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## IASB<sup>®</sup> meeting

Date	<b>November 2024</b>
Project	<b>IFRS<sup>®</sup> Accounting Taxonomy 2024—Proposed Update 1 <i>IFRS 18</i> Presentation and Disclosure in Financial Statements</b>
Topic	<b>Management-defined performance measures</b>
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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## Objective of this paper

1. This paper sets out staff analysis and recommendations for the Taxonomy modelling for management-defined performance measures (MPMs) to be included in the IFRS Accounting Taxonomy 2024—Update 1 *IFRS 18* Presentation and Disclosure in Financial Statements (the IFRS Taxonomy Update). Specifically, this paper discusses the targeted changes we recommend the IASB make to the modelling proposed in [IFRS<sup>®</sup> Accounting Taxonomy 2024—Proposed Update 1 \*IFRS 18\* Presentation and Disclosure in Financial Statements](#) (the ‘PTU’).
2. The modelling included in the IFRS Taxonomy Update will be reflected in the annual IFRS Accounting Taxonomy 2025 (the ‘IFRSAT’).
3. Agenda Paper 25B of this IASB meeting discusses the staff analysis and recommendations for the modelling for:
  - (a) the statement of profit or loss; and
  - (b) the disclosures on specified expenses by nature.

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## Structure of this paper

4. This paper is structured as follows:
  - (a) background (paragraphs 5–18);
  - (b) staff analysis (paragraphs 19–66);
  - (c) staff recommendations and question for the IASB (paragraphs 67–70);
  - (d) Appendix A—Illustrations of tagging an MPM reconciliation under proposed modelling approach and with targeted changes; and
  - (e) Appendix B—Alternative modelling approaches the IASB could consider at a later date.

## Background

5. This section summarises:
  - (a) the proposed modelling in the PTU (paragraphs 6–7);
  - (b) the feedback and fieldwork findings (paragraphs 8–13); and
  - (c) the IFRS Foundation’s general modelling approach (paragraphs 14–18).

### ***Proposed modelling in the PTU***

6. In the PTU, the IASB proposed adding to the IFRSAT:
  - (a) for the note on MPMs:
    - (i) a text block element to tag the entire note disclosure (which includes both qualitative and quantitative information about MPMs); and
    - (ii) a table text block element for the MPM reconciliation;
  - (b) for the MPM reconciliation, a dimensional table with:

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- (i) two axes—an ‘MPM’ axis and a ‘Reconciling items’ axis (under which companies would create entity-specific extension member elements for their MPMs and reconciling items respectively);
    - (ii) an MPM line-item element (to tag the MPM measure and totals of each reconciling item); and
    - (iii) line-item elements from the statement of profit or loss (to create a link between the statement of profit or loss and the MPM reconciliation).
  7. Appendix A of the [Agenda Paper 25B of the October 2024 IASB](#) meeting includes illustrations of tagging applying the proposed modelling.

### ***Feedback and fieldwork findings***

8. Feedback and fieldwork findings on the proposed modelling for MPMs was obtained from:
  - (a) comment letter respondents (see also [Agenda Paper 25A of the October 2024 IASB meeting](#));
  - (b) fieldwork participants (see also [Agenda Paper 25A of the October 2024 IASB meeting](#)); and
  - (c) ITCG members at meetings in [July 2023](#), [October 2023](#), [February 2024](#) and [October 2024](#).
9. Most comment letter respondents broadly agreed with the proposals without providing further explanations of why they agreed. Some comment letter respondents from XBRL public interest organisations, however, strongly disagreed with the proposals:
  - (a) saying that the proposed modelling was too complex;
  - (b) highlighting design principles that they considered important, but felt the modelling did not follow (for example, that a member in a dimension should not be used to change/define the meaning of a line-item element); or

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- (c) suggesting changes to the proposed modelling approach.
10. One of these respondents suggested several alternative modelling approaches to the one proposed by the IASB—one of which would allow for a structural link between an MPM measure and the IFRS measure it adjusts (despite not necessarily reducing tagging complexity or allowing for calculation relationships to work).
11. Fieldwork participants had mixed feedback on the proposed modelling:
- (a) Many preparer fieldwork participants struggled with the complexity of the tagging (in part because their current software did not facilitate such tagging or because the requirements in IFRS 18 had not yet been fully understood).<sup>1</sup> Some also said that it was confusing that the effect on income taxes was tagged the same, irrespective of whether they form part of the reconciliation or not. Some also asked whether more guidance or illustrations could be provided to facilitate tagging.
- (b) User fieldwork participants had differing views on what data points were useful for their analysis and what level of granularity was needed (that is, whether information on MPMs should be detailed tagged or not).
12. Feedback from ITCG members was similar to the feedback from comment letter respondents and fieldwork participants—in part due to some ITCG members also participating in the fieldwork exercise or submitting comment letters to the IASB.
13. A main concern of many comment letter respondents, fieldwork participants and ITCG members was that the proposed modelling would not allow for data validation due to the fact that calculation relationships would not work (as this might lead to data quality issues which would hinder a user’s ability to analyse the tagged data). In other words, they were concerned that preparers and users would not be able to

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<sup>1</sup> For example, many fieldwork preparer participants struggled with having to use two axes to tag information or with having to double tag specific information.

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automatically verify that the sum of the IFRS measure and the reconciling items equals the MPM measure.

