

## IFRS Developments

# IFRS 18: Agenda decisions



### What you need to know

- The IASB has ratified four new agenda decisions that deal with the application of principles and requirements in IFRS 18
- A number of existing agenda decisions that refer to IAS 1 have been updated to reflect references to IFRS 18
- IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, and while no amendments have been made, preparers need to consider the new agenda decisions in determining the impact of the new accounting standard
- Four new submissions concerning the application of IFRS 18 have been received by the IFRS IC, these are in the preliminary research phase

### Highlights

On 22 April 2026, the International Accounting Standards Board (IASB) ratified four new agenda decisions related to IFRS 18 *Presentation and Disclosure in Financial Statements*. The IASB also ratified updates to a number of existing agenda decisions, replacing references to IAS 1 *Presentation of Financial Statements* with references to the new or amended requirements in IFRS 18 and corresponding minor edits.

### Background

IFRS 18 becomes effective for reporting periods beginning on or after 1 January 2027. As entities are preparing for the transition to the new accounting standard, a number of practical application topics have been submitted to the IFRS Interpretations Committee (IFRS IC) for consideration. The resulting new agenda decisions do not amend IFRS 18, but provide clarification on the application of the new principles and requirements.

As a result of the publication of IFRS 18, existing IFRS IC agenda decisions which referred to IAS 1 were assessed to consider whether they needed to be either withdrawn in their entirety as the requirements contained in them have been superseded, or whether an amended reference to the relevant paragraphs of IFRS 18 would suffice. This assessment resulted in a number of agenda decisions being updated and the withdrawal of the agenda decision, *Presentation of income and expenses arising on financial instruments with a negative yield*. The IASB is further considering the impact of the withdrawal of the agenda decision, *Supply Chain Financing Arrangements—Reverse Factoring*.



## New agenda decisions

The following section summarises the key points of the four new agenda decisions:

### **Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset)**

The IFRS IC 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 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.

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.

The IFRS IC concluded that in its consolidated financial statements, the entity may either:

1. Classify the exchange difference in the operating category as the default category
- Or
2. 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. In applying this option, the entity classifies the exchange difference from its perspective (as a consolidated group), which 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.

An entity would need to develop and apply an accounting policy consistently in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

### **Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent**

This agenda decision clarifies how a parent entity assesses whether it has a 'specified main business activity' (for example, investing in unconsolidated subsidiaries) when preparing separate financial statements. The fact pattern considered a reporting entity that 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 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 at cost in accordance with paragraph 10(a) of IAS 27 *Separate Financial Statements*. The parent does not provide any segmental analysis to its shareholders, nor does it 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.

The IFRS IC observed that, for the parent described in the request, i.e., in this specific fact pattern, 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. As such, income and expenses from the parent's subsidiaries are classified in the operating category of its statement of profit or loss.

The IFRS IC also observed that the absence of the factors described in paragraphs B34-B36 of IFRS 18 in assessing whether the parent has a specified main business activity is not determinative and does not indicate that the parent's only substantive business activity is not its main business activity. It was further observed that the absence of the reference to a parent entity from the examples provided in B31 of IFRS 18 of entities that might invest in assets as a main business activity is not determinative when considering whether the parent's main business activity can be considered to be the investment in subsidiaries.

### **Scope of the Requirement to Disclose Expenses by Nature**

This agenda decision considers the scope of paragraph 83 of IFRS 18. An entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss are also required to disclose, in a single note, the total and the amount included in each line item for depreciation, amortisation, employee benefits, impairment of non-financial assets (and reversals) and write-downs of inventories (and reversals). The IFRS IC received a request asking for clarification on whether paragraph 83 also applies in instances where an entity presents expenses classified by function as required by IFRS 17 *Insurance Contracts*. The IFRS IC 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 classified by function in accordance with IFRS 17.

### **Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure**

The IFRS IC received a request about the classification of gains or losses arising from a derivative financial instrument in an entity's consolidated statement of profit or loss. In the fact pattern, the parent entity has a subsidiary which had issued a foreign currency loan (investing asset), and another subsidiary which had obtained a loan from a different third party (financing liability) in the same foreign currency, resulting in a net liability exposure at a group level. The derivative in question is a forward contract that is used to manage the foreign currency risk of the net liability exposure but is not designated as a hedging instrument applying IFRS 9 *Financial Instruments*.

The IFRS IC concluded that, 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 (i.e., the investing asset and the financing liability). This affects a single category of the consolidated statement of profit or loss, i.e., 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, for example, in cases in which the managed risks affect line items in more than one category of profit or loss.

## Other recent developments

The IFRS IC also agreed on another agenda decision in March, regarding presentation of taxes or other charges that are not tax expenses or income taxes applying IAS 12 *Income Taxes*. The IASB will consider this at a future meeting.

At the time of writing, additional submissions concerning the application of IFRS 18 have been made to the IFRS IC, but have not yet been discussed. Two submissions consider the definition of management-defined performance measures, one raises questions regarding the labelling of subtotals, and another addresses the 'specified main business activity' concept of IFRS 18. The IFRS IC's project pipeline indicates that they will discuss these matters at a future meeting<sup>1</sup>.



### How we see it

Although the new agenda decisions have not resulted in standard-setting projects, the application guidance discussed in the agenda decisions is useful for entities to consider when preparing to transition to the new accounting standard. The impact of the classification of foreign exchange gains and losses arising from intragroup monetary items will affect many group entities and needs to be carefully considered to determine the most appropriate category for the resulting income/expenses. Preparers need to continue to monitor developments and ongoing discussions, such as the above-mentioned recent submissions.

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<sup>1</sup> *Interpretations Committee Pipeline*, IFRS Foundation website (accessed 16 April 2026).