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> Assets that Generate a Return Individually and Largely Independently of an Entity's Other Resources (IFRS 18)

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Tentative Agenda Decision and comment letters: Assets that Generate a Return Individually and Largely Independently of an Entity's Other Resources (IFRS 18)

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The IFRS Interpretations Committee (Committee) discussed the following matter and tentatively decided not to add a standard-setting project to the work plan. The Committee will reconsider this tentative decision, including the reasons for not adding a standard-setting project, at a future meeting. The Committee invites comments on the tentative agenda decision. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by good reason, for example, commercial confidence.

Tentative Agenda Decision

Open for comment until 30 November 2026

The Committee received a request asking how an entity assesses whether an asset it holds generates a return individually and largely independently of the entity's other resources, as specified in paragraph 53(c) of IFRS 18.

Applicable requirements

To classify income and expenses in the statement of profit or loss, paragraph 49 of IFRS 18 requires an entity to assess whether it has a specified main business activity—that is, a main business activity of (a) investing in particular types of assets (see paragraph 53 of IFRS 18); or (b) providing financing to customers.

Paragraph 53(c) of IFRS 18 states that ‘except as required by paragraphs 55–58 [of IFRS 18] for an entity that has a specified main business activity, an entity shall classify in the investing category [of the statement of profit or loss] income and expenses ... from ... (c) other assets if they generate a return individually and largely independently of the entity’s other resources’.

Paragraph B46 of IFRS 18 states that assets that generate a return individually and largely independently of the entity’s other resources in paragraph 53(c) typically include:

- a. debt or equity investments; and
- b. investment properties, and receivables for rent generated by those properties.

Paragraph B48 of IFRS 18 states that assets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity’s other resources, and such assets typically include:

- a. property, plant and equipment;
- b. assets that arise from the production or supply of goods and services for which the income and expenses are classified in the operating category (for example, receivables for such goods and services); and
- c. if the entity provides financing to customers as a main business activity, any loans to a customer.

Applying the requirements in paragraph 53(c) of IFRS 18

An entity applies judgement in assessing whether assets it holds are of the type specified in paragraph 53(c), and paragraphs B45–B49 of IFRS 18 include requirements that help an entity make that judgement.

An entity applying paragraphs B45–B49 does so in the context of the requirements in paragraph 53(c). In applying paragraph B48, an entity therefore considers whether it uses an asset in combination with its other resources to produce or supply goods or services for the purpose of assessing whether that asset generates a return individually and largely independently of its other resources.

The Committee observed that an asset can generate a return ‘individually and largely independently’ of an entity’s other resources even when there is some interaction between the asset and the entity’s other resources. For example, an investment property, which is typically an asset that generates a return individually and largely independently of an entity’s other resources (paragraph B46(b) of IFRS 18), will often be maintained using some of the entity’s other resources.

Applying the requirements in paragraph 53(c) to debt and equity investments

The request asked how an investment fund assesses whether financial assets (such as debt or equity investments) it holds are of the type specified in paragraph 53(c) of IFRS 18.

Applying paragraph B46(a), an entity holding financial assets, such as debt and equity investments, would typically conclude that those assets generate a return individually and largely independently of the entity's other resources.

Paragraph B48 contains examples of assets that typically do not generate a return individually and largely independently of an entity's other resources. Two of these examples are debt instruments: (1) receivables arising from the production or supply of goods and services for which the income and expenses are classified in the operating category; and (2) loans to a customer if the entity provides financing to customers as a main business activity.

The Committee observed that the examples of debt instruments in paragraph B48 are debt instruments arising from the production or supply of goods or services to a customer.

Therefore, in applying paragraph 53(c) of IFRS 18 and the related application guidance in paragraphs B45–B49 of IFRS 18:

- a. an entity would typically conclude that the debt and equity investments it holds generate a return individually and largely independently of its other resources. For example, an investment fund that holds debt or equity investments would typically conclude that those investments generate such a return.
- b. an entity that holds debt instruments arising from the production or supply of goods or services to a customer, however, would typically conclude that those instruments do not generate a return individually and largely independently of the entity's other resources.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to assess, in the context of paragraph 53(c), whether an asset it holds generates a return individually and largely independently of its other resources. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

The deadline for commenting on the tentative agenda decision is **30 November 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.

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