***IFRS Foundation's general modelling approach***

14. The IFRS Foundation's general modelling approach is to create Taxonomy elements for the presentation and disclosure requirements in IFRS Accounting Standards.<sup>2</sup>
15. To reflect the presentation and disclosure requirements in IFRS Accounting Standards the IFRSAT uses both line-item modelling and dimensional modelling, depending on the requirements. The IFRS Foundation's general modelling approach involves creating:
  - (a) line-item elements;
  - (b) axes and member elements;
  - (c) categorical elements;
  - (d) text block and table text block elements; and
  - (e) calculation relationships.
16. Appendix C of the [PTU](#) explains the IFRS Foundation's general modelling policies in more detail.
17. In the proposed modelling for MPMs, we considered and applied several modelling policies, including:
  - (a) creating one text block element for the overall note disclosure and one table text block for the reconciliation tables;
  - (b) modelling each amount as a distinct element;

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<sup>2</sup> For example, paragraph 126(a) of IAS 36 requires an entity to disclose, for each class of assets, the amount of impairment losses recognised in profit or loss during the period. To reflect this requirement, the IFRSAT includes a monetary line-item element for the impairment losses recognised in profit or loss and an axis and member elements to reflect each class of asset. These elements include references that link the element to the presentation or disclosure requirement to which the element relates.

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- (c) modelling narrative disclosures applying judgement of when items of information are distinct and separately understandable;
  - (d) modelling tabular (dimensional) representations such that line items presented in statement of profit or loss are modelled as line-item elements in the table;
  - (e) modelling with the expectation that companies would create entity-defined elements (referred to as ‘extension’ elements) for entity-specific information; and
  - (f) modelling cross-cutting ‘breakdowns’ using tabular (dimensional) representations.
18. The IFRS Foundation also maintains an IFRS Accounting Taxonomy formula linkbase. The formula linkbase allows the validation of specific business logic rules included in the IFRSAT that cannot be validated using the calculation linkbase. The formula linkbase enables validations such as the calculation of roll-forwards, existence checks, and tests technical aspects of XBRL. The formula linkbase is published separately from IFRS Accounting Taxonomy files and is updated less frequently than IFRS Accounting Taxonomy files. Only some jurisdictions using the IFRSAT have adopted the IFRS formula linkbase.

## Staff analysis

19. This section discusses:
- (a) which issues can and should be resolved with targeted changes to the proposed MPM modelling approach (paragraphs 20–34);
  - (b) how we could improve understandability and data quality (paragraphs 35–50); and
  - (c) whether the IASB should finalise the 2025 IFRSAT with targeted changes to the proposed MPM modelling approach (paragraphs 51–66).

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***Which issues can and should be resolved with targeted changes to the proposed MPM modelling approach?***

20. We identified three types of issues with the proposed MPM modelling approach, specifically:
- (a) the complexity in tagging (and resulting tagging errors or incomplete tagging);
  - (b) the inability to introduce calculation relationships to verify that the sum of the IFRS measure and the reconciling items equals the MPM measure; and
  - (c) issues relating to the understandability of the modelling and of tagged data, resulting in information being hard to find or analyse.
21. We think that:
- (a) issues relating to complexity in tagging are likely to resolve themselves over time (paragraphs 22–26);
  - (b) issues relating to calculation relationships cannot be resolved without XBRL changing its technical specifications or the IASB substantially changing the modelling approach (and in doing so departing from the IFRS Foundation’s general modelling approach) (paragraphs 27–30); and
  - (c) issues relating to understandability could be reduced by making targeted changes to the proposed modelling to improve data quality (paragraphs 31–34).

***Complexity in tagging***

22. The disclosures for MPMs are inherently complex, for example:
- (a) for each reconciling item, amounts need to be given both for the total of that reconciling item (the ‘MPM adjustment’) as well as its relationship with line item(s) presented;
  - (b) one reconciling item can relate to one or multiple MPMs;

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- (c) there can be more than one MPM measure reconciled to a single IFRS measure; and
  - (d) the disclosure of the income tax effect relating to the reconciling item can in itself be a reconciling item.
23. It is therefore not surprising that preparers found tagging to be complex and struggled to tag the fieldwork example correctly and completely during the fieldwork exercise (paragraph 11). We could reduce complexity of modelling by modelling for fewer data points to be individually tagged, for example, omit detailed modelling for information on how reconciling items relate to line item(s) presented, or for the income tax effect when not part of the MPM reconciliation. This approach would represent a departure from our general modelling approach and would (paragraphs 14–18), in some jurisdictions, result in the use of extensions to tag information required by IFRS Accounting Standards. We therefore think this approach would be counterproductive.
24. Instead, we think the IFRSAT should reflect all aspects of the requirement, no matter how complex, and that the tagging issues are likely to resolve themselves over time as software adapts and preparers become more familiar with the requirements in IFRS 18 and the Taxonomy modelling. It is expected that over time most preparers will:
- (a) have fully understood the requirements in IFRS 18;
  - (b) have available their own company-specific MPM disclosures (rather than a fieldwork example); and
  - (c) have available software that facilitates detailed tagging of information on MPMs (that is, software that has incorporated the proposed Taxonomy elements).
25. This process will take less time for professional tagging agents, who are expected to handle complex tagging issues better due to their frequent practice, compared to preparers who tag their financial statements perhaps only once a year. Furthermore,



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future developments might also help preparers manage complex tagging requirements better (for example, the use of Large Language Model-based tools).

