Opening Remarks and Updates

Extract, IFRS® Discussion Group Report on the Meeting – May 12, 2026

Risk Mitigation Accounting – Proposed Amendments to IFRS 9 and IFRS 7

In December 2025, the IASB issued the Exposure Draft, "Risk Mitigation Accounting – Proposed amendments to IFRS 9 and IFRS 7." The Exposure Draft proposes amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The IASB is proposing:

- to add a risk mitigation accounting model for companies managing repricing risk on a net basis; and
- to require a company to disclose its strategy for managing repricing risk and the effects of its risk management activities.

The IASB is also seeking feedback on the proposed withdrawal of IAS 39 *Financial Instruments: Recognition and Measurement*. Canadians are encouraged to submit comment letters to the IASB by July 31, 2026.

Recent IFRS Interpretations Committee Agenda Decisions

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18 *Presentation and Disclosure in Financial Statements*)

In April 2026, the IASB ratified the IFRS Interpretations Committee's agenda decision on Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset). 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 agenda decision clarifies that a reasonable reading of paragraph B65 of IFRS 18 results in two possible ways to classify the exchange difference:

- View 1: Classify the exchange difference in the operating category as the default category; or
- 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.

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

In April 2026, the IASB ratified the IFRS Interpretations Committee's agenda decision on Economic Benefits from Use of a Battery under an Offtake Arrangement. The request asked 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 agenda decision clarifies that an entity should consider the terms and conditions of the contract and all relevant facts and circumstances to determine whether it has the right to obtain substantially all of the economic benefits from use of an identified asset and the right to direct the use of that asset.

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

In April 2026, the IASB ratified the IFRS Interpretations Committee's agenda decision on Fair Presentation and Compliance with IFRS Accounting Standards. The request asked whether an entity applying paragraph 19 of IAS 1 that departs from a requirement in an IFRS Accounting Standard is required to comply with the requirement for fair presentation in paragraph 15 of IAS 1. The agenda decision notes that the fact pattern described in the request arises infrequently.

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

In April 2026, the IASB ratified the IFRS Interpretations Committee's agenda decision on Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent. The request asks how a parent applying IFRS 18 assesses, for the purposes of its separate financial statements, whether it has a specified main business activity of investing in unconsolidated subsidiaries. The agenda decision clarifies that, in accordance with paragraph 55 of IFRS 18, an entity can have a main business activity of investing in unconsolidated subsidiaries. Assessing whether a parent has a main business activity of investing in unconsolidated subsidiaries for the purposes of its separate financial statements requires judgment – in particular, when the parent has more than one business activity – and depends on the parent's specific facts and circumstances.

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

In April 2026, the IASB ratified the IFRS Interpretations Committee's agenda decision on Scope of the Requirement to Disclose Expenses by Nature. The request asks whether the disclosure requirements in paragraph 83 of IFRS 18 apply:

- 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
- 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 agenda decision notes that paragraph 83 of IFRS 18 contains no exceptions or exclusions. That means the reason for classifying an expense by function is irrelevant in determining whether an entity is required to apply paragraph 83. Therefore, 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.

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

In April 2026, the IASB ratified the IFRS Interpretations Committee's agenda decision on Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure. The request asks 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 agenda decision notes an entity 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.

Updates to Agenda Decisions for IFRS 18

In January 2026, the IASB voted in favour of the IASB's recommendations to:

- withdraw the Agenda Decision 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 *Presentation of Financial Statements*); and
- update the following agenda decisions:
    - Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 *Operating Segments*);
    - Demand Deposits with Restrictions on Use Arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*);
    - Subsequent Expenditure on Biological Assets (IAS 41 *Agriculture*);
    - Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7);
    - Physical Settlement of Contracts to Buy or Sell a Non-financial Item (IFRS 9 *Financial Instruments*); and
    - Normal Operating Cycle (IAS 1).