Beyond the GAAP

Forvis Mazars' monthly newsletter on financial and sustainability reporting

Contents

The drafting of the present issue was completed on 7 July 2026.

Editorial

Since IFRS 18 was published in April 2024, preparations for its entry into force on 1 January 2027 have been gathering pace. The IASB has continued its work on clarifying certain points regarding application of the standard, as shown by its recent publication of targeted amendments to IAS 28 on the fair value option. However, many issues remain unresolved: the IFRS IC's meeting agenda for this month was largely focused on IFRS 18, resulting in seven tentative agenda decisions, which are open for comment until 9 September.

IFRS Highlights

IAS 28: amendments to the fair value option published

At the end of June, as planned, the International Accounting Standards Board (IASB) published targeted amendments to IAS 28 – *Investments in Associates and Joint Ventures*, focusing on the fair value option.

The amendments specify which entities are eligible to use this option for these investments: namely, entities with a main business activity of investing in certain types of assets, as defined in paragraph 49(a) of IFRS 18.

Through these targeted amendments, the IASB is aiming to reduce differences in interpretation regarding the scope of the fair value option, without actually increasing the scope.

They are also aimed at clarifying the application of the existing requirements of IAS 28 before IFRS 18 comes into effect on 1 January 2027. They will become mandatory at the same time as IFRS 18.

Post-implementation Review of IFRS 16: IASB continues redeliberations

At the IASB's June meeting, it continued with the work begun in the March and April 2026 meetings (cf. Beyond the GAAP no. 208 and no.209) to consider stakeholder feedback received on the Post-implementation Review (PiR) of IFRS 16 – *Leases*. This time, it looked particularly at the effects of applying IFRS 16 alongside other standards.

Rent concessions (IFRS 16/IFRS 9)

At the end of the meeting, the IASB tentatively decided to undertake a narrow-scope project to clarify how a lessee should apply IFRS 16 and IFRS 9 when recognising a rent concession granted by the lessor, when this concession is the only change to the lease contract.

The IASB is planning to run this project alongside its research project on cost-reduction measures, which it tentatively decided in March 2026 to undertake.

Sale-and-leaseback transaction of an asset in a single-asset entity (IFRS 16/IFRS 10)

At the end of the meeting, the IASB stated that in its next agenda consultation, it will consider shareholders' concerns regarding the application of both IFRS 16 and IFRS 10 to sale-and-leaseback transactions of an asset held in a single-asset entity. It may also consider other questions relating to corporate wrappers.

Topics that the IASB has tentatively decided not to address

At the same meeting, the IASB tentatively decided to take no action on the effects of applying IFRS 16 alongside:

- IFRS 15, to assess whether the transfer of an asset in a sale-and-leaseback transaction is a sale; and to recognise a gain or loss in a sale-and-leaseback transaction;
- IAS 38, to identify leases.

The IASB has also decided to take no action on the following topics:

- IFRS 16 for lessors;
- identifying a lease;
- other matters raised by stakeholders that were not covered by the questions set out in the IASB's Request for Information.

Amortised Cost Measurement project

Following on from its previous discussions (cf. [Beyond the GAAP no. 207](#) of February 2026 and [Beyond the GAAP no. 209](#) of April 2026), the IASB continued at its June meeting to work on the relationship between modification and derecognition of a financial instrument.

As a reminder, the IASB had tentatively decided to propose a principles-based approach to assessing whether a modification of a financial asset or a financial liability is substantial and results in derecognition.

