STAFF PAPER

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IASB® meeting

Project	**Primary Financial Statements**
Paper topic	Management performance measures–management's view of an aspect of performance

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Objective

1. This paper sets out staff analysis and recommendations relating to the aspect of the definition of 'management performance measures' that requires they communicate to users of financial statement management's view of an aspect of an entity's performance. This paper continues from the Board discussion of Agenda Paper 21B at the September 2021 Board meeting. This paper should be read in conjunction with Agenda Paper 21B of this meeting discussing the aspect that management performance measures are used in public communications outside financial statements.

2. Other aspects of the definition of management performance measures were discussed in previous Agenda Papers:
   (a) management performance measures are subtotals of income and expenses—Agenda Paper 21A of June 2021; and
   (b) management performance measures complement totals or subtotals specified by IFRS Standards—Agenda Paper 21B of September 2021.

3. In future papers, we plan to discuss:

(a) whether specific guidance is needed with regards to the timing of public communications (following up on related discussion in Agenda Paper 21 for the September 2021 Board meeting);

(b) whether specific guidance is needed for non-GAAP measures that are not management performance measures;

(c) disclosure requirements for management performance measures, including:

(i) the requirements relating to a reconciliation;

(ii) the requirement to disclose tax and non-controlling interests;

(iii) presentation restrictions, such as the restriction on the use of columns; and

(d) how management performance measures work with other requirements including:

(i) unusual income and expenses;

(ii) segment reporting;

(iii) subtotals in the statement(s) of financial performance;

(iv) earnings per share measures.

Summary of staff recommendations in this paper

4. The staff recommend that the Board retain:

(a) 'providing insight into management's view of an aspect of performance' as the objective of the requirements for management performance measures; and

(b) 'management's view of an aspect of performance' in the definition of management performance measures.

5. The staff also recommend that the Board:

(a) establish a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management's view of an aspect of performance;

(b) allow an entity to rebut the presumption when there is reasonable and supportable information demonstrating that a subtotal of income and expenses does not represent management's view of an aspect of performance; and

(c) provide application guidance on how to assess whether there is reasonable and supportable information to support the rebuttal.

Structure of the paper

6. This paper is structured as follows:

 (a) background (paragraphs 7–18);

  (i) summary of proposals in the Exposure Draft (paragraph 7)

  (ii) feedback on 'management's view of an aspect of performance' (paragraphs 8–11);

  (iii) fieldwork observations (paragraphs 12–14);

  (iv) staff recommendations in September 2021 (paragraphs 15–16);

  (v) summary of Board discussion in September 2021 (paragraphs 17–18);

 (b) staff analysis and recommendations (paragraphs 20–50):

  (i) objective and definition of management performance measures (paragraphs 20–22);

  (ii) effects of removing 'management's view of an aspect of performance' from the definition of management performance measures (paragraphs 23–27); and

  (iii) possible further guidance on 'management's view' (paragraphs 28–50);

 (c) Appendix A—Extracts from Exposure Draft *General Presentation and Disclosures* and *Basis for Conclusions*; and

 (d) Appendix B—Summary and extracts from IFRS Standards that include a rebuttable presumption.

Background

Summary of proposals in the Exposure Draft

7. The Exposure Draft proposed that an entity disclose 'management performance measures' in a single note to the financial statements. The Exposure Draft defined management performance measures as subtotals of income and expenses that:
   (a) are used in public communications outside financial statements;
   (b) complement totals or subtotals specified by IFRS Standards; and
   (c) communicate to users of financial statements management's view of an aspect of an entity's financial performance.

Feedback on 'management's view of an aspect of performance'

8. Many of the respondents that agreed with the proposed definition of management performance measures specifically agreed that management performance measures should provide management's view of an aspect of performance.
9. However, a few respondents said that they were concerned that the requirement for a management performance measure to be based on management's view of performance could:
   (a) allow entities to avoid the disclosure requirements for non-GAAP measures by arguing a measure is for a different purpose than communicating management's view of an aspect of performance; or
   (b) prohibit measures that are typically disclosed by entities in particular industries from being management performance measures because they are an industry view of performance and not a management view of performance.
10. A few respondents said they were not clear whether local GAAP performance measures or adjusted measures based on local GAAP would meet the definition of management performance measures. These respondents suggested that it would be onerous and costly to make the disclosures required for management performance measures for such measures.