26. Some stakeholders suggested that further guidance and illustrations could help navigate through complexity. The PTU already included illustrations and guidance which we think will become more useful once the conditions in paragraph 24 are met. We will consider how to make the guidance and illustrations more accessible.

### *Calculation relationships*

27. Calculation relationships are important when it comes to validating data both for preparers (detecting errors) and users (ensuring that data is complete).
28. However, the issue of not having calculation relationships for the MPM reconciliation cannot be resolved by the IASB as it relates to the current XBRL specification which is beyond the IASB's remit. Specifically, under the current XBRL specification, calculation relationships in dimensional modelling are only possible if a calculation involves amounts for which the *same* member is used. Therefore, calculations would not work under **any** dimensional modelling approach that involves using *different* members.<sup>3</sup>
29. Calculation relationships are possible using a fundamentally different modelling approach, which would depart from our general modelling approach and would introduce elements that are not fully defined (so called 'dummy elements'). We have avoided using such an approach in the Taxonomy so far. We considered this approach during the development of the PTU and rejected it because it would mean substantive change to our general modelling approach and thus have implications beyond the modelling for MPMs, and it would introduce a risk of inconsistent use of dummy line items over time meaning trend information would be lost. We explain this approach in more detail in Appendix B.

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<sup>3</sup> For example, in the proposed modelling each reconciling item is tagged using a different extension member (such as 'Impairment loss adjustment [M]' or 'Restructuring expenses adjustment [M]').

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30. In the absence of calculations, less fundamental changes to the modelling approach would allow us to create formula/validation rules that could be used to check the MPM measure reconciles to the related IFRS measure (paragraphs 45–50).

*Understandability (and data quality)*

31. Two specific issues related to the understandability of the tagged data have emerged through feedback and fieldwork findings (paragraphs 10–11):
- (a) there is no structural link between the MPM measure and the IFRS measure it adjusts and, related to this, the modelling is counter-intuitive because, whilst the reconciliation from IFRS measure to MPM measure is likely to be shown in a single row (or a single column, depending on disclosure practice), two different line-item elements are used, one for the IFRS measure and one for the MPM measure and related reconciling items (with a common extension member under the MPM axis); and
  - (b) the income tax effect of a reconciling item is tagged the same, irrespective of whether it forms part of the reconciliation or not.
32. The first issue could be addressed by making the targeted changes to the proposed modelling outlined in paragraphs 36–43. Importantly, making those changes would also help alleviate the data quality concerns raised—as they would allow for easier development of formula/validation rules to be included in the IFRSAT, which could be used to validate data in the absence of having available calculation relationships (paragraph 13).
33. These changes would not be substantial changes. Hence, it is unlikely that the changes would introduce significant new risks unknown to the IASB.
34. The second issue could be addressed by creating separate elements to be used when the income tax effect does not form part of the reconciliation. However, this would add further complexity to the IFRSAT which we think is not necessary. This disclosure requirement is the same for all companies, regardless of whether the

income tax effect forms part of the reconciliation or not, therefore, it is consistent to not separately model these two cases. Users have told the IASB that they need this information regardless of whether a company adjusts for the income tax effect in their MPM reconciliation, therefore having the same (tagged) information for all companies should not affect users' ability to analyse digital reports. We therefore do not think a change in modelling is needed.

***How could we improve understandability and data quality?***

35. This section discusses the targeted changes the IASB could make to address the issues related to the understandability and data quality, specifically by:
- (a) providing a structural link between the MPM measure and the IFRS measure it adjusts (paragraphs 36–44); and
  - (b) developing a formula/validation rule (paragraphs 45–50).

***Providing a structural link between the MPM measure and the IFRS measure it adjusts***

36. Under the current proposal the IFRS measure and the MPM measure are tagged with different line-item elements with a member, that is, in addition to the common extension member under the MPM axis:
- (a) the IFRS measure is tagged with the line-item element for the IFRS measure; and
  - (b) the MPM measure is tagged with the line-item element 'Management-defined performance measure' (see illustration in Appendix A).
37. Such tagging leads to there being no structural link between the MPM measure and the IFRS measure it adjusts—making it difficult for users to understand which IFRS

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measure an MPM adjusts.<sup>4</sup> Although using a common extension member to tag both the MPM measure and the IFRS measure provides a link, that link is not a structural link that is useful for users when analysing data.

***Targeted changes the IASB could make to provide a structural link***

38. The IASB could decide to make targeted changes to the model to allow for the structural link to be conveyed to users—as suggested by a stakeholder from an XBRL public interest organisation (paragraph 10).<sup>5</sup>
39. Following that suggestion, this would mean changing the model so that the IFRS measure, the MPM measure and the total of each reconciling item would **all** be tagged with the **same** line-item element (that is, tagged with the line-item element for the IFRS measure to which the MPM measure and reconciling items relate, for example, ‘Operating profit (loss), operating’). It would also require making the following changes to the dimensional model:
- (a) not adding the MPM line-item element; but instead
  - (b) adding a ‘Components of management-defined performance measure’ axis (replacing the previously proposed ‘Reconciling items in reconciliation of management-defined performance measure’ axis) with a pre-defined member representing the MPM value (see Table 1 for an overview of the proposed modelling and possible targeted changes).
40. This means that the MPM line-item element would be ‘moved’ to an axis—hence, ‘become’ a pre-defined member under the ‘Components of management-defined performance measure’ axis.<sup>6</sup>

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<sup>4</sup> Note: Such a link would have been created by calculation relationships if those could be made to work.

