



Beyond the GAAP

Forvis Mazars' monthly newsletter on financial and sustainability reporting

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The drafting of the present issue was completed on 5 May 2026.

Editorial

This month, the IASB and IFRS IC have continued their work on supporting the implementation of IFRS 18 from 2027 onwards, signing off four new agenda decisions – including an eagerly-awaited decision on the presentation of a foreign exchange difference from an intragroup monetary liability (or asset).

Meanwhile, work on sustainability reporting continues apace, with new initiatives from the ISSB. Notably, the ISSB has agreed a proposed way forward for nature-related disclosures.

IFRS Highlights

IASB approves four agenda decisions on IFRS 18

At its April 2026 meeting, the International Accounting Standards Board (IASB) approved four IFRS Interpretations Committee (IFRS IC) Agenda Decisions relating to IFRS 18. In each case, the IFRS IC had decided that no standard-setting work was necessary.

Over the coming months, the IASB will most likely need to make further decisions regarding IFRS 18, as several submissions are before the IFRS IC currently.

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

The request related to the classification of a foreign exchange difference resulting from intragroup monetary liability (or asset), when the income or expenses that gave rise to this difference have been eliminated on consolidation.

The IFRS IC felt that two approaches were possible:

- classifying the difference in the operating category as the default category; or
- classifying the difference in the category in which the income and expenses relating to the intragroup monetary liability (or asset) would have been classified if they had not been eliminated on consolidation, or, if this analysis would involve undue cost or effort, in the operating category.

Thus, an entity should develop an accounting policy, by selecting one of these approaches, and apply it consistently.

Assessing whether a “specified main business activity” exists for the purposes of the separate financial statements of a parent company

The request related to how to determine whether a parent company whose only activity is holding investments in subsidiaries (but which is not an investment entity as defined in IFRS 10) has a “specified main business activity” as defined in IFRS 18 for the purposes of its separate financial statements. The entity recognises these investments at cost in its separate financial statements.

Readers will remember that a “specified main business activity” involves providing financing to customers or investing in particular types of assets. Entities that have a “specified main business activity” must classify certain items of income and expenses in the operating category, that would otherwise have been classified in the investing or financing categories.

The IFRS IC pointed out that assessing whether an entity has a “specified main business activity” must be based on the facts and circumstances of the case, and may differ between the separate and consolidated financial statements.

The absence of any other substantive activity was deemed to be sufficient to conclude that investment in unconsolidated subsidiaries is a “specified main business activity” for the purposes of the entity’s separate financial statements. This is the case even though the example indicators provided in IFRS 18 are absent, such as performance subtotals or segment reporting relating specifically to the activity of holding investments in subsidiaries.

Thus, the entity should classify income and expenses relating to these investments in the operating category in its separate financial statements.

Scope of the requirement to disclose expenses by nature

Having received a request about the scope of the requirement to disclose expenses by nature, the IFRS IC clarified that there are no exceptions to this requirement. It applies whenever an entity presents any expense line item by function in the operating category of the statement of profit or loss, including expenses that must be presented in the statement of profit or loss under IFRS 9 or IFRS 17.

It also applies to amounts recognised as part of assets. In this case, the entity provides a qualitative explanation, identifying the assets involved.

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

The IFRS IC considered a request relating to the classification of gains and losses on an external derivative used to manage an identified foreign currency exposure, without applying hedge accounting as set out in IFRS 9.

In the fact pattern, an external derivative is used, in line with the group’s risk management policy, to manage the foreign currency risk related to the net liability exposure, rather than the group of gross exposures that make up the net exposure.

If the derivative is used to manage a risk relating to a single category of the statement of profit or loss – in this case the financing category – it can be classified in that category without requiring grossing up gains or losses and without undue cost or effort. Accordingly, gains or losses on the external derivative must be classified in the same category.

IFRS IC agenda decision: accounting for a battery offtake arrangement

In the submitted request, a battery owner and an electricity retailer enter into a battery offtake arrangement, which stipulates that the battery owner is contractually required to operate it in line with the electricity retailer’s instructions, which cover 100% of the battery’s capacity. The retailer’s instructions typically specify whether and when the battery owner can charge and discharge the battery, throughout the entire period of use.

In a gross pool electricity market, transactions must be carried out between a single registered participant and the market operator. In this situation, transactions relating to the offtake arrangement take place as follows:

- the electricity retailer pays the owner a fixed amount for the right to use the battery, calculated based on the battery’s capacity and the length of the contract, rather than on how the battery is actually used;
- the owner operates the battery in line with the retailer’s instructions, buying and selling electricity on the market at the spot price;
- all the cash flows from these operations are transferred to (or received from) the electricity retailer;
- the two parties settle transactions periodically, net in cash.

In this context, the IFRS IC noted that:

- the economic benefits from use of the battery are derived from its storage capacity. The battery is used to store and release electricity – not to produce it;
- the offtake arrangement provides the electricity retailer with the economic benefits derived from storage, as it has the exclusive right:
 - to use the full capacity of the battery throughout the period of use; and
 - to tell the battery owner whether, when and how much to charge or discharge the battery.