11. A few respondents said it was unclear who should be identified as management for the purposes of deciding on management's view. For example, these respondents asked whether it would be the same as the chief operating decision maker in IFRS 8 *Operating Segments*.

Fieldwork observations

12. Most participants provided a management performance measures note disclosure. Almost all of these participants identified a subset of their current non-GAAP performance measures as management performance measures. Participants identified between one and four management performance measures.

13. A few participants concluded that adjusted earnings measures used in ratios or provided at the request of specific users were not management performance measures. For example, EBITDA was not identified as a management performance measure by one participant because it was only used in a ratio, EBITDA to debt[1]. For another participant EBITDA was not considered a management performance measure because it was disclosed at the request of creditors and not judged to be representative of management's view of performance.

14. A few participants said that they are required to publish financial statements prepared using both IFRS Standards and local GAAP in their jurisdictions. These participants also use the local GAAP financial statements as the basis for non-GAAP measures. Participants in these jurisdictions asked whether all of the performance measures reported in the published local GAAP financial statements would be management performance measures, whether non-GAAP measures based on local GAAP would be management performance measures, or whether both sets of measures would be management performance measures. A few of these participants said they were unable to provide the requested management performance measure note disclosure because they were unclear on whether local GAAP measures would be included.

[1] In redeliberations on the scope of proposals, the Board has tentatively decided to provide guidance stating that subtotals in ratios could meet the definition of management performance measures.

Staff recommendations in September 2021

15. The staff recommended that the Board provide application guidance clarifying that management's view of an aspect of performance is applied solely using management's judgement—it would be presumed that if management says a measure is not for the purpose of communicating its view of an aspect of the entity's performance then it would not be a management performance measure. This recommendation responded to the feedback that indicated the requirement for a management performance measure to communicate management's view of an aspect of performance may be inconsistently applied (see paragraphs 9 and 10).

16. The staff analysis included an alternative approach that restricted the application of 'management's view of an aspect of performance.' That approach required a publicly communicated subtotal of income and expenses to be a management performance measure unless the subtotal was communicated because of an externally imposed requirement.

Summary of Board discussion in September 2021

17. Board members expressed diverse views on the staff recommendation:

    (a) some Board members supported clarifying that whether a management performance measure communicates management's view of an aspect of performance is solely a matter for management's judgement. In their view, communicating management's view of an aspect of performance is the objective of management performance measures and should not be restricted.

    (b) other Board members agreed that management's view of performance is the objective of management performance measures but disagreed with the staff recommendation because of concern that failing to restrict or provide further guidance on that part of the definition might result in opportunistic avoidance of the disclosure requirements. These Board members preferred the alternative approach included in the agenda paper.

    (c) still other Board members disagreed with the staff recommendation for additional guidance and instead suggested removing 'management's view of an aspect of performance' from the definition. To those members, achieving transparency and discipline over the subtotals of income and expenses included in communications outside the financial statements is more important than providing a management view of performance.

18. The Board asked the staff to analyse further whether to include and, if included, how to clarify the requirements relating to management's view of performance, considering the objective of the proposals for management performance measures and the extent to which detailed guidance is needed to meet that objective.

Staff analysis and recommendations

19. The analysis is structured as follows:
    (a) including 'management's view of an aspect of performance' in the objective and definition of management performance measures (paragraphs 20–27):
        (i) the objective of the management performance measure requirements (paragraphs 20–22);
        (ii) effects of removing 'management's view of an aspect of performance' from the definition of management performance measures (paragraphs 23–27); and
    (b) possible further guidance on 'management's view of an aspect of performance' (paragraphs 28–50):
        (i) advantages and disadvantages of introducing a rebuttable presumption (paragraphs 31–34);
        (ii) on what basis should the presumption be rebuttable? (paragraphs 35–36);
        (iii) how would the rebuttal apply in practice? (paragraphs 37–45);
        (iv) should there be a disclosure requirement? paragraphs (46–48); and
        (v) staff recommendation (paragraphs 49–50).

