Australian Government
Australian Accounting Standards Board

Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600

Bruce Mackenzie
Chair, IFRS Interpretations Committee
Columbus Building, 7 Westferry Circus
Canary Wharf, London E14 4HD, UK

(submitted via the IASB website)

7 September 2026

Dear Bruce,

IFRS Interpretations Committee Tentative Agenda Decision
Management-defined Performance Measures – Hypothetical Income and Expenses (IFRS 18)

The Australian Accounting Standards Board (AASB) is pleased to have the opportunity to provide comments on the Tentative Agenda Decision (TAD).

The AASB acknowledges the efforts of the IFRS Interpretations Committee in considering the fact pattern described in the TAD. However, the AASB is concerned that the Committee's tentative conclusion appears to be based on a narrow technical application of the form of the management-defined performance measure (MPM) definition, rather than the substance.

The AASB considers that additional explanation would assist stakeholders in understanding the basis for the tentative conclusion, if that conclusion is to be retained. The AASB therefore recommends that the Committee considers providing:

(a) illustrative examples of the types of hypothetical subtotals contemplated by the Committee and a better explanation of how those subtotals satisfy the definition of a MPM in IFRS 18 *Presentation and Disclosure in Financial Statements*;

(b) examples demonstrating how to identify the most directly comparable subtotal or total specified by IFRS Accounting Standards and how to reconcile to the hypothetical measure in accordance with paragraph 123(c) of IFRS 18; and

(c) clarification of how the Committee distinguishes these hypothetical subtotals that are MPMs from the measures described in paragraph B129(b) of IFRS 18.

Detailed observations and recommendations can be found in the Appendix to this letter. If you have any questions regarding this letter, please contact me or Clark Anstis, Technical Principal (canstis@aasb.gov.au).

Yours sincerely,

Dr Keith Kendall

Chair – AASB

APPENDIX

Illustrative examples of hypothetical subtotals meeting the MPM definition

The AASB notes that the fact pattern considered in the TAD involves hypothetical income and expenses that the entity has not recognised, and would never recognise, applying IFRS Accounting Standards. In these circumstances, the AASB finds it difficult to understand the types of hypothetical subtotals contemplated by the Committee and how such subtotals would satisfy the definition of a management-defined performance measure in IFRS 18. For example, how could such hypothetical subtotals communicate management's view of an aspect of the entity's financial performance as a whole?

The AASB notes that a different conclusion might possibly be reached if the hypothetical income or expenses potentially could be recognised in the future under IFRS Accounting Standards as a result of particular events or transactions that might or might not occur. However, this is not the fact pattern considered in the TAD.

As such, examples illustrating the types of hypothetical subtotals considered by the Committee to be MPMs and how those subtotals communicate management's view of an aspect of the entity's financial performance as a whole are needed to justify the Committee's conclusions.

Application of the reconciliation requirements and auditability

The AASB also notes practical challenges in applying the MPM disclosure requirements to the fact pattern described in the TAD. In particular, it is unclear how hypothetical income and expenses that are not and will never be recognised in IFRS-compliant financial statements could be reconciled to the most directly comparable subtotal or total specified by IFRS Accounting Standards, as required by paragraph 123(c) of IFRS 18. Merely identifying a "hypothetical difference" would not be useful.

The AASB considers that additional explanation of the informational value of such hypothetical differences would assist stakeholders in applying the requirements consistently. The AASB also observes that the auditability of the reconciling amounts warrants further consideration.

The AASB suggests providing examples demonstrating how the MPM disclosure requirements, including the reconciliation requirements in paragraph 123(c), would be applied in practice. The AASB would also welcome further explanation of how auditors might obtain sufficient appropriate audit evidence in relation to such hypothetical subtotals and the associated reconciliation to an IFRS-based subtotal or total.

Consideration of paragraph B129(b) of IFRS 18

The AASB considers that hypothetical income and expenses that will never be recognised in IFRS-compliant financial statements should be regarded as relating to some other accounting framework, otherwise they would seem to be merely fanciful figures.

Paragraph B129(b) states that a subtotal may not communicate management's view of an aspect of the entity's financial performance as a whole if it communicates performance related to financial statements prepared in accordance with an accounting framework other than IFRS Accounting Standards.

The AASB recommends providing clarification of how the Committee distinguishes the hypothetical subtotals described in the TAD as MPMs from the measures described in paragraph B129(b) of IFRS 18. Otherwise, hypothetical subtotals should not be regarded as MPMs.