

IFRIC Update June 2026

IFRIC Update is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past *Updates* can be found in the *IFRIC Update* archive.

The Committee met on 16–17 June 2026 and discussed:

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Committee's tentative agenda decisions

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the open for comment page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

Management-defined Performance Measures—Hypothetical Income and Expenses (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 2

Open for comment until 9 September 2026

Paragraph 117 of IFRS 18 defines a management-defined performance measure as ‘a subtotal of income and expenses that...:

- a. an entity uses in public communications outside financial statements;
- b. an entity uses to communicate to users of financial statements management’s view of an aspect of the financial performance of the entity as a whole; and
- c. is not listed in paragraph 118 [a list of subtotals of income and expenses that are not management-defined performance measures], or specifically required to be presented or disclosed by IFRS Accounting Standards.’

The Committee received a request asking whether a performance measure that includes hypothetical income and expenses can meet the definition of a management-defined performance measure in IFRS 18.

Fact pattern

The request describes hypothetical income and expenses as income and expenses that an entity has not recognised and will never recognise in its statement of financial performance applying IFRS Accounting Standards.

The request asks whether, as set out in paragraph 117 of IFRS 18, a performance measure that includes such hypothetical income and expenses:

- a. can be a subtotal of income and expenses; and
- b. must faithfully represent an aspect of the financial performance of the entity as a whole.

Applying the requirements in IFRS 18

The Committee observed that to be considered a management-defined performance measure, a subtotal of income and expenses must, amongst other things, be used by an entity in public communications outside financial statements.

Subtotal of income and expenses

Paragraph 117 of IFRS 18 states that a ‘management-defined performance measure is a subtotal of income and expenses...’. The Committee observed that this paragraph contains no restrictions on how an entity calculates a subtotal of income and expenses that is a management-defined performance measure. Consequently, this paragraph does not restrict an entity from including income and expenses that are not, and will not, be recognised in the entity’s statement of financial performance applying IFRS Accounting Standards.

Paragraph BC357 of the Basis for Conclusions accompanying IFRS 18 explains that the IASB decided to place no specific restriction on how an entity calculates a subtotal of income and expenses that is a management-defined performance measure because such restrictions might prevent an entity from disclosing measures that users of financial statements find useful.

The Committee therefore concluded that a performance measure that includes hypothetical income and expenses can be a subtotal of income and expenses in accordance with paragraph 117 of IFRS 18.

Faithful representation

In considering faithful representation, an entity assesses whether information disclosed in financial statements faithfully represents what the information purports to represent.

The objective of disclosures about management-defined performance measures—outlined in paragraph 121 of IFRS 18—includes providing information to help a user of financial statements understand the aspect of financial performance that, in management’s view, is communicated by a management-defined performance measure. Therefore, when considering whether information disclosed about management-defined performance measures faithfully represents what it purports to represent, the Committee observed that the phrase ‘management’s view of an aspect

of the financial performance of the entity as a whole' in paragraph 117 of IFRS 18 describes the information a management-defined performance measure purports to represent. In other words, 'an aspect of the financial performance of the entity as a whole' should not be read independently of 'management's view'.

As explained in paragraph BC360 of the Basis for Conclusions accompanying IFRS 18, in the context of management-defined performance measures, faithful representation does not provide information about whether a measure is a 'good' or 'bad' measure.

Conclusion on applying IFRS 18

The Committee concluded that a performance measure that includes hypothetical income and expenses can be a subtotal of income and expenses and can faithfully represent what it purports to represent—that is, management's view of an aspect of financial performance of the entity as a whole.

