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**Financial Reporting Technical
Committee**

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Berlin, 29 January 2026

Dear Bruce,

IFRS IC's tentative agenda decisions in its November 2025 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the Tentative Agenda Decisions (TADs) taken by the IFRS IC as published in the November 2025 *IFRIC Update*. We appreciate the opportunity to comment on the IFRS IC's tentative agenda decisions.

As regards the tentative agenda decisions

- "Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)",
- "Assessment of a Specified Main Business Activity for the purposes of the Separate Financial Statements of a Parent (IFRS 18)",
- "Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 *Income Taxes* (IFRS 18)", and
- "Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1)",

we agree with the IFRS IC's view and the respective conclusions. Furthermore, we agree with the IFRS IC's decision to propose additional updates to two agenda decisions for which it had previously proposed updates (i.e., "Presentation of payments on non-income taxes (IAS 1 and IAS 12)" and "Classification of tonnage taxes (IAS 12)") in order to align the wording and the reasoning of its tentative agenda decisions.

As regards the tentative agenda decision "Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)", we agree with the IFRS IC's view and the respective conclusions. If an entity manages a net risk exposure as described in the submission, we believe that gains and losses on a derivative financial instrument that is used to manage that (net) risk exposure should be classified in the same category as income and expenses

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affected by the risks that the derivative is used to manage (ref. paragraph B72 of IFRS 18). We therefore support and agree with the IFRS IC's tentative agenda decision.

Notwithstanding our general support, however, we note that – given the fact pattern described in the submission – the scope of the requirements in paragraphs B74-B75 of IFRS 18 is not sufficiently clear. In accordance with paragraph B74 of IFRS 18, an entity is required to classify all gains or losses on a derivative that is used to manage identified risks in the operating category if classifying gains or losses on that derivative would require the grossing up of gains or losses or involve undue cost or effort. However, in the circumstances described in the submission, the dividing line on whether the derivative is used to manage a gross or a net position, is not clear to us. Rather, we believe that in practice, entities always manage a net position, when they enter into a derivative on the net position. As a result, we consider the opposite conclusion (i.e., an entity using a derivative on the net position to manage the gross risk positions, which would result in a classification in the operating category) to be unrealistic and implausible. Therefore, we believe that the conclusion reached by the IFRS IC is in general the only relevant and meaningful accounting outcome whenever an entity manages a net position.

Further, we note that the fact pattern described in the submission is very simplistic, whereas risk management strategies in practice are much more complex and often involve intragroup positions. In this regard, we note that the current tentative agenda decision interacts with the tentative agenda decision on [Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability \(or Asset\) \(IFRS 18\)](#) as published in the September 2025 *IFRIC Update*. For instance, an entity might apply a risk management strategy that manages foreign currency exposure on cash and cash equivalents, whereby the entity's cash managements involve both, cash and cash and cash equivalents, as well as inhouse cash (i.e., intragroup receivables/loans). Applying the tentative agenda decisions to such a fact pattern can result in different classifications (depending on whether a net receivable or a net loan is (economically) hedged by the entity). Feedback from our constituency suggests that applying both tentative agenda decisions is complex and costly to implement in practice and does not reflect the economic substance of their risk management policies. We therefore reiterate our concern that income and expenses from a comprehensive group financing transactions (including foreign exchange differences on intragroup loans, and derivatives to manage such (net) foreign currency risk exposure) should be classified in a single category of the statement of profit or loss. For further details, please refer to our [comment letter](#) that we have submitted to the IFRS IC on its September 2025 tentative agenda decision.

If you would like to discuss our views further, please do not hesitate to contact Ilka Canitz (canitz@drsc.de), Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President