Staff paper

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IFRS® Interpretations Committee meeting

Date	**November 2026**
Project	**Labels of Subtotals (IFRS 18)**
Topic	**Comment letters on tentative agenda decision**
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Introduction

1. At its June 2026 meeting, the IFRS Interpretations Committee (Committee) published a tentative agenda decision in response to a question about the labelling, in accordance with IFRS 18 *Presentation and Disclosure in Financial Statements,* of a subtotal in an entity's statement of profit or loss when that subtotal is also a management-defined performance measure (MPM).

2. The objective of this paper is:

   (a) to summarise and analyse comments on the tentative agenda decision; and

   (b) to ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

Structure

3. This paper includes:

   (a) background (paragraphs 5–11);

   (b) summary of the comment letters (paragraphs 12–14);

   (c) staff analysis (paragraphs 15–22); and

(d) staff recommendation and questions for the Committee (paragraphs 23–24).

4. There are two appendices to this paper:

(a) Appendix A—Suggested wording of the agenda decision; and

(b) Appendix B—Excerpts from IFRS 18.

Background

5. The Committee received a submission asking about the labelling of a subtotal in an entity's statement of profit or loss, when that subtotal is also an MPM (referred to as 'the measure'). In particular, the submission asked whether the label of the measure is required to explicitly list all the elements excluded from (or included in) the measure. The submission assumed the measure (a) complies with the requirements in paragraph 24 of IFRS 18 for additional subtotals in a primary financial statement; and (b) meets the definition of an MPM in paragraph 117 of IFRS 18. Appendix B to this paper reproduces paragraphs 24 and 117, together with other excerpts from IFRS 18, for ease of reference.

6. The Committee observed that determining how to appropriately label and describe the measure requires judgement based on an entity's specific facts and circumstances.

7. The Committee noted that the requirements in IFRS 18 set out principles that an entity applies when labelling items, including subtotals and MPMs. For example:

(a) paragraph 43 requires the label for a subtotal to faithfully represent the characteristics of the subtotal and, similarly, paragraph B134 requires the label for an MPM to faithfully represent the characteristics of the MPM; and

(b) paragraph 123 requires an entity to label an MPM in a clear and understandable manner that does not mislead users of financial statements.

8. The Committee observed that it is possible to meet the applicable requirements for labelling without listing in the measure's label all the elements excluded from (or included in) the measure. It noted:

(a) paragraph B135(a) includes an example of an MPM with a label of 'operating profit before non-recurring expenses'.

(b) paragraph B135(b) requires an entity to 'explain the meaning of terms it uses in its descriptions…(for example, explaining how the entity defines 'non-recurring expenses')'.

(c) paragraph 43 states '[i]n some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses'.

9. The Committee observed that all necessary descriptions and explanations need not be included in the label itself and may be disclosed in the notes.

10. The Committee therefore concluded that the label of a subtotal that is an MPM is not required to explicitly list all the elements excluded from (or included in) the measure, as long as that label, and any related descriptions in the notes, complies with the applicable requirements in IFRS 18 on how to label and describe subtotals and MPMs.

11. Based on its analysis, the Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine whether the label of a subtotal that is an MPM is required to explicitly list all the elements excluded from (or included in) the measure. Consequently, the Committee decided that a standard-setting project is not needed to address the question submitted and it instead published a tentative agenda decision.

Summary of the comment letters

12. The Committee received 11 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our website.[1] This paper includes analysis of only the comment letters received by the comment letter deadline.

[1] At the date of posting this paper, there were no late comment letters.

13. All eleven respondents agree (or do not disagree) with the Committee's conclusion and tentative decision that a standard-setting project is not needed to address the question submitted.

14. Notwithstanding their agreement:

    (a) Ernst & Young Global Limited (EY) suggests emphasising requirements applicable to the presentation of additional subtotals in primary financial statements that are not required for MPMs; and

    (b) a few respondents ask for clarifications or provide other comments on the wording of the agenda decision.

Staff analysis

15. This section discusses respondents' requests related to:

    (a) emphasising requirements for additional subtotals (paragraphs 16–20); and

    (b) other comments (paragraphs 21–22).

