September 2026

Early Impressions

IFRIC tentative agenda decisions

EXECUTIVE SUMMARY

The IFRS Interpretations Committee (IFRIC or the Committee), in June 2026, deliberated several application questions relating to IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18 or The Standard). IFRS 18 is going to be effective for annual periods beginning on or after 1 January 2027. The Committee has issued seven tentative agenda decisions open for public comment until 9 September 2026, after which they will be reviewed by members of the International Accounting Standards Board (IASB). These tentative agenda decisions provide a timely, directional view, as companies in several jurisdictions are already underway with the implementation of the standard.

This publication provides Uniqus's early impressions on tentative agenda decisions issued by the IFRIC. Application issues covered in tentative agenda decisions span the three most judgment-intensive areas of IFRS 18, viz. the identification and disclosure of Management-defined Performance Measures (MPMs), the classification of income and expenses under the new category framework, and the structural presentation of the income statement. The Committee is of the view that principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the required accounting. Accordingly, tentative agenda decisions do not amend any section of the standard but provide detailed insights into practical challenges faced during implementation. The Committee has provided guidance in response to questions raised by industry members regarding the judgmental areas. The Committee's tentative conclusions tighten boundaries and emphasize additional governance obligations on preparers, especially those in financial services, conglomerates, and businesses with complex group structures.

We trust that you will find these early impressions useful as you navigate the implementation of IFRS 18. We would be happy to participate in any discussion required to clarify our views.

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TENTATIVE IFRIC DECISIONS

01

Management-defined Performance Measures - Hypothetical Income and Expenses

Issue:

Whether a performance measure that includes hypothetical income or expenses can meet the definition of an MPM under para 117 of IFRS 18. The submission uses the phrase 'Hypothetical income and expenses' to refer to income and expenses that have not been recognized and will never be recognized in a statement of financial performance.

Conclusion:

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 such a measure meets all other criteria to qualify as an MPM under IFRS 18, it is classified as an MPM, triggering the disclosure requirements for MPM in the Standard.

Nishant Sayani, Partner

Our View:

Companies disclosing hypothetical or forward-looking performance measures must now assess whether such measures trigger MPM disclosure requirements under IFRS 18. Publicly disclosed performance measures such as annualized EBITDA, net profit excluding the effects of major crisis, Pro forma gross profit, etc., will likely be an MPM, requiring a reconciliation to the closest IFRS subtotal in the financial statements.

IFRS 18 requires entities to provide explanations and reasons for all adjustments made in the MPM reconciliation. Entities would need to justify why management believes that exclusions/inclusions of forward-looking or hypothetical income and expenses faithfully represent management's view of an aspect of the financial performance of the entity as a whole.

02

Management-defined Performance Measure - Public Communications

Issue:

Whether financial information, viz., investor presentation, pitch materials, etc., shared by a privately held group with a small number of identifiable shareholders or potential investors, constitutes "public communications" for the purpose of identifying an MPM.

Conclusion:

The use of the term 'investor presentations' in IFRS 18 should not be read to say that all investor presentations are public communications. An entity needs to apply judgment in assessing whether a particular communication, such as an investor presentation, is a public communication. While IFRS 18 does not define public communications, the Committee is of the view that there is an adequate basis for an entity to make that judgment. For example, an entity's systems and processes in place to monitor and control its communications, common understandings of the term 'public,' and how an entity applies that term when considering its reference in other IFRS Accounting Standards could help assess whether a particular communication is a public communication.

Nishant Sayani, Partner

Our View:

Entities must document their assessment of which communication channel is 'public', considering audience size, confidentiality restrictions, redistribution controls, and whether the content is accessible to the broader stakeholders. IFRS 18 deliberately does not define 'public'; different entities may reach different conclusions on similar fact patterns, increasing the risk of audit/ regulatory scrutiny.

Entities, especially private companies, would need to maintain, track, and evaluate their communication governance framework to support the judgment that certain channels of disclosure of financial information are not public communications.

03

Entities with specified main business activity - Classification of income and expenses from Cash and Cash Equivalents

Issue:

Whether all income and expenses from cash and cash equivalents are to be classified under the operating category of the statement of profit or loss for a consolidated group involved in manufacturing, in addition to specified main business activities, viz., investing in financial assets and providing financing to customers.

Conclusion:

For an entity / a group that invests as a main business activity in financial assets, it is required to classify income and expenses from all its cash and cash equivalents in the operating category of the statement of profit or loss, regardless of whether the entity also has another specified main business activity. IFRS 18 does not include any exception that would allow an entity to classify a portion of income and expenses from cash and cash equivalents in a different category. .