<sup>5</sup> The comment letter and specific suggestion from that stakeholder can be found [here](#).

<sup>6</sup> As a consequence, users would not query for MPMs using the MPM line-item element (as proposed in the PTU) but would use the MPM member to query instead—a circumstance which, based on the discussions the team has had with user fieldwork participants, seems to not be a problem.

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41. However, it would also mean that an MPM measure would be tagged as a dimension of an IFRS measure (that is, as an aspect of an IFRS measure). Two views could be taken on this:
- (a) Tagging an MPM measure as an aspect of an IFRS measure is a faithful representation of the fact that an MPM reflects an aspect of a company's financial performance.
  - (b) It might be misleading to tag a company-specific measure (an MPM) with a line-item element representing an IFRS measure (for example, with the line-item element 'Operating profit (loss)'), *even if* a dimension is used to reflect the fact that the MPM is only an aspect of the IFRS measure.
42. It should be noted that this approach would be consistent with the existing Taxonomy modelling of, for example, the disclosure of comparative information prepared under previous Generally Accepted Accounting Principles (GAAP), where the previous GAAP figures comparative to a particular IFRS measure, and the effect of transition to IFRS Accounting Standards on them, are conveyed by members on the 'Financial effect of transition from previous GAAP to IFRSs' axis in combination with the element representing the relevant IFRS measure.<sup>7</sup>

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<sup>7</sup> A similar approach is taken to indicating departures from the requirements in IFRS, and the cumulative effect at the date of initial application of a new IFRS Accounting Standard, for example.

**Table 1—Overview of proposed modelling and possible targeted changes**

Description	Proposed modelling	Possible targeted changes
Axes (dimensions)	<ul style="list-style-type: none"> <li>MPM axis</li> <li><b>‘Reconciling items in reconciliation of management-defined performance measure’ axis</b></li> </ul>	<ul style="list-style-type: none"> <li>MPM axis</li> <li><b>‘Components of management-defined performance measure’ axis</b></li> </ul>
Members under two axes	No pre-defined members under both axes (only extension members)	<ul style="list-style-type: none"> <li>MPM axis: No pre-defined members (only extension members)</li> <li><b>Components of MPM axis: one pre-defined member representing the MPM value</b> (extension members for reconciling items)</li> </ul>
Tagging of IFRS measure	Using a line-item element for IFRS measure with: <ul style="list-style-type: none"> <li>an extension member for MPM measure under MPM axis</li> </ul>	Using a line-item element for IFRS measure
Tagging of total of each reconciling item	<b>Using an MPM line-item element</b> with: <ul style="list-style-type: none"> <li>an extension member for MPM measure under MPM axis; and</li> <li>an extension member for reconciling item under <b>reconciling items axis</b>.</li> </ul>	<b>Using a line-item element for IFRS measure</b> with: <ul style="list-style-type: none"> <li>an extension member for MPM measure under MPM axis; and</li> <li>an extension member for reconciling item under <b>components of MPM axis</b>.</li> </ul>
Tagging of MPM measure	<b>Using an MPM line-item element</b> with: <ul style="list-style-type: none"> <li>an extension member for MPM measure under MPM axis</li> </ul>	<b>Using a line-item element for IFRS measure</b> with: <ul style="list-style-type: none"> <li>an extension member for MPM measure under MPM axis; and</li> <li><b>the pre-defined MPM member under components of MPM axis</b>.</li> </ul>

43. Appendix A includes an illustration of the tagging under the proposed modelling approach and with targeted changes.

***Is there another way to provide a link between the MPM measure and the IFRS measure?***

44. Instead of using the line-item element for the IFRS measure to tag the MPM measure, and removing the MPM line-item element, we could instead create multiple MPM line-item elements, one for each subtotal that can be adjusted (for example, ‘MPM adjusting operating profit (loss)’, ‘MPM adjusting profit (loss) before financing and income taxes’). This way the MPM line-item elements themselves would communicate the IFRS measure to which the MPM measure relates. However, this approach would mean a change in modelling policy and could be more complex to understand, with users having to search through many line-item elements to find

MPMs, including possible multiples of an MPM adjusting a single IFRS measure (for example, a company can have two MPMs that both adjust the IFRS measure ‘operating profit (loss)’). It would also not respond to the feedback that the modelling is counterintuitive.

#### *Developing a formula/validation rule*

45. Under the current proposal calculation relationships do not work. If calculation relationships are in place, preparers and users are able to validate whether the tagged data is correct (that is, to check whether the correct elements and correct signage have been used).
46. Hence, because calculation relationships do not work in our model, there is a risk that errors go undetected. For example, the sum of the IFRS measure and the individual reconciling items might not equal the MPM measure—a circumstance which would hinder a user’s ability to analyse the data.
47. The IASB could, however, decide to include a specific formula/validation rule in the IFRS formula linkbase. We currently provide a number of formula/validation rules, including a similar one for the statement of changes in equity (where a dimensional modelling approach is also used).
48. Formula/validation rules do **not** provide the same level of assurance to preparers and users as calculation relationships. With a calculation relationship a preparer/user is able to identify *why* an error has occurred (for example, could identify that the items in the calculation relationship do not add up due to incorrect usage of signage)—whereas with a formula/validation rule a preparer/user is typically only able to identify *that* an error has occurred. Also, formula/validation rules would only work in specific circumstances, meaning, if companies tag/create elements using a different approach, errors might not be detected. In addition, formula/validation rules are not used in all jurisdictions, including some major ones, and depend on what regulators require.

