

06 February 2026

International Accounting Standards Board
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United Kingdom
Email: commentletters@ifrs.org



Dear Sir/Madam

SAICA SUBMISSION ON TENTATIVE AGENDA DECISION: *Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)*

In response to your request for comments on Tentative Agenda Decision: *Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)*, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of SAICA's Accounting Practices Committee (APC), which comprises members from reporting organisations, preparers, regulators, auditors, IFRS specialists, investment analysts and academics.

We thank you for the opportunity to provide comments on this Tentative Agenda Decision.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Prof Ahmed Mohammadali-Haji
Chairperson: APC

Mulala Ratshitanga
Lead: Financial Reporting

Cc: Kedibone Sono
Head: Financial Reporting



SAICA SUBMISSION ON TENTATIVE AGENDA DECISION: *Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)*

Overview

The Committee received a request about how an entity applies the requirements in paragraphs B70–B76 of IFRS 18 to classify gains or losses on a derivative financial instrument in its consolidated statement of profit or loss. The derivative is a forward contract that is used to manage the foreign currency risk of a net liability exposure but is not designated as a hedging instrument applying IFRS 9 *Financial Instruments*.

The request asks how the entity, applying IFRS 18, classifies any gain or loss arising from the derivative in its consolidated statement of profit or loss.

SPECIFIC COMMENTS

We note that the agenda decision is based on a specific fact pattern and we might get a different answer if the exposure was managed on a gross basis rather than net basis. Based on the fact pattern, it appears that the asset and the corresponding liability function as an economic hedge, while the derivative is utilized to manage any residual exposure that is not economically hedged. It is important to clarify within the fact pattern that the exposure is managed on a net basis, as this is a very specific scenario and the outcome could differ if the exposure were managed on a gross basis. Additionally, the result is highly dependent on the client's documentation and insufficient documentation could lead to different accounting treatment. It may be useful to emphasize nuance.

In light of the above, we appreciate that it is important to consider the agenda decision within the context of the fact pattern provided to the IFRIC, where the income and expenditure arising from the asset was classified under investing and the corresponding liability under financing in the statement of profit and loss. This results in straddle between categories that cannot be offset, even before considering derivatives. As such, clear documentation is therefore critical, as subtle difference between hedging net versus gross positions can lead to different accounting outcomes. Ultimately, the accounting treatment is determined by the specific fact pattern.