Nirav Patel, Partner

Our View:

Large conglomerates that are engaged in diverse businesses alongside investing in financial assets and financial services shall classify income and expenses from all their cash and cash equivalents in the operating category of the statement of profit or loss. This helps in avoiding complexity around distinguishing income and expenses from cash and cash equivalents relating to subsidiaries involved in different businesses.

Assessment of the specified main business activity at the group level becomes even more critical as from a group perspective, the classification of income and expenses from cash and cash equivalents would be very different if the group is involved in one or both of the specified main business activities, or none.

04

Entities with specified main business activity - Classification of income and expenses from liabilities that arise from transactions that involve only the raising of finance

Issue:

For a consolidated group involved in manufacturing business activity in addition to specified main business activities – that is, a main business activity of providing financing to customers:

1) Does the accounting policy choice available under para 65(a)(ii) of IFRS 18 for classification between operating & financing with regards to classification of income and expenses from liabilities that arises from transactions that involve only the raising of finance but do not relate to providing finance to customers, applies to group as a whole or only to subsidiaries within the entity's group that have a main business activity of providing financing to customers?

2) Para 66 of IFRS 18 requires income and expenses from liabilities that arise from transactions that involve only the raising of finance into the operating category if an entity cannot distinguish between liabilities that relate to providing finance to customers and those liabilities that do not. How does the requirement apply if an entity can distinguish between some, but not all, of those liabilities?

3) Basis para 57 of IFRS 18, 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 cash and cash equivalents that do not, whether the entity is required to apply the same classification to income and expenses from liabilities that arise from transactions involving only the raising of finance even if it can distinguish between those that relate to providing financing to customers and those that do not relate to providing financing to customers?

Conclusion:

1) When a consolidated group concludes that it provides financing to customers as a main business activity, the requirements in para 65(a)(ii) of IFRS 18 apply to the consolidated group. In other words, the accounting policy choice in para 65(a)(ii) of IFRS 18 applies to all the applicable liabilities of the consolidated group, and not only the liabilities of the subsidiaries within the consolidated group that have a main business activity of providing financing to customers.

2) When a consolidated group concludes that it provides financing to customers as a main business activity, the requirements in para 66 of IFRS 18 apply to the consolidated group. Consequently, if the entity can identify some, but not all, of the liabilities from finance-raising transactions as either relating or not relating to providing financing to customers, para 66 still applies to the entire pool — the inability to distinguish any portion triggers the requirement for all such liabilities.

3) If 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 cash and cash equivalents that do not, the entity is required to apply the same classification to income and expenses from liabilities that arise from transactions involving only the raising of finance regardless of whether the entity can distinguish.

Sagar Lakhani, Partner

Our View:

Under IFRS 18 para B37, an entity must assess whether investing in assets or providing financing to customers constitutes a main business activity at the reporting entity level as a whole, meaning a consolidated group and an individual subsidiary within it may reach different conclusions. When a consolidated group determines that providing financing to customers is a main business activity, the requirements of para 65(a)(ii) of IFRS 18 apply at the group level — extending the accounting policy choice to all applicable liabilities of the consolidated group, not just those of the financing subsidiary.

Similarly, the requirement in para 66 of IFRS 18 will also apply to the consolidated group with respect to the classification of income and expenses from liabilities that arise from transactions that involve only the raising of finance into the operating category if an entity cannot distinguish even a portion of liabilities that relate to providing finance to customers and those liabilities that do not. In other words, for diverse group with providing financing to customer as main business activity alongside manufacturing business activity, income and expenses from liabilities that arises from transactions that involve only the raising of finance (e.g. borrowings) relating to manufacturing business activity could potentially also be classified as operating if the group in its consolidated financial statements cannot distinguish between liabilities that relates to providing finance to customers and those liabilities that do not.

Further, where a consolidated group applies para 57 of IFRS 18 to classify income and expenses from cash and cash equivalents in the operating category because it cannot distinguish between those that relate to providing financing to customers and those that do not, we are of the view that the same operating classification must also be applied to income and expenses from liabilities arising from transactions that involve only the raising of finance even if the group is otherwise able to distinguish which of those liabilities relate to providing financing to customers. This linkage is asymmetric and mandatory, and is intended to preserve comparability of the operating result for the financing activity.

05

Assessment of Specified Main Business Activities for a Manufacturer-Lessor

Issue:

Whether all income and expenses from cash and cash equivalents are to be classified under the Assessment of main business activity for a manufacturer-lessor engaged in the manufacturing of vehicles and subsequently either selling or leasing them to customers under both operating and finance leases.

The submission to the Committee also highlights that the entity uses one subtotal, similar to gross profit, for both internal and external reporting purposes as an important indicator of operating performance for its aggregated lease activity, comprising its finance lease and operating lease activity.

