Tentative Agenda Decision and comment letters: Labels of Subtotals (IFRS 18)

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 9 September 2026

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.

The measure described in the request:

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 a management-defined performance measure in paragraph 117 of IFRS 18.

Applicable requirements

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…'.

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

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

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.

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) includes an example of a management-defined performance measure with a label of 'operating profit before non-recurring expenses'. 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.

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

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.

The deadline for commenting on the tentative agenda decision is **9 September 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.

Note: Please ensure you upload your comment letter as an editable PDF (at least one file must be uploaded). We do not accept Word documents, which will fail to upload. Please also ensure there are no periods or other reserved characters in the file name because these will cause an error.

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