Committee also observed that the accounting for contracts that do not meet the own use scope exception in IFRS 9 (and are accounted for as a derivative) is different from the accounting for contracts that meet that exception (and are not accounted for as a derivative). Similarly, the accounting for contracts designated in a hedging relationship for accounting purposes is different from the accounting for contracts that are not designated in such relationships. Those differences in accounting reflect differences in the respective requirements. IFRS 9 neither permits nor requires an entity to reassess or change its accounting for a derivative contract because that contract is ultimately physically settled.

The additional journal entry described in the request would effectively negate the requirement in IFRS 9 to account for the contract as a derivative because it would reverse the accumulated fair value gain or loss on the derivative without any basis to do so. The additional journal entry would also result in the recognition of income or expenses on the derivative that do not exist.

Consequently, the Committee concluded that IFRS 9 neither permits nor requires an entity to make the additional journal entry described in the request. However, the Committee observed that an entity is required to present gains and losses on the derivative, and disclose information about those amounts, applying applicable IFRS Standards, such as IFRS 18 ~~IAS 1 *Presentation of Financial Statements*~~ and IFRS 7 *Financial Instruments: Disclosures*. In determining what line items to present in profit or loss, the requirements in IFRS 18 ~~IAS 1~~ (including those related to aggregation and disaggregation) are applicable. Paragraphs B70–B76 of IFRS 18 set out requirements for classification of gains and losses on derivatives and designated hedging instruments in categories in the statement of profit or loss. ~~IAS 1 does not specify requirements for the presentation of amounts related to the remeasurement of derivatives.~~ Paragraph ~~However paragraph~~ 20(a)(i) of IFRS 7 specifies disclosure requirements for net gains or net losses on financial assets or financial liabilities that are mandatorily measured at FVPL applying IFRS 9. For these purposes, in the fact patterns described in the request, there is no gain or loss on the derivative caused by settlement.

The Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity to conclude on whether it is permitted or required to make the additional journal entry described in the request. Consequently, the Committee decided not to add the matter to its standard-setting agenda.

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IAS 1 *Presentation of Financial Statements*

Normal operating cycle (IAS 1)

Published in June 2005

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements *with references to IFRS 18* Presentation and Disclosure in Financial Statements

The IFRIC considered an issue regarding the classification of current and non-current assets by reference to an entity's normal operating cycle. It was asked whether the guidance in IAS 1.57(a) [now paragraph 99(a) of IFRS 18] was applicable only if an entity had a predominant operating cycle. This is particularly relevant to the inventories of conglomerates which, on a narrow reading of the wording, might always have to refer to the 12-month ~~twelve-month~~ criterion in IAS 1.57(c) [now paragraph 99(c) of IFRS 18], rather than the operating cycle criterion.

The IFRIC decided not to consider the question further because, in its view, it was clear that the wording should be read in both the singular and the plural and that it was the nature of inventories in relation to the operating cycle that was relevant to classification. Furthermore, if inventories of different cycles were held, IFRS 18 requires an entity to consider the roles of the primary financial statements and the notes (paragraphs 15–24 and 106 of IFRS 18), and the principles of aggregation and disaggregation in paragraphs 41–42 of IFRS 18, to determine whether and what additional information to present and disclose ~~and it was material to readers' understanding of an entity's financial position, then the general requirement in IAS 1.71 already required disclosure of further information~~.

IAS 7 *Statement of Cash Flows*

Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7)

Published in April 2022

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements *with references to IFRS 18* Presentation and Disclosure in Financial Statements

The Committee received a request about whether an entity includes a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. In the fact pattern described in the request, the entity:

a. holds a demand deposit whose terms and conditions do not prevent the entity from accessing the amounts held in it (that is, were the entity to request any amount from the deposit, it would receive that amount on demand).

b. has a contractual obligation with a third party to keep a specified amount of cash in that separate demand deposit and to use the cash only for specified purposes. If the entity were to use the amounts held in the demand deposit for purposes other than those agreed with the third party, the entity would be in breach of its contractual obligation.

Cash and cash equivalents in the statement of cash flows

The Committee noted that the question in the request is about whether the demand deposit meets the definition of 'cash' in IAS 7.

Paragraph 6 of IAS 7 defines 'cash' by stating that it 'comprises cash on hand and demand deposits.' IAS 7 includes no requirements on whether an item qualifies as cash beyond the definition itself.

IAS 7 and IFRS 18 ~~IAS 1 *Presentation of Financial Statements*~~ indicate that amounts included in cash and cash equivalents may be subject to restrictions, namely:

a. paragraph 48 of IAS 7 requires an entity to disclose information about 'significant cash and cash equivalent balances held by the entity that are not available for use by the group'; and

b. paragraph 99(d) of IFRS 18 ~~paragraph 66(d) of IAS 1~~ requires an entity to classify as current an asset that is 'cash or a cash equivalent (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least 12 ~~twelve~~ months after the reporting period'.