Emphasising requirements for additional subtotals

16. EY, while agreeing with the Committee's conclusions in the tentative agenda decision, suggests clarifying that there are specific requirements applicable to the presentation of an additional subtotal in primary financial statements that are not applicable to an MPM, and an MPM would not always be a permissible additional subtotal. In line with its comment, EY includes a number of suggested changes to the wording of the tentative agenda decision including:

    (a) adding an explicit statement that the agenda decision assumes the subtotals referred to in the submission (for example, 'core operating profit' and 'recurring operating profit') meet the other requirements in IFRS 18, and this aspect was not considered further by the Committee.

(b) emphasising the requirements for an additional subtotal in the primary financial statements by adding, for example, 'Paragraph 41 of IFRS 18 includes the principles of aggregation and disaggregation, which are required to be considered when presenting line items or subtotals in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries.'

(c) removing the reference to paragraph B135(a) of IFRS 18. EY says that paragraph applies only to MPMs and does not include all the requirements in IFRS 18 for the presentation of additional subtotals in the statement of profit or loss. An entity wanting to present a measure labelled as 'operating profit before non-recurring expenses' (used as an example in paragraph B135(a)) in its statement of profit or loss would be required to comply with the aggregation and disaggregation requirements in paragraphs 41–42 of IFRS 18—and that is not clear in the tentative agenda decision.

Staff analysis

17. We do not disagree that there are requirements applicable to the presentation of an additional subtotal in primary financial statements that are not applicable to an MPM, and an MPM would not always be a permissible additional subtotal.

18. However, the measure considered by the Committee was one that complies with both (a) the requirements in paragraph 24 of IFRS 18 for presenting additional subtotals in a primary financial statement; and (b) the definition of an MPM in paragraph 117 of IFRS 18. The tentative agenda decision explicitly states this assumption.

19. Clarifying or referring to the specific requirements applicable to the presentation of an additional subtotal in primary financial statements would go beyond the question asked—which is about the labelling of the measure in an entity's statement of profit or loss. The tentative agenda decision also does not address a specific fact pattern or particular examples of subtotals such as 'core operating profit' or 'recurring operating

profit' and it is unnecessary for the agenda decision to do so. We therefore suggest not making the changes set out in paragraphs 16(a) and 16(b) of this paper.

20. We disagree with EY's suggestion to remove from the tentative agenda decision the reference to B135(a) of IFRS 18. We continue to think the example in paragraph B135(a) is relevant and is made in the context of the Committee explaining the rationale for its view that it is possible to meet the applicable requirements for labelling without listing in the measure's label all the elements excluded from (or included in) the measure. We nonetheless recommend some wording changes (see paragraph A7 of Appendix A) to align the wording more closely with the wording in paragraph B135(a) and to clarify that paragraph B135(a) applies to MPMs.

Other comments

21. Appendix B of Agenda Paper 9 for this meeting summarises and analyses comments from CPA Australia that apply to all the tentative agenda decisions on IFRS 18 that the Committee decided to publish at its June 2026 meeting. As stated in that paper, we recommend no further action in response to those comments.

22. The following table summarises other comments raised by respondents, together with our analysis of those comments.

Respondent's comment	Staff analysis and conclusion
1. Disclosure does not remedy misleading labelling The Saudi Organization for Chartered and Professional Accountants suggests clarifying that disclosure should not make acceptable a label that would otherwise fail to faithfully represent the measure or could mislead users.	*We recommend no change.* The tentative agenda decision does not imply that disclosure can remedy misleading labelling in the statement of profit or loss. The tentative agenda decision quotes paragraph 43 of IFRS 18, which requires an entity to 'label and describe items presented in the primary financial statements … or items disclosed in the notes in a way that faithfully

	represents the characteristics of the item…'.
2. Add reference to Illustrative Examples Forvis Mazars suggests referring to the Illustrative Examples accompanying IFRS 18—particularly Note 2 on MPMs in paragraph IE8—to provide 'useful guidance on labels that are unlikely to be misleading'. This respondent says a label such as 'Operating profit' or 'Profit from operations' might be misleading if the measure does not correspond to the operating profit subtotal required by IFRS 18, and, in contrast, a label such as 'Adjusted operating profit' (illustrated in paragraph IE8) or 'Core operating profit' might better distinguish MPMs from subtotals required to be presented in primary financial statements.	*We recommend no change.* Note 2 on MPMs in paragraph IE8 illustrates, for the described entity (XYZ Group), required disclosures for its MPMs, but the MPMs used are not also presented as line items or subtotals in the entity's statement of profit or loss. Therefore, a reference to that illustrative example will not, in our view, enhance the explanatory material in the agenda decision.
3. Add reference to paragraph B25 of IFRS 18 EY suggests adding to the agenda decision a reference to paragraph B25 of IFRS 18 because that paragraph contains principles an entity should consider when labelling items, including a requirement to use the most informative label.	*We recommend no change.* Paragraph B25 states 'An entity shall label items presented or disclosed as 'other' only if it cannot find a more informative label.' The paragraph provides examples of how an entity might find a more informative label. The tentative agenda decision already included a reference to the application guidance in paragraphs B24–B26 of IFRS 18. In our view, a separate, more specific, reference to paragraph B25 is not needed to respond to the request. The