Including 'management's view of an aspect of performance' in the objective and definition of management performance measures

Objective of the management performance measure requirements

20. Providing insight into management's view of an aspect of performance was the objective of the management performance measure requirements. As explained in paragraphs BC146 and BC151 of the Basis for Conclusions (see Appendix A), the management performance measure requirements respond directly to early user feedback that management-defined performance measures are useful because they provide insight into management's view of the entity's performance and how a business is managed. That view was confirmed by some respondents to the Exposure Draft that agreed that management performance measures are useful because they provide insight into how management views an entity's financial performance.

21. As noted in paragraph 17, at its September 2021 Board meeting some Board members thought that transparency and discipline over subtotals of income and expenses were more important than providing insight into management's view of performance. However, the proposals in the Exposure Draft were developed to provide transparency and discipline over those measures *that provide insight into management's view of performance* and not as a stand-alone objective. Paragraphs BC147 to BC151 explain that including management-defined measures in the financial statements was proposed to make the *measurements stakeholders said were useful* more transparent and to improve the discipline with which they are prepared.

22. Including 'management's view of an aspect of the entity's financial performance' in the definition of a management performance measure helps meet the objective of providing insight into management's view by focusing the scope of the requirements.

Effects of removing 'management's view of an aspect of performance' from the definition of management performance measures

23. Removing 'management's view' from the definition of management performance measures would, in staff view, represent a significant change to the proposals in the Exposure Draft by:

    (a) expanding the scope beyond the objective of providing insight into management's view of performance to include all subtotals of income and expenses not specified in IFRS Standards communicated outside financial statements. For example, subtotals of income and expense included in statutory filings (eg in local GAAP), included to comply with industry specific regulation (eg insurance, banking, and energy), and included to comply with securities regulation (eg jurisdictionally required measures of performance) would be brought within the scope.

(b) changing the role of other aspects of the definition of management performance measures, in particular 'public communications.' For example, in the Exposure Draft, 'public communications' acts as a qualifying criterion for measures identified by management—a measure that communicates management's view of performance must also be a measure used in public communications. Removing 'management's view' would change 'public communications' to the sole criterion for determining the scope of subtotals that are management performance measures.

(c) including information in the management performance measures disclosure that is not faithfully represented by the label 'management performance measures'. Expanding the scope to all subtotals of income and expenses would require measures that do not represent management's view of performance—for example, because they are mandated—to be disclosed in the management performances measures note along with subtotals that do represent management's view of performance. This addition to the disclosure may obscure the subtotals that represent management's view of performance, making their nature as management's view less clear or prominent. Reduced clarity over which measures represent management's view may affect stakeholder views on the proposals for subtotals and categories.

Staff recommendation

24. Overall, many respondents to the Exposure Draft, including almost all users, agreed with the Board's proposals to require the disclosure of management performance measures in the notes to the financial statements. These respondents said that including these measures in the financial statements would provide useful information and that the proposed disclosure requirements would bring needed discipline and transparency. Few stakeholders raised concerns over the requirement that the

measures communicate an aspect of management's view and, of the concerns raised, some were questions of application rather than disagreement with the objective.

25. Removing 'management's view of an aspect of performance' does not seem to respond to the feedback received from stakeholders supporting the proposals in the Exposure Draft.

26. Accordingly, the staff recommend retaining:

    (a) 'providing insight into management's view of an aspect of performance' as the objective of the management performance measure requirements; and

    (b) 'communicating management's view of an aspect of performance' in the definition of management performance measures.

27. Consequently, the transparency and discipline of the disclosure requirements would apply only to those subtotals of income and expenses that provide 'management's view of an aspect of performance.' However, in the staff's view, this is required to achieve the objective of the proposals.

Question 1
(a) Does the Board agree with the staff recommendation to retain 'providing management's view of an aspect of performance' as the objective of management performance measures? (b) If so, does the Board agree to retain 'management's view of an aspect of performance' in the definition of management performance measures?

Possible further guidance on 'management's view of an aspect of performance'

28. Feedback on the Exposure Draft (see paragraphs 8–11) and fieldwork observations (see paragraphs 12–14) indicate possible different interpretations of the application of the requirement for a management performance measure to communicate management's view of an aspect of performance. This gives rise to two risks:

    (a) some entities may conclude that measures that provide information about management's view of an aspect of performance do not meet the definition of management performance measures. For example, some may conclude that measures defined by industry associations or requested by investors and provided in investor communications do not meet the definition purely because they are not defined by management. We refer to this as risk of not capturing intended measures.