After consulting the Financial Instruments Consultative Group (FICG) on this approach, the IASB tentatively decided that:

- an entity would determine whether a modification of a financial instrument is substantial based on a holistic analysis of the changes in the contractual cash flows. The entity would consider qualitative and quantitative factors as part of this analysis. The '10 per cent test' as described in paragraph B3.3.6 of IFRS 9 could supplement the analysis but would not be the decisive factor in isolation;
- key factors that would suggest a modification is substantial include:
  - a change in the currency in which principal or interest is denominated;
  - a change in the cash flow characteristics that alters the assessment of whether the cash flows are solely payments of principal and interest (SPPI) for a financial asset, or whether an embedded derivative is separated from the host contract for a financial liability;
  - a change in borrower counterparty (unless the change is between entities under common control);
  - a commercial renegotiation to reset the financial instrument to current market terms (in contrast, a modification attributable to the borrower's financial difficulty would suggest the modification is not substantial);
- the relevance of a specific factor, and its weight compared to other factors, would depend on the type of financial instrument, its characteristics, and general economic conditions. An entity would be required to consider reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed.

According to the IASB staff, the entities that are likely to be most impacted by these clarifications are those that currently rely primarily on the quantitative 10 per cent test and that give limited or no consideration to qualitative factors in their analysis.

Appointments to IFRS Interpretations Committee

At the end of June, the IFRS Foundation announced that it had appointed Laura Abeni, Raymond Chamboko, José Victor Sousa and Volker Specht as new members of the IFRS Interpretations Committee (IFRS IC), for a three-year term commencing on 1 July 2026:

- Laura Abeni is the Head of Group Accounting Policies and IFRS Reporting at the Generali Group in Italy. She is a member of the expert group on IFRS Accounting Standards at the OIC, the Italian standard-setter, and of EFRAG's Insurance Accounting Working Group.
- Raymond Chamboko is a Director at W.consulting, a global corporate reporting advisory firm based in South Africa. He is a member of the Zimbabwe Accounting Practices Board – the technical committee of the national standard-setter – and is Chairman of the Pan-African Federation of Accountants' (PAFA) Corporate Value Reporting technical advisory group;
- José Victor Sousa is the Director of Controllership and Accounting at Vale, a global mining company, having previously worked for PwC in Brazil and the UK;
- Volker Specht is a Partner at KPMG in Germany, serving as Chief Accountant in its Department of Professional Practice.

The press release is available **here**.

IFRS 18: more submissions to IFRS IC

In the run-up to the effective date of IFRS 18 on 1 January 2027, more questions regarding this standard are being submitted to the IFRS IC. After its June 2026 meeting, the Committee published seven tentative agenda decisions relating to new implementation issues, following an initial set of decisions published in April 2026 (cf. [Beyond the GAAP no. 209] of April 2026).

Below, we examine three of the seven tentative decisions, which provide practical clarifications on topics that may pose implementation challenges at first-time application of IFRS 18.

Labels of sub-totals

The Committee was asked whether the label of a sub-total in the statement of profit or loss that is a management-defined performance measure (MPM) should specify all the elements included or excluded from its calculation.

In its tentative decision, the IFRS IC reminded issuers that deciding on an appropriate label requires the use of judgement. In particular, it emphasised that:

- the label for a sub-total or an MPM should faithfully represent the characteristics of the measure;
- an MPM should be presented in a way that is clear, understandable and not misleading to the users of financial statements;
- the information required to understand the measure does not necessarily need to be included in the label itself, but can be provided in the notes.

Thus, the Committee concluded that a label for a sub-total that is an MPM does not need to explicitly list all the elements included or excluded from its definition, provided that the label used, together with any information and description in the notes that are necessary to understand it, meet the requirements of IFRS 18.

Presentation of operating expenses

The Committee was asked about the conditions under which an entity would be required to use a mixed presentation for operating expenses (i.e. by nature and by function) and whether it can disaggregate expenses of the same nature across line items presented by nature and line items presented by function.

In its tentative decision, the IFRS IC emphasised that a mixed presentation is required if it provides the most useful structured summary of operating expenses. Drawing primarily on the example in paragraph B82[1] of IFRS 18, the Committee also reminded preparers that using a mixed presentation does not require all expenses of the same nature to be presented entirely by nature or entirely by function. Expenses of the same nature may be disaggregated across line items presented by nature and line items presented by function, provided that the labels allow users to easily identify the expenses included in each line.