	request was not about the use of a label of 'other' but rather was about whether the label is required to explicitly list all the elements included in or excluded from the measure.
4. Clarify the interaction between a subtotal in the financial statements and an MPM The Group of Latin American Accounting Standard Setters says a subtotal presented in an entity's statement of profit or loss does not meet the definition of an MPM because it cannot be considered a subtotal that an entity uses in public communications 'outside financial statements'. This respondent asks for clarification in a final agenda decision and says there is a potential contradiction between the definition of an MPM in paragraph 117(a)[2] of IFRS 18 and the application guidance in paragraph B118[3].	*We recommend no change.* The suggestion goes beyond the question addressed by the Committee, which is about the labelling of a subtotal in an entity's statement of profit or loss that is also an MPM. Nonetheless, there is no contradiction between the definition of an MPM in paragraph 117(a) of IFRS 18 and the application guidance in paragraph B118. A subtotal of income and expenses presented in the statement of profit or loss can also be used in public communications outside financial statements. That subtotal would be an MPM if it also meets the other aspects of the definition of an MPM set out in paragraph 117 of IFRS 18. Paragraph B118 clarifies, rather than contradicts, the definition of an MPM and explains that a subtotal that meets the definition of an MPM in paragraph 117 is an MPM—regardless of whether that subtotal is presented in the statement of profit or loss.

[2] Paragraph 117 of IFRS 18 says an MPM is a subtotal of income and expenses that '(a) an entity uses in public communications outside financial statements…'.

[3] Paragraph B118 of IFRS 18 states 'A subtotal of income and expenses that meets the definition of a management-defined performance measure in paragraph 117 is a management-defined performance measure whether or not it is presented in the statement of profit or loss.'

Staff recommendation

23. Based on our analysis in this paper, we recommend finalising the agenda decision with changes to the wording of the tentative agenda decision as explained in paragraph 20 of this paper and other minor edits. Appendix A to this paper sets out the suggested wording for the agenda decision.

24. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Questions for the Committee
1. Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 23 of this paper? 2. Do Committee members have any comments on the suggested wording of the agenda decision in Appendix A to this paper? 3. Do Committee members have additional observations they would like to report to the IASB regarding this matter?

Appendix A—Suggested wording of the agenda decision

This appendix sets out the suggested wording of the agenda decision. Paragraph numbers are included to facilitate referencing but will be removed when the agenda decision is published in IFRIC *Update*. New text is underlined and deleted text is struck through.

Labels of Subtotals (IFRS 18 *Presentation and Disclosure in Financial Statements*)

A1. The Committee received a request about the labelling of a subtotal in an entity's statement of profit or loss, when that subtotal is also a management-defined performance measure (referred to as 'the measure'). In particular, the request asked whether the label of the measure is required to explicitly list all the elements excluded from (or included in) the measure.

A2. The measure described in the request:

(a) complies with the requirements in paragraph 24 of IFRS 18 for presenting additional subtotals in a primary financial statement; and

(b) meets the definition of a management-defined performance measure in paragraph 117 of IFRS 18.

Applicable requirements

A3. Paragraph 43 of IFRS 18, and related application guidance in paragraphs B24–B26, set out requirements for labelling and describing subtotals presented in an entity's primary financial statements. Specifically, paragraph 43 requires an entity to 'label and describe items presented in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item…'.

A4. Paragraph 123 of IFRS 18, and related application guidance in paragraphs B134–B135, set out requirements for labelling and describing management-defined performance measures. Specifically, paragraph B134(a) requires an entity to 'label

and describe [a management-defined performance measure] in a way that faithfully represents its characteristics in accordance with paragraph 43 [of IFRS 18]'.