(b) other entities may conclude that subtotals of income and expenses that do not provide information about management's view of an aspect of performance meet the definition of management performance measures. For example, some may conclude that all measures required by regulators meet the definition purely because they are included in management commentary. We refer to this as risk of capturing unintended measures.

29. The staff think the risk of not capturing intended measures can be managed by the introduction of a rebuttable presumption that measures used in public communications represent management's view of an aspect of performance. Guidance on when the presumption can be rebutted could reduce the risk of capturing unintended measures. However, reducing the risk of capturing unintended measures may also increase the risk of not capturing intended measures.

30. We discuss this in detail in next sections, by considering:

(a) advantages and disadvantages of introducing rebuttable presumption (paragraphs 31–34);

(b) on what basis should the presumption be rebuttable? (paragraphs 35–36);

(c) how would the rebuttal apply in practice? (paragraphs 37–45); and

(d) should there be a disclosure requirement? (paragraphs 46–48)

Advantages and disadvantages of introducing rebuttable presumption

31. At its September meeting, some Board members pointed out that entities are generally deliberate about the messages they communicate publicly and have procedures in place to control the communication of such information. Hence, we expect that the information an entity provides to the public is the result of a deliberate decision to provide that information. It is therefore reasonable to assume that in the absence of other influences, subtotals of income and expenses provided to the public represent management's view of an aspect of performance. This thinking could support the

introduction of a rebuttable presumption that including a subtotal of income and expenses in a public communication indicates that the subtotal is management's view of an aspect of performance.

32. Introducing a rebuttable presumption would not prevent any subtotals of income and expenses an entity publicly communicates from being management performance measures. Guidance on rebutting the presumption could be used to improve consistency of application by helping apply the judgment over when such a measure might not represent management's view of performance.

33. The use of a rebuttable presumption for a measure communicating management's view of an aspect of performance would be similar to the use of a rebuttable presumption in other IFRS Standards to improve consistency in applying an underlying principle. For example, in IFRS 9 *Financial Instruments* (see Appendix B) there is a rebuttable presumption that the credit risk on a financial instrument has increased significantly when a financial asset is more than 30 days past due.

34. A drawback to including such a rebuttable presumption is that it puts more emphasis on 'public communications' in a similar way to that explained in paragraph 23(b). The staff discuss the application of 'public communications' in the definition of management performance measures separately in Agenda Paper 21B of this meeting.

On what basis should the presumption be rebuttable?

35. Paragraphs BC5.190–BC5.192 of IFRS 9 explain that the Board proposed the rebuttable presumption to supplement the requirement to determine the extent of increases in credit risk and to ensure that its application does not revert to an incurred loss notion. The presumption is explained not to override the assessment of increases in credit risk but instead acts as a backstop. The presumption can be rebutted only when an entity has **reasonable and supportable information** available that demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the risk of a financial instrument.

36. Similar reasoning applies in the case of management performance measures, as there are circumstances where an entity communicates a subtotal of income and expenses that does not provide management's view of an aspect of performance. We would not expect to capture such subtotals as management performance measures—in such circumstances the rebuttable presumption should be able to be rebutted. In the staff's

view, to effectively balance the risks of including unintended measures and not including intended measures, consistent with the approach taken in IFRS 9, rebuttal should be based on reasonable and supportable information that demonstrates the subtotal does not provide management's view of an aspect of performance.

How would the rebuttal apply in practice?

37. Examples of types of subtotals of income and expenses that may not always communicate management's view of an aspect of performance that stakeholders mentioned in the comment letter feedback and the fieldwork (see paragraphs 9–10 and 13–14) were:

(a) measures included in public communications for a purpose other than reporting performance (eg explaining remuneration to comply with best practice for corporate governance);

(b) user requested measures (eg EBITDA requested by a credit investor);

(c) common industry measures (eg measures agreed by an industry body);

(d) legislative or regulatory measures (eg a measure required by Solvency II);

(e) local GAAP measures (eg filing of statutory financial statements for the same entity in local GAAP).

