



Financial Reporting Advisory Board

IFRS Interpretations Committee update

Issue:	A summary of the IFRS Interpretations Committee meetings since the last FRAB Board meeting, noting any particular relevance to the public sector. To note, there have been two full agenda decision since our last review.
Impact on guidance:	Potential adaptation or interpretation in the FReM dependent on outcomes of any standard-setting adjustments.
IAS/IFRS adaptation?	No adaptations or interpretations proposed but further agenda decisions will be considered as needed.
Impact on WGA?	None.
IPSAS compliant?	This would depend on whether IPSASB adjust for any new IFRS amendments and interpretations. There have been no proposed changes to IFRS following meetings of the Interpretations Committee.
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	None.
Alignment with National Accounts	No impact on the National Accounts.
Recommendation:	For the Board to note, HM Treasury is not proposing any adaptations or interpretations in relation to the agenda decisions.
Timing:	Ongoing

DETAIL

Background

1. This paper is provided for information and covers the two agenda decisions issued by the IFRS Interpretations Committee since FRAB last met in November 2025.
2. Relevance to the public sector and any impacts on the FReM have been considered and noted. HM Treasury do not anticipate any specific adaptations or interpretations being required for the public sector because of the decisions of the Interpretations Committee since the Board's last meeting.

3. There have been two full agenda decision for the IASB's consideration published since the last update. These were published on the 2nd February 2026 and are titled: Determining and Accounting for Transaction Costs & Embedded Prepayment Option, both relating to IFRS 9.
4. More detail on the agenda decisions can be found in Annex A.
5. The committee concluded that the matters described in the requests do not have widespread effect, consequently a standard-setting project was not added to the workplan.

Recommendation: No action for the public sector proposed at this time.

HM Treasury
19th March 2026

Annex A: Agenda Decisions

Determining and Accounting for Transaction Costs (IFRS 9 Financial Instruments)

The Committee received a request about the application of the definition of transaction costs in IFRS 9 and the requirements in IFRS 9 relating to transaction costs.

The request asked:

a. how an entity determines whether costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are 'incremental' and, therefore, meet the definition of transaction costs in Appendix A of IFRS 9.

Findings

Evidence gathered by the Committee indicated no diversity in applying IFRS 9 that could have a material effect on entities' financial statements with regards to determining and accounting for costs incurred before entering into a contractual arrangement. Feedback suggested that:

a. costs that are directly attributable to the origination or issuance of a financial instrument but are incurred before entering into the contractual arrangement are not precluded from being 'incremental' and, accordingly, could meet the definition of transaction costs in IFRS 9; and

b. transaction costs are recognised in the statement of financial position, often as prepayments or other assets.

Conclusion:

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Embedded Prepayment Option (IFRS 9 Financial Instruments)

The Committee received a request about the application of the requirements in paragraph B4.3.5 of IFRS 9 to determine whether to separate an embedded prepayment option in a loan contract.

The request asked:

a. whether, for purposes of applying paragraph B4.3.5(e)(ii) of IFRS 9 to a prepayment option in a financial liability, 'the entity' should be read to refer to 'the lender' or 'the reporting entity' (that is, the borrower).

Findings

Evidence gathered by the Committee indicated no diversity in practice that could have a material effect on entities' financial statements with regards to interpreting the term 'the entity' in paragraph B4.3.5(e)(ii) of IFRS 9. Feedback suggested that stakeholders read the requirements as referring to the lender.

Conclusion:

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.