Applying the requirements in IFRS 18

A5. The Committee observed that determining how to appropriately label and describe the measure requires judgement based on an entity's specific facts and circumstances.

A6. The Committee noted that the requirements in IFRS 18 set out principles that an entity applies when labelling items, including subtotals and management-defined performance measures. For example:

(a) paragraph 43 requires the label for a subtotal to faithfully represent the characteristics of the subtotal and, similarly, paragraph B134 requires the label for a management-defined performance measure to faithfully represent the characteristics of the management-defined performance measure; and

(b) paragraph 123 requires an entity to label a management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements.

A7. The Committee observed that it is possible to meet the applicable requirements for labelling without listing in the measure's label all the elements excluded from (or included in) the measure. For example, paragraph B135(a), which applies to the disclosure of management-defined performance measures, includes an example of ~~a management-defined performance measure with~~ an entity using a label ~~of~~ 'operating profit before non-recurring expenses' only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring. Paragraph B135(b) requires an entity to 'explain the meaning of terms it uses in its descriptions…(for example, explaining how the entity defines 'non-recurring expenses')', and paragraph 43 states '[i]n some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses'. The Committee observed that all necessary descriptions and explanations need not be included in the label itself and may be disclosed in the notes.

A8. The Committee therefore concluded that the label of a subtotal that is a management-defined performance measure is not required to explicitly list all the elements excluded from (or included in) the measure, as long as that label, and any related descriptions in the notes, complies with the applicable requirements in IFRS 18 on how to label and describe subtotals and management-defined performance measures.

Conclusion

A9. The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine whether the label of a subtotal that is a management-defined performance measure is required to explicitly list all the elements excluded from (or included in) the measure. Consequently, the Committee ~~[~~decided~~]~~ that a standard-setting project is not needed to address the request.

Appendix B—Excerpts from IFRS 18

B1. Paragraph 24 of IFRS 18 states:

> An entity shall present additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary. When an entity presents additional line items or subtotals, those line items or subtotals shall (see paragraph B9):
>
> (a) comprise amounts recognised and measured in accordance with IFRS Accounting Standards;
>
> (b) be compatible with the statement structure created by the requirements listed in paragraph 22;
>
> (c) be consistent from period to period, in accordance with paragraph 30; and
>
> (d) be displayed no more prominently than the totals and subtotals required by IFRS Accounting Standards.

B2. Paragraph 43 of IFRS 18 states:

> An entity shall label and describe items presented in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item (see paragraphs B24–B26). To faithfully represent an item, an entity shall provide all descriptions and explanations necessary for a user of financial statements to understand the item. In some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses and information about how it has aggregated or disaggregated assets, liabilities, equity, income, expenses and cash flows.

B3. Paragraph 117 of IFRS 18 states:

> A management-defined performance measure is a subtotal of income and expenses that (see paragraphs B113–B122):
>
> (a) an entity uses in public communications outside financial statements;
>
> (b) an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and
>
> (c) is not listed in paragraph 118, or specifically required to be presented or disclosed by IFRS Accounting Standards.

B4. Paragraph 123 of IFRS 18 states:

> An entity shall label and describe each management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements (see paragraphs B134–B135). For each management-defined performance measure, the entity shall disclose:
>
> (a) a description of the aspect of financial performance that, in management's view, is communicated by the management-defined performance measure. This description shall include explanations of why, in management's view, the management-defined performance measure provides useful information about the entity's financial performance.
>
> …

B5. Paragraphs B134–B135 of IFRS 18 state:

> B134 Paragraph 123 requires an entity to label and describe its management-defined performance measures in a clear and understandable manner that does not mislead users of financial

statements. To provide such a description, an entity shall disclose information that enables a user of financial statements to understand the items of income or expense included and excluded from the subtotal. Therefore, an entity shall:

(a) label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 (see paragraph B135); and

…

B135 To label and describe the measure in a way that faithfully represents its characteristics, an entity shall:

(a) label the measure in a way that represents the characteristics of the subtotal (for example, using the label 'operating profit before non-recurring expenses' only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring); and

(b) explain the meaning of terms it uses in its descriptions that are necessary to understand the aspect of financial performance being communicated (for example, explaining how the entity defines 'non-recurring expenses').