If the performance measure meets all the relevant criteria in paragraph 117 of IFRS 18, that performance measure is a management-defined performance measure and the entity is required to apply paragraphs 121–125 of IFRS 18 to disclose information in its financial statements about that management-defined performance measure. These include requirements to, for example, label and describe a management-defined performance measure 'in a clear and understandable manner that does not mislead users of financial statements' (paragraphs 123 of IFRS 18). The objective of the disclosures for management-defined performance measures, outlined in paragraph 121 of IFRS 18, is for an entity to provide information to help a user of financial statements understand:

- a. the aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and
- b. how the management-defined performance measure compares with the measures defined by IFRS Accounting Standards.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine whether a performance measure that includes hypothetical income and expenses can meet the definition of a management-defined performance measure. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Management-defined Performance Measures—Public Communications (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 3

The Committee received a request asking whether presentations provided on a confidential basis to a small number of identifiable shareholders or potential investors are public communications for the purpose of identifying a management-defined performance measure applying IFRS 18.

Fact pattern

The request described a fact pattern in which:

- a. a private entity prepares and shares presentations (including pitch materials) with a small number of identifiable shareholders or potential investors. The presentations contain performance measures that could otherwise meet the definition of a management-defined performance measure;
- b. the presentations are shared under agreements that require confidentiality and prevent redistribution of the presentations to other parties; and
- c. the presentations are not published online, included in press releases, distributed to analysts, or otherwise made accessible to a broader or undefined external audience.

Applying the requirements in IFRS 18

Paragraph 117 of IFRS 18 contains the definition of a management-defined performance measure. Part (a) of the definition states that to be a management-defined performance measure, a subtotal of income and expenses must be used ‘in public communications outside financial statements’.

To help entities assess whether a communication is a public communication, paragraph B119 of IFRS 18 lists particular communications that ‘public communications’ include and exclude. The Committee observed that the reference to ‘investor presentations’ in paragraph B119 of IFRS 18 should not be read to mean that all presentations provided to investors are public communications.

The Committee noted that an entity applies judgement in assessing whether a particular communication is a public communication. In paragraph BC335 of the Basis for Conclusions accompanying IFRS 18, the IASB observed that ‘an entity actively decides how it communicates publicly and the performance measures it includes in those communications. An entity usually has systems and processes in place to monitor and control its communications to comply with laws and regulations restricting the type and timing of information permitted to be provided to the market...’.

The Committee concluded that the presentations described in the fact pattern are not public communications for the purposes of identifying a management-defined performance measure applying IFRS 18.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity to assess whether the presentations described in the fact pattern are public communications for the purpose of identifying a management-defined performance measure applying IFRS 18. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Classification of Income and Expenses from Cash and Cash Equivalents (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 4A

Open for comment until 9 September 2026

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

- a. investing in financial assets within the scope of paragraph 53(c) of IFRS 18; and
- b. providing financing to customers.

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

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

Applying the requirements in IFRS 18

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

The Committee observed that:

- a. paragraph 56(a) of IFRS 18 requires income and expenses from all cash and cash equivalents to be classified in the operating category, regardless of whether an entity has another specified main business activity.
- b. although the entity described in the fact pattern also has a main business activity of providing financing to customers, the accounting policy choice described in paragraph 56(b)(ii) of IFRS 18 is not available to the entity and the requirement in paragraph 57 of IFRS 18 is not applicable. However, the accounting policy choice set out in paragraph 65(a)(ii) of

IFRS 18, relating to liabilities that arise from transactions that involve only the raising of finance, remains available to the entity.

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

Conclusion

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

Classification of Income and Expenses when an Entity Has a Main Business Activity of Providing Financing to Customers (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 4B

Open for comment until 9 September 2026

The Committee received a request about how an entity that has a main business activity of providing financing to customers classifies income and expenses from liabilities that arise from transactions that involve only the raising of finance (referred to hereafter as specified liabilities) in its consolidated statement of profit or loss in accordance with paragraphs 65(a) and 66 of IFRS 18.

