ICAEW
REPRESENTATION 74/26

TENTATIVE AGENDA DECISION: CLASSIFICATION OF INCOME AND EXPENSES WHEN AN ENTITY HAS A MAIN BUSINESS ACTIVITY OF PROVIDING FINANCING TO CUSTOMERS (IFRS 18)

Issued 8 September 2026

ICAEW welcomes the opportunity to comment on the Tentative Agenda Decision: *Classification of Income and Expenses when an Entity Has a Main Business Activity of Providing Financing to Customers (IFRS 18)*, published by the IFRS Interpretations Committee following its June 2026 meeting, a copy of which is available from this link.

This response of 8 September 2026 has been prepared by the ICAEW Corporate Reporting Faculty. Recognised internationally as a leading authority on corporate reporting, the faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial and non-financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common corporate reporting problems.

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KEY POINTS

1. ICAEW welcomes the opportunity to comment on the IFRS Interpretations Committee's tentative agenda decision regarding the classification of income and expenses when an entity has a main business activity of providing financing to customers (IFRS 18). Our comments below relate solely to Question 2 of the request.

2. In responding to Question 2 of the request, the IFRS Interpretations Committee (the Committee) concluded that where an entity that provides financing to customers as a main business activity cannot distinguish between specified liabilities that relate to providing financing to customers and those that do not, paragraph 66 of IFRS 18 requires the entity to classify income and expenses from '*all such liabilities'* in the operating category of the statement of profit of loss, applying the accounting policy choice in paragraph 65(a)(ii) of IFRS 18.

   We understand the Committee to have interpreted the phrase 'all such liabilities' as referring to all liabilities described in paragraph 65(a), namely liabilities arising from transactions that involve only the raising of finance. However, we do not consider this to be the only reasonable interpretation of the wording. In our view, the phrase could also be read as referring only to those specified liabilities for which the entity cannot distinguish between those which are related to providing financing to customers and those which are not.

3. We therefore believe that if the IFRS Interpretations Committee's reading is the intended interpretation of the paragraph, standard-setting activity is required to clarify the drafting of paragraph 66 and to remove the scope for alternative interpretations. The requirements should be expressed more clearly so that the IASB's intended outcome is the only interpretation that can reasonably be reached.