The Committee concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. In the fact pattern described in the request, the contractual restrictions on the use of the amounts held in the demand deposit do not change the nature of the deposit—the entity can access those amounts on demand. Therefore, the Committee concluded that the entity includes the demand deposit as a component of 'cash and cash equivalents' in its statement of cash flows.

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Presentation in the statement of financial position

Paragraph 103(k) of IFRS 18 ~~54(i) of IAS 1~~ requires an entity to include a line item in its statement of financial position that presents the amount of 'cash and cash equivalents'. Paragraphs 23–24 of IFRS 18 require an entity to present additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary or not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. ~~Paragraph 55 of IAS 1 states 'an entity shall present additional line items (including by disaggregating the line items listed in paragraph 54) … in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position'.~~

Therefore, the Committee concluded that, in the fact pattern described in the request, the entity presents the demand deposit as cash and cash equivalents in its statement of financial position. When necessary to provide a useful structured summary of its assets in the statement of financial position, the entity would present the demand deposit in an additional line item separately from other cash and cash equivalents. ~~When relevant to an understanding of its financial position, the entity would disaggregate the 'cash and cash equivalents' line item and present the demand deposit separately in an additional line item.~~

An entity that presents assets as current or non-current would classify the demand deposit as current applying paragraph 99(d) of IFRS 18 ~~paragraph 66(d) of IAS 1~~, unless the demand deposit is 'restricted from being exchanged or used to settle a liability for at least 12 ~~twelve~~ months after the reporting period'.

Disclosures

Paragraph 45 of IAS 7 states that 'an entity shall disclose the components of cash and cash equivalents…'. Applying this requirement, in the fact pattern described in the request, the entity discloses the demand deposit as a component of cash and cash equivalents. The entity also considers whether to disclose additional information:

a. in the context of the requirements in IFRS 7 *Financial Instruments: Disclosures* about liquidity risk arising from financial instruments and how an entity manages that risk; and

b. if the information it provides in applying the disclosure requirements in IAS 7 and IFRS 7 is insufficient to enable users of financial statements to understand the effect ~~impact~~ of the restrictions on the entity's financial position (paragraph 20 of IFRS 18~~paragraph 31 of IAS 1~~).

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine whether to include demand deposits subject to contractual restrictions on use agreed with a third party as a component of cash and cash equivalents in its statements of cash flows and financial position. Consequently, the Committee decided not to add a standard-setting project to the work plan.

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Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7)

Published in September 2019

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements *with references to IFRS 18* Presentation and Disclosure in Financial Statements

The Committee received a request from users of financial statements (investors) about the disclosure requirements in IAS 7 that relate to changes in liabilities arising from financing activities. Specifically, investors asked whether the disclosure requirements in paragraphs 44B–44E of IAS 7 are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7.

Meeting the disclosure objective (Paragraph 44A of IAS 7)

Paragraph 44A of IAS 7 requires an entity to provide 'disclosures that enable [investors] to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes'.

To the extent necessary to satisfy the objective in paragraph 44A, paragraph 44B specifies that an entity discloses the following changes in liabilities arising from financing activities:

a. changes from financing cash flows;

b. changes arising from obtaining or losing control of subsidiaries or other businesses;

c. the effect of changes in foreign exchange rates;

d. changes in fair values; and

e. other changes.

The Board explained in paragraph BC16 that it developed the disclosure objective in paragraph 44A to reflect the needs of investors, including those summarised in paragraph BC10. The Board also noted in paragraph BC18 that when considering whether it has fulfilled the objective in paragraph 44A, an entity takes into consideration the extent to which information about changes in liabilities arising from financing activities provides relevant information to investors, considering the needs of investors summarised in paragraph BC10. These investor needs are:

a. to check their understanding of the entity's cash flows and use that understanding to improve their confidence in forecasting the entity's future cash flows;

b. to provide information about the entity's sources of finance and how those sources have been used over time; and

c. to help them understand the entity's exposure to risks associated with financing.

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Reconciling between the opening and closing balances of liabilities arising from financing activities

Paragraph 44D of IAS 7 states that 'one way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 44B'.

When an entity discloses such a reconciliation it provides information that enables investors to link items included in the reconciliation to other areas of the financial statements. In doing this, an entity applies:

a. paragraph 44C to identify liabilities arising from financing activities and use them as the basis of the reconciliation. Paragraph 44C defines these liabilities as 'liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities'. If an entity also chooses to define, and reconcile, a different 'net debt' measure, this does not remove the requirement for the entity to identify its liabilities arising from financing activities as defined in paragraph 44C.

b. paragraph 44E to disclose changes in liabilities arising from financing activities separately from changes in any other assets and liabilities.

c. paragraph 44D to provide sufficient information to enable investors to link the items included in the reconciliation to amounts reported in the statement of financial position and the statement of cash flows, or related notes. An entity develops disclosures that enable investors to link (i) the opening and closing balances of the liabilities arising from financing activities reported in the reconciliation, to (ii) amounts reported in the entity's statement of financial position (or related notes) regarding those liabilities.