The request asked:

- a. whether, in preparing consolidated financial statements, the accounting policy choice in paragraph 65(a)(ii) of IFRS 18 applies to the entity as a whole or only to subsidiaries within the entity's group that have a main business activity of providing financing to customers (Question 1);
- b. whether the requirement in paragraph 66 of IFRS 18 applies to income and expenses from all specified liabilities even if the entity can distinguish some, but not all, specified liabilities that relate to providing financing to customers from those that do not (Question 2); and
- c. whether, applying paragraph 57 of IFRS 18, an entity that classifies income and expenses from cash and cash equivalents in the operating category because it cannot distinguish cash and cash equivalents that relate to providing financing to customers from those that do not, is required to apply the same classification to income and expenses from specified liabilities, even if it can distinguish those that relate to providing financing to customers from those that do not (Question 3).

Applicable requirements

Paragraphs 56(b)–57, 65(a) and 66 of IFRS 18 set out requirements specifying how an entity that provides financing to customers as a main business activity classifies income and expenses from:

- a. cash and cash equivalents, if the entity does not also have a main business activity of investing in financial assets within the scope of paragraph 53(c) of IFRS 18; and
- b. specified liabilities.

Applying the requirements in IFRS 18

Question 1

Paragraph 65 of IFRS 18 applies to an entity that provides financing to customers as a main business activity, assessed for the reporting entity as a whole.

The Committee observed that when a reporting entity that is a consolidated group concludes that it provides financing to customers as a main business activity the requirements in paragraph 65(a)(ii) of IFRS 18 apply to the consolidated group as a whole. Consequently, the accounting policy choice in paragraph 65(a)(ii) applies to all the specified liabilities of the consolidated group that do not relate to providing financing to customers, and not only those specified liabilities of the subsidiaries in the consolidated group that have a main business activity of providing financing to customers.

Question 2

Paragraph 65(a) of IFRS 18 requires an entity that provides financing to customers as a main business activity to distinguish between specified liabilities that relate to providing financing to customers and those that do not. If an entity cannot make such a distinction, paragraph 66 of IFRS 18 requires the entity to classify income and expenses from ‘all such liabilities’ in the operating category of the statement of profit or loss, applying the accounting policy choice in paragraph 65(a)(ii) of IFRS 18.

Paragraph BC183 of the Basis for Conclusions on IFRS 18 explains the outcome of the IASB’s decision to allow an entity that provides financing to customers as a main business activity to make an accounting policy choice for classifying income and expenses from specified liabilities. That explanation notes that if an entity does not classify in the operating category only income and expenses from specified liabilities that relate to providing financing to customers, then the entity classifies in the operating category income and expenses from all specified liabilities. Figures 3.2–3.3 of the Illustrative Examples on IFRS 18 illustrate the requirements set out in paragraphs 55–57 and 65–66 of IFRS 18.

The Committee observed that if an entity cannot distinguish the specified liabilities that relate to providing financing to customers from those that do not, the entity is required to classify the income and expenses from all specified liabilities in the operating category of the statement of

profit or loss. That is, the reference to ‘all such liabilities’ in paragraph 66 of IFRS 18 refers to all of the specified liabilities of the consolidated group in the fact pattern.

Question 3

Paragraph 56(b)(ii) and 65(a)(ii) require an entity’s choice of accounting policy for classifying income and expenses from cash and cash equivalents and specified liabilities to be consistent with each other.

Paragraph 57 requires an entity applying paragraph 56(b) to classify income and expenses from cash and cash equivalents in the operating category if it cannot distinguish between cash and cash equivalents that relate to providing financing to customers and those that do not.

The Committee observed that, if, as required by paragraph 57, an entity classifies income and expenses from cash and cash equivalents in the operating category because it cannot distinguish between cash and cash equivalents that relate to providing financing to customers and those that do not, the entity is required to apply the same classification to income and expenses from specified liabilities. The entity is required to do so regardless of whether it can distinguish between the specified liabilities that relate to providing financing to customers and those that do not.

Conclusion

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

Control Assessment for a Single-investor Fund (IFRS 10 Consolidated Financial Statements)—Agenda Paper 5

Open for comment until 9 September 2026

The Committee received a request about how an entity—the only investor in a fund other than the fund manager—assesses whether it has delegated decision-making authority to the fund manager, if the fund manager is an agent and does not control the fund.