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49. However, we think including a formula/validation rule for the IFRSAT would still address some of the data quality concerns raised, in particular, if such a formula/validation rule were to be added to the validations regulators ask preparers to check.
50. Formula/validation rules could generally be included in the IFRS formula linkbase irrespective of whether the IASB decides to make the targeted changes to the dimensional model. However, formula/validation rules:
- (a) would be difficult to develop for models where there is **no** structural link between the MPM measure and the IFRS measure it adjusts (such as the proposed modelling in PTU); but
  - (b) could be easily developed if the IASB decides to make the targeted changes outlined in paragraphs 36–43.

***Should the IASB finalise the 2025 IFRSAT with targeted changes to the proposed MPM modelling approach?***

51. The targeted changes discussed in paragraphs 36–43 and paragraphs 45–50 would help address some of the feedback. They would, however, not fully address the quality concerns raised, because introducing calculation relationships is not possible within current constraints of XBRL specification.
52. Making substantial changes to the proposed modelling would require time to explore, analyse and consult on those changes. Therefore, any approach that would be a substantial change to the one proposed in the PTU could not be included in the 2025 IFRSAT.
53. For the 2025 IFRSAT, the IASB could therefore either consider:
- (a) to include detailed modelling in the 2025 IFRSAT, but only make targeted changes to the proposed modelling (paragraphs 54–61); or



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- (b) to include only high-level modelling in the 2025 IFRSAT and revisit detailed modelling at a later date (paragraphs 62–66).

*Risks and benefits of including detailed modelling in the 2025 IFRSAT  
(making targeted changes to the proposed modelling)*

54. The IASB could consider including detailed modelling in the 2025 IFRSAT but make targeted changes to the proposed modelling in response to the issues identified through feedback and fieldwork.

**Benefits**

55. We think the targeted changes suggested in paragraphs 36–43 and paragraphs 45–50 could help address some of the main issues identified without introducing significant new risk.<sup>8</sup> Making only targeted changes to the modelling is unlikely to require a further round of public consultation or fieldwork testing because the risks are assessable.
56. A benefit of including detailed modelling in the 2025 IFRSAT is that preparers would be able to detail tag information on MPMs for financial years 2025 onwards. Hence, preparers in jurisdictions that require detail tagging of all amounts in the notes could use the detailed modelling included in the IFRSAT, rather than having to create extensions to tag such information.
57. Including detailed modelling in the 2025 IFRSAT also has the benefit that the IASB would be able to gain insights on how companies tag information on MPMs:
- (a) at an earlier point in time (as some companies might already tag such information in their 2025 or 2026 financial statements); and
  - (b) based on actual company data (rather than having to rely on fieldwork examples).

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<sup>8</sup> Keeping in mind, the risks and drawbacks of the proposed modelling are known through public consultation and fieldwork testing whereas the risks of any changes to the modelling are unknown to the IASB.

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58. The IASB could then consider making *further limited changes* to the model at a later date based on those insights (if needed), taking into consideration that this might involve additional work for preparers and users to adapt to those changes, specifically:
- (a) it might require changes to software or templates for preparers; and
  - (b) it might require changes to user models (including how data is sourced) and could interrupt trend analysis.
59. We think making further limited changes to the model after it has been introduced into the 2025 IFRSAT is a manageable risk should those changes take place *before* IFRS 18 becomes effective (because many companies will have not yet implemented IFRS 18 (or tagged information on MPMs)).<sup>9</sup> However, making any such changes to the existing modelling might become a more pervasive risk should the IASB decide to change the model *after* IFRS 18 becomes effective.<sup>10</sup>

### **Risks**

60. Making targeted changes to the proposed modelling might still not lead to a fully satisfactory outcome, in part due to the issues that cannot be resolved in the near future, such as calculation relationships (paragraphs 27–30). Hence, some issues might persist and could require revisiting the modelling at a later date.
61. Revisiting the modelling and perhaps substantially changing the modelling at a later date, however, might be difficult because practice is likely to have already evolved. It might also call into question why the IASB did not postpone a decision on detailed modelling until it was satisfied that the model would lead to the desired outcome.

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<sup>9</sup> For example, IFRS SEC filers that are early adopters of IFRS 18 might be affected because they are required to tag each amount in the notes to the financial statements.

<sup>10</sup> There is currently no requirement for ESEF filers to detail tag amounts in the notes. Therefore, any subsequent changes made to the model are likely to not have an effect on ESEF filers in the foreseeable future unless those filers choose to voluntarily detail tag their notes.

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*Risks and benefits of including only high-level modelling in the 2025 IFRSAT  
(revisiting detailed modelling at a later date)*

62. The IASB could consider postponing a decision on detailed modelling to a later date and including in the 2025 IFRSAT only a text block and a table text block element (high-level modelling). Such an approach would, to some extent, also respond to the concerns raised by stakeholders (that is, it would mean deciding that the proposals did not lead to the desired outcome and that more exploration, analysis and consultation is needed).

**Benefits**

63. Creating only a text block and a table text block element for the 2025 IFRSAT would give the IASB more time to explore, analyse and consult on alternative approaches for detailed modelling (see Appendix B on alternative modelling approaches that could be considered).