The Committee observed that an entity applies judgement in determining the extent to which it disaggregates and explains the changes in liabilities arising from financing activities included in the reconciliation to meet the objective in paragraph 44A. In this respect, the Committee noted the following:

a. in disaggregating liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraphs 41–42 of IFRS 18 ~~paragraph 30A of IAS 1 *Presentation of Financial Statements*~~. Paragraph 41(e) states that an entity shall 'ensure that aggregation and disaggregation in the financial statements do not obscure material information.' ~~Paragraph 30A of IAS 1 states that an entity 'shall not reduce the understandability of its financial statements…by aggregating material items that have different natures or functions'.~~ Accordingly, an entity discloses any individually material items separately in the reconciliation. Such items include material classes of liability (or asset) arising from financing activities and material reconciling items (ie cash or non-cash changes).

b. in explaining liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraph 113(c) of IFRS 18 ~~paragraph 112(c) of IAS 1~~. Paragraph 113(c) of IFRS 18 ~~Paragraph 112(c) of IAS 1~~ requires an entity to disclose 'other information that is not presented ~~elsewhere~~ in the primary financial statements, but is necessary for

> ~~relevant to~~ an understanding of any of them’. Accordingly, applying paragraphs 44A–44E, an entity determines the appropriate structure for its reconciliation including the appropriate level of disaggregation. Thereafter, the entity determines whether additional explanation is needed to meet the disclosure objective in paragraph 44A. An entity would explain each class of liability (or asset) arising from financing activities included in the reconciliation and each reconciling item in a way that (i) provides information about its sources of finance, (ii) enables investors to check their understanding of the entity’s cash flows, and (iii) enables investors to link items to the statement of financial position and the statement of cash flows, or related notes.

Accordingly, the Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity to disclose information about changes in liabilities arising from financing activities that enables investors to evaluate those changes. Accordingly, the Committee concluded that the disclosure requirements in paragraphs 44B–44E of IAS 7, together with requirements in IFRS 18 ~~IAS 1~~, are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7. Consequently, the Committee decided not to add the matter to its standard-setting agenda.

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IAS 41 *Agriculture*

Subsequent Expenditure on Biological Assets (IAS 41)

Published in September 2019

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements *with references to IFRS 18* Presentation and Disclosure in Financial Statements

The Committee received a request about the accounting for costs related to the biological transformation (subsequent expenditure) of biological assets measured at fair value less costs to sell applying IAS 41. The request asked whether an entity capitalises subsequent expenditure (ie adds it to the carrying amount of the asset) or, instead, recognises subsequent expenditure as an expense when incurred.

IAS 41 does not specify the accounting for subsequent expenditure for biological assets measured at fair value less costs to sell. Paragraph B62 of the Basis for Conclusions on IAS 41 explains that '…the [IASC] Board decided not to explicitly prescribe the accounting for subsequent expenditure related to biological assets in the Standard, because it believes to do so is unnecessary with a fair value measurement approach'.

Accordingly, the Committee concluded that, applying IAS 41, an entity either capitalises subsequent expenditure or recognises it as an expense when incurred. The Committee observed that capitalising subsequent expenditure or recognising it as an expense has no effect on the fair value measurement of biological assets nor does it have any effect on profit or loss; however, it affects the presentation of amounts in the statement of profit or loss. In assessing how to present such subsequent expenditure in the statement of profit or loss, an entity would apply the requirements in IFRS 18 ~~paragraphs 81–105 of IAS 1 *Presentation of Financial Statements*~~. In particular, the Committee observed that ~~the entity would~~:

a. the entity would—applying paragraphs 23–24 of IFRS 18—present additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary or not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary~~applying paragraph 85, 'present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance'~~; and

b. if the expenses are classified in the operating category of the statement of profit or loss, the entity would—applying paragraph 78 of IFRS 18—classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of the nature of expenses or the function of the expenses within the entity~~applying paragraph 99, present in the statement(s) presenting profit or loss and other comprehensive income or in the notes an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant~~.

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Applying paragraph 13 of IAS 8 *Basis of Preparation of Financial Statements* ~~IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*~~, an entity would apply its accounting policy for subsequent expenditure consistently to each group of biological assets. An entity would also disclose the selected accounting policy applying paragraphs 27A–27I of IAS 8 ~~paragraphs 117–124 of IAS 1~~ if that disclosure would assist users of financial statements in understanding how those transactions are reflected in reported financial performance.

In the light of its analysis, the Committee considered whether to add a project to its standard-setting agenda on the accounting for subsequent expenditure on biological assets. The Committee has not obtained evidence to suggest that standard-setting on this matter at this time would result in an improvement to financial reporting that would be sufficient to outweigh the costs. The Committee therefore decided not to add the matter to its standard-setting agenda.

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