Fact pattern

The request describes a situation in which an entity (investor) is the only investor in a fund other than the fund manager.

The fund manager:

- a. determined the fund's purpose and design, which is to provide investment opportunities to a number of institutional investors.
- b. has extensive decision-making authority to direct the relevant activities of the fund. The fund manager has the unilateral ability to direct all relevant activities of the fund, including investment decisions, selection and disposal of portfolio companies, appointment of key personnel, contracting, borrowing and policy setting.
- c. receives a market-based fee for its services, commensurate with the services provided.
- d. has a 0.01% investment in the fund.
- e. is an agent, as described in IFRS 10. Although the fund manager has extensive decision-making authority and is exposed to variability of returns from its investment and remuneration, the fund manager's exposure indicates that the fund manager is an agent and does not control the fund.

The investor:

- a. has a 99.99% investment in the fund. Although the fund is open to other institutional investors, the investor is the only investor that subscribed to the fund.
- b. was not involved in determining the fund's purpose and design.
- c. holds only protective rights, as described in IFRS 10. For example, the investor has the ability to remove or replace the fund manager only for cause, such as breach of contract, wilful misconduct or gross negligence.

The fund has a contractually fixed term, during which the investor cannot withdraw its investment from the fund.

Question

The request asks whether, in accordance with IFRS 10, the investor described in the request is automatically deemed to have delegated its decision-making authority to the fund manager. In other words, whether that investor automatically treats the fund manager's decision-making rights as held by the investor directly because it is the only investor in the fund other than the fund manager and the fund manager is an agent.

Applying the requirements in IFRS 10

In considering the requirements in paragraphs 2–18 of IFRS 10, as well as the related application guidance in Appendix B to IFRS 10, the Committee observed that:

- a. other than as specified in paragraphs 4-4B of IFRS 10, an entity (hereafter, investor) that controls other entities prepares consolidated financial statements. Control is the only basis for consolidation—an investor consolidates an investee only if it controls that investee.
- b. assessing whether an investor controls an investee requires judgement, considering all facts and circumstances.

- c. to control an investee, an investor is required to have all three elements of control set out in paragraph 7 of IFRS 10—that is, (i) power over the investee, (ii) exposure (or rights) to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. Paragraphs 5–18 of IFRS 10 and the related paragraphs of Appendix B to IFRS 10 include requirements an investor applies in assessing whether it controls an investee.
- d. in assessing control in situations in which an entity has decision-making rights (as in the fact pattern in the request), paragraphs B58–B59 require:
 - i. the decision-maker to assess whether it is a principal or agent. If it is an agent, it does not control the investee. In the fact pattern described in the request, the decision-maker is the fund manager, and the fact pattern assumes the fund manager is an agent.
 - ii. an investor to determine whether the decision-maker is acting as an agent for the investor. If an investor has delegated its decision-making authority on some specific issues or on all relevant activities to an agent, then the investor is required to treat the decision-making rights delegated to its agent as held by the investor directly.
Therefore, in the fact pattern in the request, if the investor has delegated its decision-making authority on relevant activities to the fund manager, the investor would treat those decision-making rights of the fund manager as its own decision-making rights.
- e. concluding that an investor holds all the decision-making rights of a fund manager solely because—or automatically if—the fund manager is an agent could result in outcomes that are inconsistent with the control model in IFRS 10.

Consequently, the Committee concluded that being the only investor in the fund other than the fund manager does not, in isolation, mean that the investor described in the fact pattern is automatically deemed to have delegated its decision-making authority to the fund manager. The investor described in the fact pattern is required to consider all the requirements in paragraphs 5–18 of IFRS 10, as well as the related application guidance in Appendix B to IFRS 10 when assessing whether it controls the fund.

