

HKFRS 18 NAVIGATOR

NAVIGATING IFRS AGENDA DECISIONS ON HKFRS 18

OCTOBER 2026 ISSUE 8

As IFRS 18 implementation progresses, questions are increasingly moving from “what does the Standard require?” to “how does it apply to our facts?” Recent agenda decisions issued by the IFRS Interpretations Committee (IC) provide useful insights into practical application questions arising from IFRS 18. Covering agenda decisions and tentative agenda decisions published up to October 2026, this issue highlights what preparers should consider now and which developments to watch.

ADs vs TADs



Agenda decisions (ADs) explain how the applicable principles and requirements in IFRS Accounting Standards apply to the fact pattern considered. They do not add or change the requirements in standards.

Tentative agenda decisions (TADs) remain subject to due process. Their conclusions may change before they are finalised.

AGENDA DECISIONS *Consider the implications now*



Classification of a foreign exchange difference from an intragroup monetary liability (or asset)



Relevant to

Groups with intragroup loans or other monetary balances between entities with different functional currencies, where the resulting foreign exchange differences remain in consolidated profit or loss.



What the IC concluded

How should foreign exchange differences remaining in consolidated profit or loss after elimination of the related intragroup balances be classified? The IC identified two reasonable readings of IFRS 18's classification requirements.

The foreign exchange difference can be classified:

- in the operating category as the default category; or
- in the category in which income and expenses from the intragroup balance would have been classified before elimination, subject to the undue cost or effort relief.



Practical considerations

- Identify intragroup balances giving rise to foreign exchange differences remaining in consolidated profit or loss, and develop, apply and document an accounting policy based on either approach above in accordance with IAS 8 *Basis of Preparation of Financial Statements*.
- Assess how the classification of the remaining foreign exchange differences could affect systems, processes and supporting documentation.

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Classification of gains and losses on a derivative managing a foreign currency exposure

Relevant to

Groups that use derivatives not designated as hedging instruments applying IFRS 9 *Financial Instruments* to manage the foreign currency risk of a net exposure, particularly groups without a specified main business activity (SMBA).

What the IC concluded

In the fact pattern considered, the external derivative manages a net liability exposure, rather than the gross investing asset and financing liability that make up that exposure. It is not designated as a hedging instrument applying IFRS 9. The IC concluded that an entity is required to classify any gain or loss on the external derivative in the same category as the income and expenses affected by the risks that the derivative is used to manage. In this fact pattern, the gain or loss is therefore classified in the financing category of the consolidated statement of profit or loss. This conclusion does not require the derivative gain or loss to be grossed up.

Practical considerations

- Identify and document the risk managed by each derivative to support the classification of its gain or loss.
- Involve financial reporting and treasury teams in reviewing existing derivative arrangements to identify any changes in presentation needed.



Assessment of a specified main business activity for the purposes of the separate financial statements of a parent

Relevant to

Parents that hold investments in subsidiaries and prepare separate financial statements.

What the IC concluded

In the fact pattern considered, holding and managing investments in subsidiaries is the parent's only substantive activity. The IC concluded that this can provide sufficient evidence that investing in unconsolidated subsidiaries is an SMBA for the purposes of the parent's separate financial statements.

Where the parent undertakes more than one substantive activity, the assessment may be less straightforward and require judgement based on the parent's particular facts and circumstances.

Practical considerations

- Identify the parent's substantive activities and assess the evidence supporting its SMBA conclusion, particularly where it undertakes multiple activities.

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Scope of the requirement to disclose expenses by nature



Relevant to

Entities presenting some or all of their expenses by function.



What the IC concluded

The IC concluded that paragraph 83 of IFRS 18 contains no exceptions or exclusions limiting its application to specific function line items. Accordingly, the related disclosure requirements apply when any expenses are presented by function in the operating category in the statement of profit or loss. Paragraph B84 of IFRS 18 also states that the amounts disclosed in accordance with paragraph 83 need not be the amounts recognised as an expense in the period. The amounts disclosed could include amounts that have been recognised as part of the carrying amount of an asset.