38. Considering these examples, the staff has analysed how a possible requirement for reasonable and supportable information to rebut the presumption could be met. The staff also assessed to what extent we expect entities would rebut the presumption. The staff thinks that there may be reasonable and supportable information that demonstrates the subtotals of income and expenses do not reflect management's view of aspect of performance when they are solely used:

(a) to meet an externally imposed requirement (paragraphs 39–41);

(b) to satisfy the request of an external party (paragraphs 42–44); or

(c) to communicate information other than performance (paragraph 45).

Externally imposed requirements

39. An externally imposed requirement can be considered a reasonable basis for rebutting the presumption because such a requirement makes including the required measures in

public communications outside management's control. It is also easy to verify such grounds for rebuttal.

40. Based on the feedback and fieldwork the staff expect that entities would generally use the rebuttable presumption to exclude from the management performance measure requirements subtotals reported in other regulatory reports. This would be expected to include the statutory filing of financial statements prepared under local GAAP (see paragraphs 10 and 14). However, when measures are judged to provide insight into management's view of performance, an entity is not expected to rebut the presumption and would disclose such measures as management performance measures. For example, in South Africa entities are required to disclose a headline earnings per share measure and entities may consider that measure to communicate management's view of an aspect of performance.

41. There is a risk that an entity may choose not to rebut the presumption, even when there is reasonable and supportable information, to avoid any implication that it does not agree with the view of a standard setter or regulator. However, the staff think this risk is low because excluding a subtotal would simply mean it does not communicate management's view of an aspect of performance.

Requests of external parties

42. An external request can be considered reasonable grounds for a rebuttal because management may have a different view than the external party making the request but still see benefit to complying with the request. However, an entity is not obliged to respond to a request, and hence makes a considered decision about the provision of the information. That considered decision could indicate that the measure communicates management's view of an aspect of performance. A strong basis would therefore be required for why the measure does not communicate management's view and for the reasons for nonetheless complying with the request to communicate this information.

43. An external request can also be a supportable basis for rebuttal because the existence of a request can be verified, even though in some cases it may be more difficult to do so, for example when requests are made orally.

44. The feedback and fieldwork suggest some entities comply with requests and provide measures that do not communicate management's view of an aspect of performance.

Hence, the staff expect that some entities would use the rebuttable presumption for measures given in response to an external request. For example, as discussed in paragraph 13, one fieldwork participant did not view EBITDA as representing management's view of their entity's performance and did not include it as a management performance measure. This participant said that they published an EBITDA subtotal solely because some investors asked for this information. However, the staff also expect that some entities would not rebut the presumption for externally requested measures. For example, some respondents to the Exposure Draft said that measures determined by an industry trade body rather than management should be included as management performance measures as they can reflect management's view of an aspect of performance. The staff expect management will often agree that a measure that is recommended by its stakeholders aligns with their view of an aspect of performance.

Communicating subtotals for a purpose other than an aspect of performance

45. In the staff's view, it may be difficult to establish whether there is reasonable information that demonstrates a subtotal of income and expenses does not represent management view of an aspect of performance when it is being included in an entity's public communications for a purpose other than communicating performance, if such subtotal is not required or requested. However, in the context of evolving demands for corporate reporting, there may be other types of reporting that give rise to subtotals of income expenses intended to communicate about aspects of an entity other than its performance such as sustainability or governance.

Should there be a disclosure requirement?

46. The Board could require that, if an entity has rebutted the presumption that subtotals of income and expenses included in public communications do not represent management view of an aspect of entity's performance, it discloses that fact, and give an explanation of why the presumption was rebutted.

47. Such disclosure would alert users to a subtotal's exclusion as a management performance measure and the required explanation would provide an explicit basis for users to understand, and possibly challenge, why such measures do not communicate management's view of an aspect of performance. This would be similar to requirement in IFRS 2 *Share-based Payments,* replicated in Appendix B.

48. However, as discussed in paragraphs 39–45, we expect that, for most entities, most, if not all, of these measures would be excluded from being management performance measures because they are required to be disclosed, for example by laws or regulations. Providing a list of subtotals required by law or regulation with reference to those requirements would be unlikely to provide material information to users.