**Risks**

64. However, such an approach would be a deviation from the IFRS Foundation's general modelling approach to create Taxonomy elements for the presentation and disclosure requirements in IFRS Accounting Standards (paragraphs 14–18).
65. If, after exploring and analysing alternative approaches, the IASB were to decide to propose a substantially changed modelling approach at a later date this is likely to involve a further round of public consultation and perhaps fieldwork testing to assess the risks associated with any alternatives to the current proposals.
66. In addition, allowing more time to explore, analyse and consult on alternative approaches might not lead to significantly different results for some of the issues identified because:
- (a) it is not expected that calculations will work in the near future in any model that uses two axes due to the XBRL specification (paragraphs 27–30); and

- (b) software will have not yet incorporated any Taxonomy elements related to the alternative modelling until they are included in the IFRSAT making any further fieldwork testing equally challenging ('first mover problem').

## Staff recommendations and question for the IASB

### *Staff recommendations*

- 67. We recommend the IASB include detailed modelling in the 2025 IFRSAT but make the targeted changes to the proposed modelling as outlined in paragraphs 36–43 and paragraphs 45–50, specifically by:
  - (a) providing a structural link between the MPM measure and the IFRS measure it adjusts, which requires:
    - (i) not adding the MPM line-item element; but instead
    - (ii) adding a 'Components of management-defined performance measure' axis with a pre-defined member; and
  - (b) developing a formula/validation rule to express the reconciliation.
- 68. We think the benefits of including detailed modelling in the 2025 IFRSAT outweigh the benefits of postponing a decision on detailed modelling. Specifically, we think the targeted changes would:
  - (a) address some of the issues identified regarding understandability and data quality; but
  - (b) not introduce significant new risk.
- 69. In addition, by including detailed modelling in the 2025 IFRSAT the IASB would be able to observe tagging practice as it evolves and could decide to make further limited changes as a result of those observations (paragraphs 57–59).

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70. Postponing a decision would mean exploring, analysing and consulting on alternative approaches. We think postponing a decision might not lead to significantly different results in the near future for the issues identified (paragraph 66).

***Question for the IASB***

Question for the IASB

Do you agree with the staff recommendation of including detailed modelling in the 2025 IFRSAT, but making the targeted changes to the proposed modelling outlined in paragraphs 36–43 and paragraphs 45–50?

## Appendix A—Illustrations of tagging an MPM reconciliation under proposed modelling approach and with targeted changes

A1. This appendix illustrates how an example of a disclosure of an MPM reconciliation would be tagged:

- (a) under the proposed modelling approach (paragraph A2); or
- (b) if the targeted changes were made (paragraph A3).

### *Example of a disclosure of an MPM reconciliation*

	IFRS	Impairment loss	Restructuring expenses	MPM
Research and development expenses	-	1,600	-	-
Goodwill impairment loss	-	4,500	-	-
General and administrative expenses	-	-	3,800	-
<b>Operating profit / Adjusted operating profit</b>	<b>57,000</b>	<b>6,100</b>	<b>3,800</b>	<b>66,900</b>
Income tax expense	-	-	(589)	-
Profit attributable to non-controlling interests	-	305	161	-

***Tagging under the proposed modelling approach***

A2. In the following table:

- (a) Operating profit (IFRS measure) would be tagged with the line-item element ‘Operating profit (loss), operating’ and ‘Adjusted operating profit [member]’;
- (b) (Adjustment for) Impairment loss would be tagged with the MPM line-item element, ‘Impairment loss [member]’ and ‘Adjusted operating profit [member]’; and
- (c) Adjusted operating profit (MPM measure) would be tagged with the MPM line-item element and ‘Adjusted operating profit [member]’.

MPM [axis]	<i>Adjusted operating profit (loss) [member] (Extension)</i>			
Reconciling items [axis]	N/A	<i>Impairment loss [member] (Extension)</i>	<i>Restructuring expenses [member] (Extension)</i>	N/A
Research and development expenses, operating	-	1,600	-	-
Impairment loss recognised in profit or loss, goodwill, operating	-	4,500	-	-
General and administrative expenses, operating	-	-	3,800	-
Operating profit (loss), operating	57,000	-	-	-
MPM line-item element	-	6,100	3,800	66,900
Income taxes expense (income), income taxes	-	-	(589)	-
Profit (loss), attributable to non-controlling interests	-	305	161	-

***Tagging if the targeted changes were made***

A3. In the following table:

- (a) Operating profit (IFRS measure) would be tagged with the line-item element ‘Operating profit (loss), operating’;<sup>11</sup>
- (b) (Adjustment for) Impairment loss would be tagged with the line-item element ‘Operating profit (loss), operating’, ‘Impairment loss [member]’ and ‘Adjusted operating profit [member]’; and
- (c) Adjusted operating profit (MPM measure) would be tagged with the line-item element ‘Operating profit (loss), operating’ and MPM [member].

MPM [axis]	N/A	<i>Adjusted operating profit (loss) [member] (Extension)</i>		
Components of MPM [axis]	N/A	<i>Impairment loss [member] (Extension)</i>	<i>Restructuring expenses [member] (Extension)</i>	MPM [member]
Research and development expenses, operating	-	1,600	-	-
Impairment loss recognised in profit or loss, goodwill, operating	-	4,500	-	-
General and administrative expenses, operating	-	-	3,800	-
Operating profit (loss), operating	57,000	6,100	3,800	66,900
Income taxes expense (income), income taxes	-	-	(589)	-
Profit (loss), attributable to non-controlling interests	-	305	161	-

<sup>11</sup> Naively, it would be simplest to leave the Operating profit (IFRS measure) also tagged with ‘Adjusted operating profit [member]’ as in the previous table. However, because in this modelling it is known which IFRS line item the MPM relates to (and that IFRS measure has the same value no matter what MPM is derived from it), it would be possible to provide a more complex formula/validation rule that instead referred to the IFRS measure without this member and axis. This would be beneficial, because the IFRS measure would then have the same modelling as when it appears on the Statement of profit or loss, and so would be automatically cross checked against that figure.