The IFRS IC concluded that the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery throughout the period of use, in accordance with paragraph B9(a) of IFRS 16.

The Interpretations Committee stated it had not analysed whether the electricity retailer had the right to direct the use of the asset, as required by paragraph B9(b) of IFRS 16, as this was already assumed in the fact pattern.

Post-implementation Review of IFRS 16: IASB continues redeliberations

At its April meeting, the IASB continued to consider stakeholder feedback received in the Post-implementation Review (PiR) of IFRS 16 – *Leases*. It looked particularly at comments relating to the usefulness of information on lease-related cash flows.

By the end of the meeting, the IASB had tentatively decided not to take any action in this area in the PIR of IFRS 16, and instead to incorporate these issues into its project on the statement of cash flows.

In this context, it may consider requiring lessees to disclose the various components of the total cash outflow for leases, together with the line items in the statement of cash flows in which these components are presented.

Statement of Cash Flows project

Following on from previous discussions (see [Beyond the GAAP no. 202](#), September 2025), the IASB, during its April meeting, considered how to improve the consistency with which entities apply the definition of cash equivalents.

Purpose of holding cash equivalents

Paragraph 6 of IAS 7 provides a definition of cash equivalents, while paragraph 7 of IAS 7 states that cash equivalents are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes.

The IASB tentatively decided to incorporate the wording on the purpose of holding cash equivalents into the definition in paragraph 6.

Three-month maturity

Paragraph 7 of IAS 7 sets a maturity threshold of three months from the acquisition date (“Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.”) The IASB has not yet reached any decisions on possible clarifications, and is planning to explore various solutions.

Amortised Cost Measurement project

Following on from previous discussions (see [Beyond the GAAP no. 202](#), September 2025), the IASB, during its April meeting, re-examined the requirements for accounting for subsequent changes to the effective interest rate (EIR).

It is aiming to clarify the scope of paragraphs B5.4.5 and B5.4.6 of IFRS 9, in response to feedback from stakeholders. Readers will remember that the application of paragraph B5.4.5 generally leads to a re-estimation of the EIR without changing the carrying amount of the instrument, whereas paragraph B5.4.6 leads to a change in this amount against the income statement and leaves the EIR unchanged (the ‘catch-up’ approach).

The IASB has tentatively decided to amend paragraph B5.4.5 of IFRS 9 so that it relates to changes in the contractual interest rates that provide consideration for the time value of money or for the instrument’s credit risk.

The IASB staff consider that this change would have the following benefits:

- aligning the impact on profit or loss and the impact on cash flows resulting from changes in estimates linked to significant elements of a loan, i.e. interest rate risk and credit risk;
- confirming that a change in an estimate resulting directly from a change in the borrower’s credit risk falls within the scope of paragraph B5.4.5, which is currently the main source of uncertainty and variation in practice;
- removing the concept of market rates from the criteria set out in B5.4.5 – this was open to interpretation.

Updated Due Process Handbook published

On 30 April, the IFRS Foundation Trustees published the updated [Due Process Handbook](#), which sets out the principles and procedures that must be followed when developing, maintaining and supporting the application of the standards published by the IASB and ISSB (International Sustainability Standards Board).

An update was necessary following the creation of the ISSB. The updated Handbook states that the IASB and ISSB follow the same rigorous, inclusive and transparent process for developing standards. It does not make any fundamental changes to this process.

The Due Process Handbook also covers the process for improving the Sustainability Accounting Standards Board (SASB) standards, which entities must take into account when applying the ISSB standards.

ISSB agrees on the proposed way forward for nature-related disclosures

On 22 April 2026, the International Sustainability Standards Board (ISSB) announced that it had agreed to put its proposals for nature-related reporting requirements forward in the form of an IFRS Practice Statement. This would complement the requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, without changing the requirements in the Standards.

The Practice Statement would explain how to provide information when there are material nature-related risks without requiring jurisdictions adopting the ISSB's standards to adopt or endorse additional standards.

This approach is notably different to that for climate, which has its own standard. It will, as the ISSB notes however, have the potential to reduce additional complications in adoption for the countries currently in the process of implementing the ISSB's standards.

The ISSB expects to publish an exposure draft of its Practice Statement in October allowing for feedback on the proposed requirements, including on whether the Practice Statement route is the right form of standard-setting for these disclosures.

The ISSB's related press release and materials are available [here](#).

Publications

Forvis Mazars publishes a guide on IFRS 19 – Subsidiaries without Public Accountability: Disclosures

IFRS 19 introduces a new reduced disclosure framework for eligible subsidiaries—offering meaningful relief without compromising compliance with IFRS Accounting Standards.

This practical Questions & Answers article unpacks the key requirements of IFRS 19, including eligibility, scope, effective date, interaction with IFRS 18, and the areas where disclosure relief is most significant.

Designed for preparers, group finance teams and advisers, the article highlights where cost and complexity can be reduced while still meeting the information needs of users of financial statements.

This guide is available [here](#).

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