Staff recommendation

49. The staff recommends the Board:

(a) establish a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management's view of an aspect of performance;

(b) allow an entity to rebut the presumption when there is reasonable and supportable information demonstrating that a subtotal of income and expenses does not represent management's view of an aspect of performance;

(c) provide application guidance on how to assess whether there is reasonable and supportable information to support the rebuttal, along the lines of the analysis in paragraphs 39–45.

50. In the staff's view:

(a) the rebuttable presumption would sufficiently mitigate the risk of not capturing intended measures because an entity would need to justify the reasons a subtotal communicated in its public communications did not represent management's view of an aspect of performance; and

(b) the guidance on overcoming the presumption provides a basis for identifying measures that do not provide insight into management's view of an aspect of performance mitigating the risk of capturing unintended measures.

Question 2

Does the Board agree with the staff recommendation to:

(a) establish a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management's view of an aspect of performance;

(b) allow an entity to rebut the presumption when there is reasonable and supportable information demonstrating that a subtotal of income and expenses does not represent management's view of an aspect of performance;

(c) provide application guidance on how to assess whether there is reasonable and supportable information to support the rebuttal, along the lines of the analysis in paragraphs 39–45.

Appendix A—Extracts from Exposure Draft *General Presentation and Disclosures and Basis for Conclusions*

Extracts from the Exposure Draft

Basis for Conclusions on Exposure Draft *General Presentation and Disclosures*

…

Management performance measures

…

BC146 Research undertaken as part of the Primary Financial Statements project, feedback received on the 2017 Discussion Paper Disclosure Initiative – Principles of Disclosure and the 2015 Agenda consultation indicated that:

(a) many entities disclose financial information outside the financial statements by providing management-defined performance measures in communications with users of financial statements; and

(b) users consider that information provided by such measures can be useful because it provides insight into:

(i) how management views the entity's financial performance;

(ii) how a business is managed; and

(iii) the persistence or sustainability of an entity's financial performance.

BC147 However, users of financial statements expressed concerns about the quality of disclosures provided about these measures. According to users, in some cases the disclosures:

(a) lack transparency in how the management-defined performance measures are calculated;

(b) lack clarity regarding why these measures provide management's view of the entity's performance;

(c) create difficulties for users trying to reconcile the measures to the related measures specified by IFRS Standards; and

(d) are reported inconsistently from period to period.

…

BC 151 The Board acknowledges the concerns of some stakeholders, but concluded that management performance measures can complement measures specified by IFRS Standards, providing users of financial statements with useful insight into management's view of performance and its management of the business. Including these measures in the financial statements would make them subject to the same requirements regardless of the entity's jurisdiction and would improve the discipline with which they are prepared and improve their transparency.

…

BC154 Feedback from users of financial statements led the Board to focus on improvements to the reporting of financial performance in the statement(s) of financial performance and the related notes. Therefore, the Board's proposed definition for management performance measures is limited to subtotals of income and expenses. Thus, other financial measures (such as currency adjusted revenue or return on capital employed) and non-financial measures (such as customer retention rate) are not management performance measures and would not be included in the proposed disclosure.

…

BC156 The Board's view is that performance measures used in public communications outside the financial statements should be consistent with the performance measures disclosed in the financial statements because:

(a) it is hard to justify that a measure, in management's view, communicates performance if an entity is not using it in communicating performance; and

(b) it would be confusing if one entity were to provide two sets of management-defined measures, one within and one outside the financial statements.

BC157 The Board considered defining management performance measures as all subtotals of income and expense included in an entity's annual report. The Board rejected such as approach because:

(a) consistent with the feedback received in response to the Exposure Draft on proposed amendments to IFRS 8 Operating Segments, it may not be clear what constitutes an annual report; and

(b) management may include performance measures in an entity's annual report to comply with regulatory or other requirements.

…

BC169 Because a management performance measure is complementary to the totals or subtotals in IFRS Standards, it is important for users of financial statements to understand how such measures relate to these totals or subtotals. A reconciliation provides users with information about how the management performance measure is calculated and how the measure compares to similar measures provided by other entities. The reconciliation also provides users with the information required to make their own adjustments to the management performance measure, should they decide that adjustments are needed.