Conclusion

The Committee concluded that the principles and requirements in IFRS 10 provide an adequate basis for the investor described in the fact pattern to assess whether it is automatically deemed to have delegated its decision-making authority to the fund manager. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Assessment of Specified Main Business Activities for a Manufacturer-Lessor (IFRS 18 Presentation and Disclosure in Financial Statements)— Agenda Paper 6

The Committee discussed a request about how an entity that is a manufacturer-lessor assesses whether, applying IFRS 18, the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers.

Fact pattern

The request describes a fact pattern in which an entity manufactures vehicles and either sells or leases them to customers. The entity:

- a. manages vehicle sales, finance leases and operating leases together in one line of business. The entity's segments are based on geographical regions and not on product lines.
- b. classifies its leases, which do not differ significantly in nature, as either finance or operating leases applying IFRS 16 *Leases*.
- c. enters into a refinancing arrangement with a bank for each lease contract, regardless of whether the lease contract is a finance or an operating lease. The refinancing arrangement bridges the difference between the cash flows the entity receives and those it would have received in a sale. The refinancing arrangements generate interest expenses.
- d. uses, for both internal and external reporting purposes, one subtotal for its aggregated lease activity that is similar to gross profit as an important indicator of operating performance. This gross profit-like subtotal includes income and expenses from finance and operating leases as well as interest expenses on the refinancing arrangements.

Question

The Committee considered whether the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. The assessment affects, amongst other things, the classification, in the statement of profit or loss, of interest expenses on the refinancing arrangements—particularly those related to lease contracts classified as operating leases.

Applicable requirements

To classify income and expenses in the operating, investing and financing categories, paragraph 49 of IFRS 18 requires an entity to assess whether it has a specified main business activity—that is a main business activity of investing in particular types of assets (investing in assets) or providing financing to customers.

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 B30 states '...[a]n entity may have more than one main business activity...To classify income and expenses into the categories of operating, investing and financing as

required by this Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to customers are main business activities.

- b. paragraph B33 states that whether investing in assets or providing financing to customers 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 or providing financing to customers is a main business activity and to base that assessment on evidence.
- c. paragraphs B34–B36 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.

Applying the requirements in IFRS 18

An entity applies the requirements in IFRS 18 (including paragraph 49 and the application guidance in paragraphs B30–B41) in assessing whether an activity is a specified main business activity. In making that assessment, an entity uses its judgement and considers all relevant facts and circumstances.

In considering the fact pattern, the Committee observed that:

- a. applying paragraph B34 of IFRS 18, it is likely that the entity’s aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. This assessment is evidenced by the entity’s use of one subtotal for its aggregated lease activity (as described in the fact pattern) that is similar to gross profit as an important indicator of operating performance.
- b. the classification of some of the entity’s leases as operating leases does not preclude the entity’s aggregated lease activity from being of a type that provides financing to customers.
- c. paragraph B32 of IFRS 18 does not include an example of an entity that provides financing to customers in operating leases as a type of entity that might provide financing to customers as a main business activity. However, the absence of an entity that provides financing to customers in operating leases from the examples in paragraph B32 is not determinative; those examples are not an exhaustive list.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether its aggregated lease activity is a main business activity of providing financing to customers. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Labels of Subtotals (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 7A

The Committee received a request about the labelling of a subtotal in an entity's statement of profit or loss, when that subtotal is also a management-defined performance measure (referred to as 'the measure'). In particular, the request asked whether the label of the measure is required to explicitly list all the elements excluded from (or included in) the measure.

The measure described in the request:

- a. complies with the requirements in paragraph 24 of IFRS 18 for additional subtotals in a primary financial statement; and
- b. meets the definition of a management-defined performance measure in paragraph 117 of IFRS 18.

Applicable requirements

Paragraph 43 of IFRS 18, and related application guidance in paragraphs B24–B26, set out requirements for labelling and describing subtotals presented in an entity's primary financial statements. Specifically, paragraph 43 requires an entity to 'label and describe items presented in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item...'.