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## Appendix B—Alternative modelling approaches the IASB could consider at a later date

- B1. To facilitate calculation relationships, we could explore other modelling approaches that have fundamental differences to the approach proposed in the PTU and would require departing from our taxonomy modelling policies:
- (a) Alternative 1 (Use of dummy elements): This approach would involve creating ‘placeholder’ elements for MPMs and reconciling items (in contrast to the existing modelling policy which is to create specific elements). In order to facilitate calculation relationships, the attribution to the P&L line items in the MPM reconciliation table would be members in dimensions and not line-item elements (as per our taxonomy modelling policy); or
  - (b) Alternative 2 (Use of preparer extensions): This approach would depart from our taxonomy modelling policy by not creating specific elements for the MPM reconciliation, but instead only providing guidance on how to create extension elements to ensure consistency in filings and enable calculations.

### ***Alternative 1 (Use of dummy elements)***

- B2. The IASB could consider using dummy elements in the IFRSAT for MPMs and reconciling items. Since MPMs and reconciling items are by nature entity-specific, the use of dummy elements for the MPM reconciliation could be justified.
- B3. A ‘dummy’ taxonomy element is a placeholder used in taxonomy modelling to represent a concept or data point that does not have a predefined meaning in the taxonomy. Preparers would need to use meaningful labels for the MPMs and reconciling items to faithfully convey what the elements represent (similar as to circumstances where extension elements are created).
- B4. ‘Dummy’ elements differ from entity-specific extensions in that they are pre-created elements in the taxonomy, and hence relationships between them, such as calculations, can be provided by the taxonomy author.

- B5. For example, dummy elements could be:
- MPM 1 reconciled to Operating profit (loss)
  - Adjustment 1 increasing (decreasing) MPM 1 reconciled to Operating profit (loss)
  - Adjustment 2 increasing (decreasing) MPM 1 reconciled to Operating profit (loss)
  - Tax effect for Adjustment 1 for MPM 1 reconciled to Operating profit (loss)
  - Tax effect for Adjustment 2 for MPM 1 reconciled to Operating profit (loss)
  - Non-controlling interest effect for Adjustment 1 for MPM 1 reconciled to Operating profit (loss)
  - Non-controlling interest effect for Adjustment 2 for MPM 1 reconciled to Operating profit (loss)

- B6. As part of this alternative solution, we would create member elements for P&L line items to be used when tagging, for each reconciling item, the disclosure of amounts related to line items in the statement of profit or loss.

### *Advantages*

- B7. **Creating calculation relationships will be possible:** Since the MPMs and the reconciling items would be line-items elements, it would be easy to incorporate calculations within the IFRSAT. Those calculation relationships would facilitate validation checks and improve data quality.
- B8. **Improved use of signage:** Incorrect signage is still one of largest pitfalls in tagging. Validation rules act as automated checks that verify the correctness of the data, such as ensuring that positive and negative signs are used appropriately. Accordingly, using the phrase ‘increasing (decreasing)’ in label names will clarify the use of correct signs.

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- B9. **Linkage of MPM with IFRS measure:** Dummy elements will carry the information about the related IFRS measure. This would help users to understand the MPM and how it links to the related IFRS measure.
- B10. **Simplified tagging process:** The modelling will include one dimension for attribution to the statement of profit or loss and dummy line-item elements for MPM and reconciling items. Dummy line-item elements will be used to tag the amounts of MPM and reconciling items which can simplify the tagging process for preparers.

#### *Disadvantages*

- B11. **Risk of inconsistency and errors:** Since these elements are dummy elements, there is a reliance on preparers to provide meaningful labels. Preparers must ensure that the labels they assign to these dummy elements represent the intended meaning and context. For example, when using a dummy element for an entity-specific MPM, a preparer must provide a precise label that clearly conveys the nature of the MPM.
- B12. **This reliance on preparers** increases the risk of inconsistencies and errors, both in tagging a particular period as well as across periods. For example, if a company has two MPMs, it can tag the first one using ‘MPM 1 dummy line item’ in one period and tag using ‘MPM 2 dummy line item’ in second period (similar with reconciling items even if the reconciling items are similar across periods). This means, that while dummy elements might appear comparable for a single company across periods, they might not be and can mislead users. This potential for inconsistencies is one of the biggest drawbacks of the dummy approach and is one of the reasons we did not pursue it further when considering different options in preparation of PTU (see [meeting summary](#) of the February 2023 ITCG meeting).
- B13. **Deviation from existing modelling policies:** This alternative approach of using dummy elements is not aligned with our current modelling policy, which stipulates that primary financial statement line items (for example, P&L line items) should be used as line items in a table. According to our policy, when an IFRS Accounting

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Standard requires the disclosure of P&L line items in the notes, we use the same P&L line items in the note disclosure to maintain linkage with the P&L.