Conclusion:

Based on the information reviewed, the Committee is of the view that the entity's aggregated lease activity — combining finance and operating leases — likely constitutes a main business activity of providing financing to customers, as evidenced by its use of a single gross-profit-like subtotal as a key operating performance indicator across both lease types. Conversely, the operating lease activity alone is unlikely to constitute a main business activity of investing in assets since the entity's use of a unified performance subtotal across all lease activity indicates it does not treat operating leases as a distinct business line.

Classification of a lease as an operating lease does not preclude that arrangement from being of the type that provides financing to a customer (lessee). Basis for conclusion of IFRS 16 – Leases also confirms that all leases, operating or finance, provide financing.

Para B32(c) lists examples of some entities that might provide financing to customers as a main business activity, including in 'lessors that provide financing to customers in finance leases'. This does not preclude a lessor that provides financing to customers in operating leases or a lessor that provides financing to customers in both operating and finance leases from being an entity that provides financing to customers as a main business activity.

Nirav Patel, Partner

Our View:

The committee's view aligns with the underlying economics of leasing, as reinforced by the Basis for Conclusions of IFRS 16, which acknowledges that all leases — whether operating or finance — inherently provide financing to the lessee. While para B32(c) of IFRS 18 specifically illustrates finance lease lessors as an example, this illustrative list is not exhaustive and does not preclude lessors of operating leases, or those with mixed lease portfolios, from qualifying. Entities will need to carefully evaluate their specific facts and circumstances, including how performance is measured and reported internally, to arrive at an appropriate conclusion.

06

Labels of Subtotals and matters relating to the presentation of expenses

Issue:

Whether the label of an additional subtotal that is also an MPM must explicitly list all elements excluded from (or included in) the measure.

Conclusion:

Determining the appropriate label for the measure requires judgment and depends on an entity's specific facts and circumstances. However, the label of a subtotal that is an MPM is not required to explicitly list all the elements that are excluded from (or, alternatively, are included in) the measure, as long as that label complies with the applicable requirements in IFRS 18, including providing all descriptions and explanations necessary for a user of financial statements to understand the subtotal.

Nishant Sayani, Partner

Our View:

IFRIC's clarification is that determining the appropriate label for an MPM is inherently judgmental and driven by entity-specific facts and circumstances. In our view, requiring the label itself to enumerate every excluded or included element would result in cumbersome, impractical descriptors that detract from clarity rather than enhance it. Provided the label is accompanied by the descriptions, reconciliations, and explanations required by IFRS 18 — sufficient to enable users of the financial statements to fully understand the nature and composition of the subtotal — a concise, meaningful label is appropriate. Entities should, however, exercise care to ensure that the chosen label is not misleading and faithfully reflects the substance of the measure being presented.

07

Presentation of operating expenses

Issue:

1) When is an entity required to use “mixed presentation” in the statement of profit or loss

2) Whether an entity that includes some amounts of an operating expense in a function line item must present the entire amount of that operating expense in function line items

Conclusion:

1) IFRS 18 requires an entity to use a mixed presentation when doing so provides the most useful structured summary of its operating expenses. IFRS 18 does not limit the use of a mixed presentation of operating expenses only to particular other circumstances.

2) An entity that includes some amounts of an operating expense by function is not required to include the entire amount of that operating expense in function line items, provided it complies with other applicable requirements in IFRS 18. An entity that classifies and presents some expenses by nature and other expenses by function is required to label the resulting line items in a way that clearly identifies which expenses are included in each line item.

Nishant Sayani, Partner

Our View:

IFRS 18 permits, and in fact requires, a mixed presentation of operating expenses, whenever mixed presentation provides the most useful structured summary, without restricting its application to specific circumstances. In our view, this flexibility appropriately recognizes that entities operate under diverse business models and that a rigid by-nature or by-function presentation may not always yield the most decision-useful information for users.

An entity is not obligated to present the entire amount of a given operating expense within function line items; partial allocation is acceptable, provided the entity complies with the broader requirements of IFRS 18. However, entities adopting a mixed presentation must exercise careful judgment in labeling line items transparently, ensuring users can clearly identify whether the amounts reflect a nature-based or function-based classification, thereby preserving comparability and understandability of the financial statements.

About Uniqus Consultech:

Uniqus Consultech is an AI and global tech-enabled consulting company that specializes in Accounting & Reporting Consulting, Governance, Risk & Compliance, Sustainability & Climate Consulting, Tech Consulting, and Valuations. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST.

Uniqus has a global team of 800+ professionals, led by 100+ Partners and Directors, across 13 offices in the USA, the Middle East, and India. The company serves more than 400 clients, including marquee names in each of the markets it operates in.

Uniqus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

About Our Accounting & Reporting Consulting Services:

In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function through these challenges. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

A Team That You Can Trust To Deliver

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