



TENTATIVE AGENDA DECISION: CLASSIFICATION OF A FOREIGN EXCHANGE DIFFERENCE FROM AN INTRAGROUP MONETARY LIABILITY (OR ASSET) (IFRS 18)

Issued 25 November 2025

ICAEW welcomes the opportunity to comment on the Tentative Agenda Decision *Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)* published by the IFRS Interpretations Committee on 26 September, a copy of which is available from this [link](#).

We believe that both View I and View II are reasonable readings of IFRS 18 *Presentation and Disclosure in Financial Statements* and recommend the Committee permits entities an accounting policy choice between Views I and II when classifying foreign exchange differences arising from an intragroup monetary liability (or asset).

We are concerned that, due to its inconclusive nature, this draft agenda decision risks creating confusion. We encourage the IFRS Interpretations Committee to be mindful of the importance of offering clarity on what it would deem to be acceptable accounting treatments.

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KEY POINTS

1. ICAEW welcomes the opportunity to comment on the IFRS Interpretations Committee's (the Committee's) Tentative Agenda Decision *Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)*.
2. We are concerned that, due to its inconclusive nature, this draft agenda decision risks raising more questions than it answers. As the Committee reflects on the comments it receives, we encourage it to be mindful of the importance of offering clarity on what it would deem to be acceptable accounting treatments.

SUPPORT FOR AN ACCOUNTING POLICY CHOICE

3. Overall, we agree with the Committee that standard setting is not the best course of action in respect of the classification of a foreign exchange difference from an intragroup monetary liability (or asset).
4. On balance, we agree that View I and View II as described in the draft agenda decision are both reasonable readings of paragraph B65 of IFRS 18 *Presentation and Disclosure in Financial Statements*. We therefore recommend the Committee permits an accounting policy choice between Views I and II when classifying foreign exchange differences arising from an intragroup monetary liability (or asset).

ANSWERS TO SPECIFIC QUESTIONS

Summary of the issue

The Committee received a request about the classification of a foreign exchange difference from an intragroup monetary liability (or asset). Paragraph B65 of IFRS 18 requires an entity to 'classify foreign exchange differences included in the statement of profit or loss applying IAS 21 The Effects of Changes in Foreign Exchange Rates in the same category as the income and expenses from the items that gave rise to the foreign exchange differences...'. 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 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.

Views

View I – Classify the exchange difference in the operating category as the default category in accordance with paragraph 52 of IFRS 18

View II – 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

Importance of clarity in the agenda decision

5. We understand why it might be challenging for the Committee to reach a consensus regarding this request as arguments can be made in support of both View I and View II. However, we are concerned that, due to its inconclusive nature, this draft agenda decision risks raising more questions than it answers.
6. We believe it will be unhelpful for the Committee to issue an inconclusive agenda decision and recommend that the Committee includes explanatory material alongside its decision to offer greater clarity on what constitute permissible treatments of a foreign exchange difference from an intragroup monetary liability (or asset).

7. We also recommend that the IFRS Foundation considers updating the Due Process Handbook to clarify the course of action the Committee should take when Committee members cannot reach a consensus in its (tentative) agenda decisions. We believe this is necessary to avoid the Committee issuing potentially confusing agenda decisions in the future.

Standard setting is not the best course of action

8. We have heard comments both for and against standard setting. Some members believe standard setting is required to avoid a lack of comparability. These members are concerned that preparers are likely to adopt inconsistent approaches to the treatment of exchange differences, especially given the Committee itself could not reach a consensus on the appropriate treatment of the fact pattern set out in the request. Those in favour of standard setting highlight that the request refers to a relatively simple fact pattern and note that, had the issue arisen earlier, it would have been possible to draft IFRS 18 without ambiguity in this respect.
9. On the other hand, we have heard some members support the Committee's tentative conclusion that standard setting is not required. For these members, the principles and requirements in IFRS Accounting Standards provide an adequate basis to determine an appropriate accounting treatment for exchange differences arising from an intragroup monetary liability (or asset). Such members are not in favour of overly prescriptive Standards that risk creating a rules-based system and are comfortable with an expectation that preparers may choose from different acceptable accounting policies and use disclosure to explain accounting policies as necessary.
10. Setting aside any conceptual arguments for and against, we acknowledge that standard setting is unlikely to be a pragmatic solution at the moment. A timely resolution is necessary to enable entities' adoption of IFRS 18; we are of the view that there is not sufficient time to debate amendments to the Standard ahead of it taking effect.
11. Overall, therefore, we agree with the Committee that standard setting is not the best course of action in response to this request.

Support for an accounting policy choice

12. On balance, we agree that both View I and View II are reasonable readings of paragraph B65 of IFRS 18. We therefore recommend the Committee permits an accounting policy choice between Views I and II when classifying foreign exchange differences arising from an intragroup monetary liability (or asset).
13. Where the classification of a foreign exchange difference from an intragroup monetary liability (or asset) is a material issue for an entity, paragraph 27A of IAS 8 *Basis of Preparation of Financial Statements*¹ requires disclosure of accounting policy information. This allows for comparability where an accounting policy choice is permitted.

Other proposals

14. We agree with the Committee that the three other views included in the request as described in the draft agenda decision are not reasonable readings of paragraph B65 of IFRS 18.

¹ Previously paragraph 117 of IAS 1 *Presentation of Financial Statements*