Appendix B—Summary and extracts from IFRS Standards that include a rebuttable presumption

B1. The following table, summarises the rebuttable presumptions used in IFRS Standards.

IFRS Standard	Circumstances where the rebuttable presumption is used	Principle/guidance for rebutting	Disclosure requirements
IFRS 2 *Share-based Payment* (para. 2.13, 49)	Reliable estimation of fair value in transactions with parties other than employees	In the rare case when fair value of goods and services received cannot be estimated reliably.	Explicit disclosure requirement when rebuttable presumption is used and why it has been used.
IFRS 9 *Financial Instruments (5.5.11, B5.5.19-B5.5.21, B5.5.35, B5.5.37, B6.3.13, B6.3.14)*	Determining a significant increase in credit risk (30 days past due since initial recognition)	When the entity has reasonable and supportable information that is available without undue cost and effort.	Specific disclosure requirements in IFRS 7 *Financial Instruments: Disclosures.* Para. 35F(a)(ii) requires disclosure when 30 days past due presumption is rebutted and para 35F(b) requires disclosure of entity's definition of default and reasons for selecting those definitions.
	Defining default (90 days past due)		
	Inflation risk is not separately identifiable and reliably measurable and cannot be designated as a risk component of a financial instrument unless it is contractually specified	In limited cases, based on particular circumstances of the inflation environment and the relevant debt market.	Disclose as part of IFRS 7 para. 22C disclosure of how an entity has determined risk components for hedge accounting.

IFRS Standard	Circumstances where the rebuttable presumption is used	Principle/guidance for rebutting	Disclosure requirements
IAS 1 *Presentation of Financial Statements* (para. 23, 24)	Compliance with an IFRS requirement is misleading	In exceptional cases when an IFRS requirement does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements.	Explicit disclosure requirements, including disclosure of the reason why management has concluded that complying with the requirement is so misleading.
IAS 38 *Intangible Assets* (para. 98A, 118)	Amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate	In the limited circumstances: (a) in which the intangible asset is expressed as a measure of revenue; or (b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	No specific disclosure requirement, but para. 118 requires disclosure of amortisation method used.
IAS 40 *Investment Property* (para. 53, 53A, 53B, 78, 79)	Reliably measure investment property at fair value on a continuing basis	In exceptional cases, when, and only when, at initial recognition the market for comparable properties is inactive and alternative reliable measurements of fair value are not available.	Explicit disclosure requirements, including why fair value cannot be measured reliably.
	Reliably measure fair value of an investment property under construction	Once construction of an investment property is complete, it is presumed that fair value can be	

IFRS Standard	Circumstances where the rebuttable presumption is used	Principle/guidance for rebutting	Disclosure requirements
		measured reliably, unless presumption is rebutted on initial recognition.	

Extracts from IFRS 9 Financial Instruments relating to rebuttable presumption

…

Determining significant increases in credit risk

…

5.5.11 If reasonable and supportable forward-looking information is available without undue cost or effort, an entity cannot rely solely on *past due* information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, an entity may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

…

More than 30 days *past due* rebuttable presumption

B5.5.19 The rebuttable presumption in paragraph 5.5.11 is not an absolute indicator that lifetime expected credit losses should be recognised, but is presumed to be the latest point at which lifetime expected credit losses should be recognised even when using forward-looking information (including macroeconomic factors on a portfolio level).

B5.5.20 An entity can rebut this presumption. However, it can do so only when it has reasonable and supportable information available that demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument. For example when non-payment was an administrative oversight, instead of resulting from financial difficulty of the borrower, or the entity has access to historical evidence that demonstrates that there is no correlation between significant increases in the risk of a default occurring and financial assets on which payments are more than 30 days past due, but that evidence does identify such a correlation when payments are more than 60 days past due.

B5.5.21 An entity cannot align the timing of significant increases in credit risk and the recognition of lifetime expected credit losses to when a financial asset is regarded as credit-impaired or an entity's internal definition of default.

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Definition of default

B5.5.36 Paragraph 5.5.9 requires that when determining whether the credit risk on a financial instrument has increased significantly, an entity shall consider the change in the risk of a default occurring since initial recognition.

B5.5.37 When defining default for the purposes of determining the risk of a default occurring, an entity shall apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.

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