- B14. Under the proposed alternative of using dummy elements, we would need to create member elements for P&L line items. For example, instead of directly using ‘Revenue, operating’ as a line item, we would create a member element such as ‘Revenue, operating [member]’. This represents a departure from our existing taxonomy modelling policies. Changing the policy for a single disclosure may be confusing, if other disclosures continue to be modelled using the original policy.
- B15. **Relating information about reconciling items:** Reconciling items would be tagged using dummy line-item elements, and the related income tax and non-controlling interest (NCI) effect would be tagged with corresponding income tax and NCI line-item elements, while the attribution to P&L line items would be tagged as a dimension on P&L line items. Finding information about reconciling items, the related income tax and NCI effect, and how the reconciling items relate to P&L line items would require three separate searches, making it hard for users to look at this information together.
- B16. **Clutter in the IFRSAT:** The use of dummy elements can lead to clutter within the IFRSAT. Since these elements are not predefined, it is challenging to accurately determine the number of elements required. For example, for each IFRS-defined subtotal, we might need to create multiple dummy elements: say, 2 for Management-defined Performance Measures (MPM), 5 for reconciling adjustments, and 2 for Tax and Non-Controlling Interest (NCI) effects. This could result in the creation of approximately 20 new line-item elements for each IFRS-defined subtotal.
- B17. However, if preparers require more elements, they can create extensions using the existing pattern in the IFRSAT which will have calculations included. Hence, it could lead to some benefits to the users even in case of extensions because they may follow a set pattern and will be part of the calculations.
- B18. The below table illustrates how an example of a disclosure of an MPM reconciliation (see Appendix A) would be tagged under this alternative approach:

P&L location [axis]	N/A	Research and development expenses, operating [member]	Impairment loss recognised in profit or loss, goodwill, operating [member]	General and administrative expenses, operating [member]
Operating profit (loss), operating	57,000	-	-	-
<i>Adjustment 1 increasing (decreasing) MPM 1 reconciled to Operating profit (loss)</i> <i>[Extension label: Impairment loss adjustment]</i>	6,100	1,600	4,500	-
<i>Adjustment 2 increasing (decreasing) MPM 1 reconciled to Operating profit (loss)</i> <i>[Extension label: Restructuring expenses adjustment]</i>	3,800		-	3,800
<i>MPM 1 reconciled to Operating profit (loss)</i> <i>[Extension label: Adjusted operating profit (loss)]</i>	66,900	-	-	-
<i>Tax effect for Adjustment 2 for MPM 1 reconciled to operating profit</i> <i>[Extension label: Tax effect on restructuring expenses adjustment]</i>	(589)	-	-	-
<i>Non-controlling interest effect for Adjustment 1 for MPM 1 reconciled to operating profit</i> <i>[Extension label: Non-controlling interest effect on impairment loss adjustment]</i>	305	-	-	-
<i>Non-controlling interest effect for Adjustment 2 for MPM 1 reconciled to operating profit</i> <i>[Extension label: Non-controlling interest effect on restructuring expenses adjustment]</i>	161	-	-	-

### **Alternative 2 (Use of preparer extensions)**

- B19. Under this alternative, the IASB would not create specific elements for the MPM reconciliation and would instead suggest preparers use extension line-item elements for MPMs and reconciling items. Since MPM is entity specific, not creating a specific element or axis member for it (unlike all other approaches considered) could be justified on the basis that MPM is entity specific and thus not comparable.
- B20. Extension elements for MPMs and reconciling adjustments would be line-item elements, thereby facilitating calculations. However, it will rely on the preparers to

create extensions correctly, use appropriate and meaningful labels and create calculations. So, it is prone to errors and data quality issues. Therefore, it would require a lot of guidance around it to have consistent extensions and tagging for the benefit of users.

B21. The below tables illustrate how an example of a disclosure of an MPM reconciliation (see Appendix A) would be tagged under this alternative approach:

MPM [axis]	<i>Adjusted operating profit (loss) [member] (Extension)</i>	
Reconciling items [axis]	<i>Impairment loss [member] (Extension)</i>	<i>Restructuring expenses [member] (Extension)</i>
Research and development expenses, operating	1,600	-
Impairment loss recognised in profit or loss, goodwill, operating	4,500	-
General and administrative expenses, operating	-	3,800
Income taxes expense (income), income taxes	-	(589)
Profit (loss), attributable to non-controlling interests	305	161

Operating profit (loss), operating	57,000
<i>Adjusted operating profit (loss)_ Adjustment A (Extension)</i>	+6,100
<i>Adjusted operating profit (loss)_ Adjustment B (Extension)</i>	+3,800
<i>Adjusted operating profit (loss) (Extension)</i>	66,900

### *Advantages*

B22. This approach would facilitate creation of calculation relationship for the reconciliation from the IFRS measure to the MPM but such calculation relationships would need to be created by preparers because MPMs would be tagged using extensions. In some jurisdictions, this would not be in place unless regulators decide to change their rules to require use of calculations.

### *Disadvantages*

B23. The approach is essentially the same as not providing taxonomy for MPM reconciliations as it solely relies on the use of extensions. This would be significant

departure from our modelling approach and arguably inconsistent with due process requirement for taxonomy to ‘represent presentation and disclosure requirements in IFRS Standards’. We would also need to provide extensive education and work with regulators to facilitate consistent tagging.

- B24. This approach makes it hard to find MPMs, and compare with related IFRS-defined subtotal, because both MPMs and MPM adjustments would be tagged using extensions.