Measures that include hypothetical income and expenses

The Committee was asked whether a performance measure that includes hypothetical income and expenses can be classified as an MPM. Hypothetical income and expenses are those that are not, and will never be, recognised in accordance with IFRS.

In its tentative decision, the IFRS IC emphasised that:

- the definition of an MPM does not impose any restrictions on how a sub-total of income and expenses is calculated, and therefore does not prohibit the inclusion of hypothetical income and expenses;

[1] IFRS 18.B82: If an entity classifies and presents some expenses by nature and other expenses by function in the statement of profit or loss, it shall label the resulting line items in a way that clearly identifies what expenses are included in each line item. For example, if an entity includes some employee benefits in a function line item and other employee benefits in a nature line item, the label for the nature line item would clearly identify that it does not include all employee benefits (for example, 'employee benefits other than those included in cost of sales').

- faithful representation does not imply that the measure is “good” or “bad”, but simply whether it faithfully reflects management’s view of an aspect of the financial performance of the entity.

Therefore, the Committee concluded that such a measure could meet the definition of an MPM as defined in IFRS 18. In this case, the entity must meet the disclosure requirements set out for MPMs, notably by using a label that is clear, understandable and not misleading to the users of financial statements.

Other decisions

The IFRS IC has also published four other agenda decisions relating to IFRS 18:

- the concept of “public communications” for the purpose of identifying MPMs for private entities;
- the classification of income and expenses when an entity’s main business activity is providing financing to customers;
- assessing the main business activities of a manufacturer-lessor, particularly in relation to the identification of “specified main business activities”;
- the classification of income and expenses related to cash and cash equivalents.

Comment period deadline

The comment period for all these tentative decisions closes on 9 September 2026.

ISSB continues its discussions on nature-related disclosures

The ISSB continued to discuss key aspects of the proposed IFRS Practice Statement on nature-related disclosures, at its June meeting.

During this discussion, it was (tentatively) decided to adopt the term “environmental resources” instead of “environmental assets” and to define nature-related transition and physical risks, therefore clarifying the terminology and improving consistency in how these are described.

Also discussed were sources of guidance in the context of disclosures which (tentatively) concluded in allowing entities to refer to and consider the applicability of the TNFD metrics where they support IFRS S1 objectives and do not conflict with ISSB standards or the Practice Statement. The ISSB also (tentatively) confirmed that the CDSB (Climate Disclosure Standards Board) Framework remains a valid source of guidance.

It was (tentatively) agreed that the Practice Statement will be effective upon its issuance, with no requirement for comparative disclosures in the first year of application.

It also clarified that entities must fully meet the requirements of both IFRS Sustainability Disclosure Standards (SDS) and the Practice Statement to claim compliance with these frameworks. In that sense, an entity would be prohibited from stating compliance of its sustainability-related financial disclosures under the Practice Statement, if not complying as well with all the requirements in IFRS SDS (though the ISSB is not proposing here to impose compliance with the Practice Statement as a condition of claiming compliance with IFRS SDS).

Finally, two exemptions would be included in the Practice Statement, in line with paragraph 73 of IFRS S1 (possibility to omit required information on sustainability-related opportunity if commercially sensitive and possibility to omit required information if prohibited by law or regulation).

Contacts

Edouard Fossat
Partner, Forvis Mazars, France
edouard.fossat@forvismazars.com

Sonica Schoeman
Director, Forvis Mazars, South Africa
sonica.schoeman@forvismazars.com

Justine Combrink
Partner, Forvis Mazars, South Africa
justine.combrink@forvismazars.com

Karolina Martin
Director, Forvis Mazars, South Africa
karolina.martin@forvismazars.com

Contributors to this issue:

Claire Dusser, Colette Fiard, Vincent Gilles, Laura Niewiadomskyj, Marion Platevoet, Marc-Alexandre Sarot, Pierre Savu and Arnaud Verchère

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