

IASB - Mr Bruce Mackenzie  
IFRS Interpretations Committee Chair  
Columbus Building  
7 Westferry Circus - Canary Wharf  
London E14 4HD

RO n°1

Paris, 6 February 2026

### **Tentative Agenda Decision - Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)**

Dear Chair,

The Autorité des Normes Comptables (ANC) welcomes the opportunity offered by the IFRS Interpretations Committee (the Committee) to comment on the scope of the requirement to disclose expenses by nature (IFRS 18) (Appendix A).

Paragraph 75 of IFRS 18<sup>1</sup> requires an entity to present specified line items in the statement of profit or loss, including for operating expenses and amounts required by IFRS 9 and IFRS 17, as listed in paragraph 75(b)-(c). Paragraph 83 of IFRS 18<sup>2</sup> requires an entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss to also disclose the total and the amount included in each line item for depreciation, amortisation, employee benefits, impairment of non-financial assets (and reversals) and write-downs of inventories (and reversals).

To clarify the scope of paragraph 83, the Committee proposes to specify that paragraph 83 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 classified by function listed in paragraph 75(b)-(c) of IFRS 18*".

---

<sup>1</sup> IFRS 18, paragraph 75. "An entity shall present in the statement of profit or loss line items for (see paragraph B77): (a) amounts required by this Standard, namely: (i) revenue, presenting separately the line items described in (b)(i) and (c)(i); (ii) operating expenses, presenting separately line items as required by paragraphs 78 and 82(a); (iii) share of the profit or loss of associates and joint ventures accounted for using the equity method; (iv) income tax expense or income; and (v) a single amount for the total of discontinued operations (see IFRS 5); (b) amounts required by IFRS 9, namely: (i) interest revenue calculated using the effective interest method; (ii) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9; (iii) gains and losses arising from the derecognition of financial assets measured at amortised cost; (iv) any gain or loss arising from the difference between the fair value of a financial asset and its previous amortised cost at the date of reclassification from amortised cost measurement to measurement at fair value through profit or loss; and (v) any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss at the date of reclassification of a financial asset from measurement at fair value through other comprehensive income to measurement at fair value through profit or loss; and (c) amounts required by IFRS 17, namely: (i) insurance revenue; (ii) insurance service expenses from contracts issued within the scope of IFRS 17; (iii) income or expenses from reinsurance contracts held; (iv) insurance finance income or expenses from contracts issued within the scope of IFRS 17; and (v) finance income or expenses from reinsurance contracts held."

<sup>2</sup> IFRS 18, paragraph 83. "An entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss shall also disclose in a single note: (a) the total for each of: (i) depreciation, comprising the amounts required to be disclosed by paragraph 73(e)(vii) of IAS 16 *Property, Plant and Equipment*, paragraph 79(d)(iv) of IAS 40 *Investment Property* and paragraph 53(a) of IFRS 16 *Leases*; (ii) amortisation, comprising the amount required to be disclosed by paragraph 118(e)(vi) of IAS 38 *Intangible Assets*; (iii) employee benefits, comprising the amount for employee benefits recognised by an entity applying IAS 19 *Employee Benefits* and the amount for services received from employees recognised by an entity applying IFRS 2 *Share-based Payment*; (iv) impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraphs 126(a) and 126(b) of IAS 36 *Impairment of Assets*; and (v) write-downs and reversals of write-downs of inventories, comprising the amounts required to be disclosed by paragraphs 36(e) and 36(f) of IAS 2; and (b) for each total listed in (a)(i)-(v): (i) the amount related to each line item in the operating category (see paragraph B84); and (ii) a list of any line items outside the operating category that also include amounts relating to the total."

The ANC agrees with the Committee's technical analysis, that paragraph 83 of IFRS 18 contains no exceptions or exclusions, but is concerned that one might understand from the proposed drafting of the Tentative Agenda Decision that all the expenses mentioned in paragraph 75 are systematically expenses classified by function. Indeed, when the Committee states "*including expenses classified by function listed in paragraph 75(b)-(c) of IFRS 18*", one may consider that items such as "*interest revenue calculated using the effective interest method*" correspond to an expense classified by function rather than a nature of expenses.

This could raise numerous questions about all expenses that may combine several initial types of expenditure without this currently being understood as a function. For example, the ANC considers that the amortisation or depreciation of an asset should not be considered as a function, even if the measurement of the underlying asset includes several natures of operating expenses – for instance, raw materials and employee benefit expense.

The ANC believes that the initial objective of the submission was not to clarify the difference between a classification by nature or by function. Therefore, the Tentative Agenda Decision should not open up new debates or conclude on such a broad issue.

The ANC therefore recommends that the Committee revise the drafting of the Tentative Agenda Decision as follows: "*Therefore, the Committee concluded that 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 classified by function listed in paragraph 75(b)-(c) of IFRS 18, if such expenses are classified by function*".

Should you wish to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R/O Ophèle', written over a diagonal line that underlines the signature.

Robert Ophèle  
ANC Chair

**Appendix A**  
**Tentative Agenda Decision (xx 2026)**  
**Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)**

The Committee received a request about the scope of the requirements in paragraph 83 of IFRS 18.

Paragraph 75 of IFRS 18 requires an entity to present line items in the statement of profit or loss, including for:

- . operating expenses (paragraph 75(a)(ii)); and
- . amounts required by IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* (paragraph 75(b)–(c)).

Paragraph 83 of IFRS 18 requires an entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss to also disclose, in a single note, the total and the amount included in each line item for depreciation, amortisation, employee benefits, impairment of non-financial assets (and reversals) and write-downs of inventories (and reversals).

*Question*

The request asks whether the 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 request says these expenses might include amounts that have been recognised as part of the carrying amount of an asset – for example, insurance service expense recognised in the statement of profit or loss might include the amortisation of insurance acquisition costs that were previously capitalised as part of insurance contract assets.

*Applying the applicable requirements*

The Committee observed that paragraph 83 of IFRS 18 contains no exceptions or exclusions. That means, for example, that the reason for classifying an expense by function – that is, classifying an expense by function applying an entity's judgement or because of a requirement in an IFRS Accounting Standard – is irrelevant in determining whether an entity is required to apply paragraph 83.

Therefore, the Committee concluded that 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 classified by function listed in paragraph 75(b)–(c) of IFRS 18.

The Committee observed that, as paragraph B84 of IFRS 18 states, the amounts disclosed in accordance with paragraph 83 of IFRS 18 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. If an entity applying paragraph 83(b) of IFRS 18 discloses amounts that are not the amounts recognised as an expense in the period, the entity is required to provide a qualitative explanation of that fact, identifying the assets involved.

*Conclusion*

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the scope of the requirements in paragraph 83 of IFRS 18. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

The deadline for commenting on the tentative agenda decision is 6 February 2026. The Committee will consider all comments received in writing by that date; agenda papers analysing comments received will include analysis only of comments received by that date.