Practical considerations

- Incorporate the relevant disclosure requirements into the implementation plan if any operating expenses will be presented by function.

TENTATIVE AGENDA DECISIONS *Developments to watch*

The TADs below remain subject to due process, and their conclusions may change before they are finalised.

Rather than treating the TADs as settled positions, identify those relevant to implementation decisions currently being made and monitor their progress through the IC's due process.

<p>Classification in profit or loss</p> <ul style="list-style-type: none"> • income and expenses from cash and cash equivalents for entities with an SMBA; • income and expenses from financing liabilities where providing financing to customers is an SMBA; and • the assessment of whether assets generate returns individually and largely independently of other resources. 	<p>Management-defined performance measures (MPMs)</p> <ul style="list-style-type: none"> • performance measures containing hypothetical income and expenses; • the assessment of whether presentations provided on a confidential basis to a small number of identifiable shareholders or potential investors are public communications; and • labels used for subtotals that are also MPMs.
<p>SMBA</p> <ul style="list-style-type: none"> • the assessment of a manufacturer-lessor's activities, including its finance and operating lease activities. 	<p>Presentation of operating expenses</p> <ul style="list-style-type: none"> • when mixed presentation is required and whether expenses of the same nature can be disaggregated into line items presented by nature and line items presented by function.

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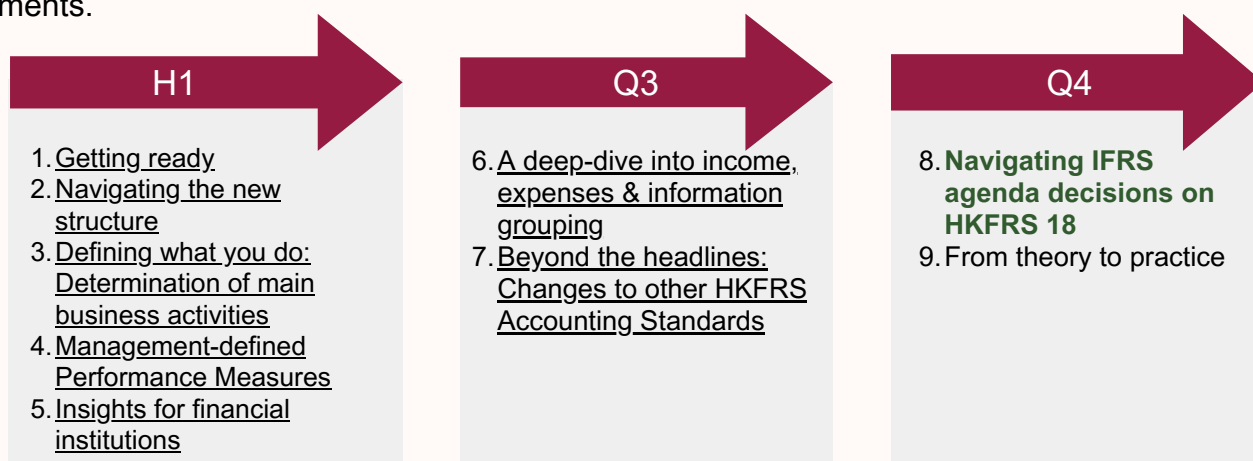
IMPLEMENTATION FOCUS



- Consider whether any of these developing issues affect decisions currently being made.
- Where a TAD is relevant, implementation plans may need to remain flexible until the IC completes its due process.

LOOKING AHEAD: WHAT'S NEXT IN OUR SERIES

The final issue will use illustrative examples to show how the new requirements may affect financial statements.



This publication has been prepared by staff of the HKICPA for information or illustration purposes. Members of the HKICPA and other users should also read the full HKFRS Accounting Standards, as set out in the HKICPA Members' Handbook for further reference, and seek professional advice where necessary.