Paragraph 123 of IFRS 18, and related application guidance in paragraphs B134–B135, set out requirements for labelling and describing management-defined performance measures. Specifically, paragraph B134(a) requires an entity to 'label and describe [a management-defined performance measure] in a way that faithfully represents its characteristics in accordance with paragraph 43 [of IFRS 18]'.

Applying the requirements in IFRS 18

The Committee observed that determining how to appropriately label and describe the measure requires judgement based on an entity's specific facts and circumstances.

The Committee noted that the requirements in IFRS 18 set out principles that an entity applies when labelling items, including subtotals and management-defined performance measures. For example:

- a. paragraph 43 requires the label for a subtotal to faithfully represent the characteristics of the subtotal and, similarly, paragraph B134 requires the label for a management-defined performance measure to faithfully represent the characteristics of the management-defined performance measure; and
- b. paragraph 123 requires an entity to label a management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements.

The Committee observed that it is possible to meet the applicable requirements for labelling without listing in the measure's label all the elements excluded from (or included in) the measure. For example, paragraph B135(a) includes an example of a management-defined performance measure with a label of 'operating profit before non-recurring expenses'. Paragraph B135(b) requires an entity to 'explain the meaning of terms it uses in its descriptions...(for example, explaining how the entity defines 'non-recurring expenses')', and paragraph 43 states '[i]n some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses'. The Committee observed that all necessary descriptions and explanations need not be included in the label itself and may be disclosed in the notes.

The Committee therefore concluded that the label of a subtotal that is a management-defined performance measure is not required to explicitly list all the elements excluded from (or included in) the measure, as long as that label, and any related descriptions in the notes, complies with the applicable requirements in IFRS 18 on how to label and describe subtotals and management-defined performance measures.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine whether the label of a subtotal that is a management-defined performance measure is required to explicitly list all the elements excluded from (or included in) the measure. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Presentation of Operating Expenses (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 7B

Open for comment until 9 September 2026

The Committee received a request asking:

- a. when an entity is required to use a 'mixed presentation'—that is, a presentation in which an entity classifies and presents in line items in the statement of profit or loss some operating expenses based on their nature and others based on their function within the entity—applying paragraph 78 of IFRS 18; and
- b. whether an entity can disaggregate expenses of the same nature and classify and present some of those expenses in line items comprising operating expenses aggregated on the basis of nature and others in line items comprising operating expenses aggregated on the basis of function.

Applicable requirements

Paragraphs 78–85 and B80–B85 of IFRS 18 set out requirements for the presentation and disclosure of expenses in the operating category of the statement of profit or loss.

Applying the requirements in IFRS 18

Using a ‘mixed presentation’

Paragraph 78 of IFRS 18 requires an entity, in the operating category of its statement of profit or loss, to classify and present expenses in line items in a way that provides the most useful structured summary of its expenses using (a) the nature of expenses, (b) the function of the expenses within the entity, or (c) both of these characteristics. Accordingly, the Committee observed that an entity is required to use a mixed presentation when doing so provides the most useful structured summary of its operating expenses.

Classifying and presenting expenses of the same nature

Paragraph B82 of IFRS 18 sets out an example in which an entity includes some employee benefits in a function line item and other employee benefits in a nature line item. Paragraph B82 requires an entity that classifies and presents some expenses by nature and other expenses by function to label the resulting line items in a way that clearly identifies which expenses are included in each line item.

The Committee observed that the example in paragraph B82 illustrates that if an entity includes some expenses of the same nature in one or more function line items, it is not required to include all expenses of that nature in function line items. In classifying and presenting operating expenses, an entity considers, in accordance with paragraph B85 of IFRS 18, the level of aggregation that provides the most useful structured summary of its operating expenses.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine:

- a. when it is required to use a mixed presentation; and
- b. whether it can disaggregate expenses of the same nature and classify and present some of those expenses in line items comprising operating expenses aggregated on the basis of nature and others in line items comprising operating expenses aggregated on the basis of function.

Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Other matters

Work in Progress—Agenda Paper 8

The Committee received an update on the status of open matters not discussed at its June 2026 meeting.

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