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IFRS® Foundation
International Accounting Standards Board

Using the IFRS Taxonomy
A guide to Common Practice Content

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Introduction to this document

1. The IFRS Foundation periodically releases *Proposed IFRS Taxonomy Updates* to expose for public comment changes to the content of the IFRS Taxonomy. The *Guide to Understanding the IFRS Taxonomy Update* provides readers with an overview of the content of the IFRS Taxonomy and introduces the notion of IFRS Taxonomy common practice content.[1]

2. This guide explains IFRS Taxonomy common practice content in more depth, so that readers can make an informed contribution to the IFRS Taxonomy consultation process for common practice content. Specifically, this guide clarifies:

    (a) what IFRS Taxonomy common practice content is and why this content is included within the IFRS Taxonomy;

    (b) the process that is followed to identify potential common practice; and

    (c) the criteria that are used to select proposed common practice.

What is common practice?

Background

3. The IFRS Taxonomy lists and defines the codes (elements) that can be used to tag information reported in financial statements prepared applying IFRS Standards.[2] The main purpose of the IFRS Taxonomy is to support the consistent tagging of IFRS information. In so doing, the IFRS Foundation is assisting those preparers and users of IFRS financial statements that report and receive information in a structured electronic format.

4. The IFRS Taxonomy includes elements that reflect the presentation and disclosure requirements of IFRS Standards (including the *IFRS for SMEs Standard*) and a small number of elements reflecting IFRS Practice Statement 1 *Management Commentary*. The IFRS Taxonomy also includes elements that reflect the examples provided in IFRS Standards or their accompanying materials.

5. Since 2011 the IFRS Taxonomy includes elements reflecting common reporting practice.

How do we define common practice?

6. IFRS Taxonomy common practice content reflects IFRS disclosures that entities commonly disclose in practice when applying IFRS Standards. The term 'common' relates to what is disclosed frequently across jurisdictions and entities. IFRS Taxonomy common practice elements are not explicitly mentioned in IFRS

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[1] The *Guide to Understanding the IFRS Taxonomy Update* is available at: https://cdn.ifrs.org/-/media/feature/standards/taxonomy/general-resources/understanding-ifrs-taxonomy-update.pdf?la=en
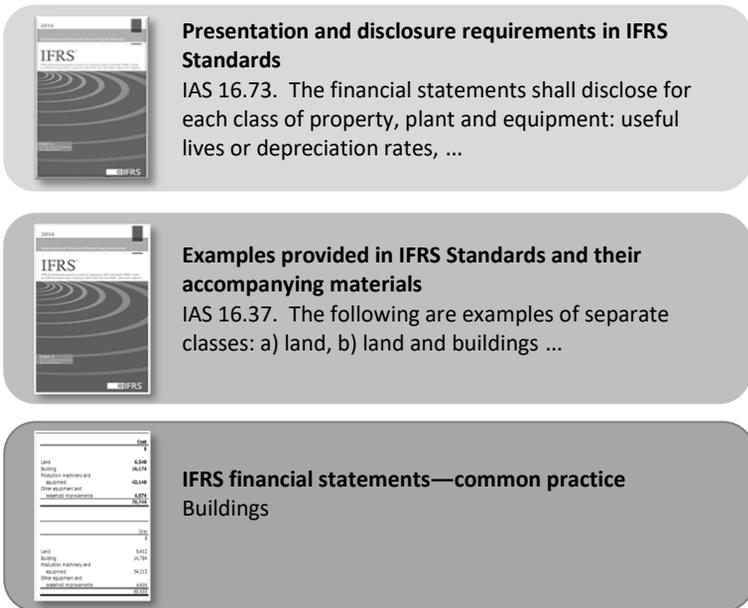[2] Resources explaining the IFRS Taxonomy content and architecture and how to view and browse the elements are available at: https://www.ifrs.org/issued-standards/ifrs-taxonomy/#resources

Standards or their accompanying materials, but are nonetheless, consistent with IFRS Standards.

7.   Although common practice elements are part of the IFRS Taxonomy, this does not imply that common practice disclosures are required by IFRS Standards. The IFRS Taxonomy common practice content is also not intended to provide guidance as to how entities should apply the IFRS Standards.

Example—property, plant and equipment

8.   The following diagram shows the sources from which the IFRS Taxonomy content for classes of property, plant and equipment is derived.

Presentation and disclosure requirements in IFRS Standards
IAS 16.73. The financial statements shall disclose for each class of property, plant and equipment: useful lives or depreciation rates, …

Examples provided in IFRS Standards and their accompanying materials
IAS 16.37. The following are examples of separate classes: a) land, b) land and buildings …

IFRS financial statements—common practice
Buildings

Figure 1 IFRS Taxonomy content sources for property, plant and equipment

9.   As illustrated in Figure 1 above, paragraph 37 of IAS 16 *Property, Plant and Equipment* provides some examples of classes of property, plant and equipment e.g. 'land' and 'land and buildings'. A common practice element was added to the IFRS Taxonomy allowing entities to tag the disclosures relating to 'buildings' as a separate class of property, plant and equipment, although 'buildings' is not mentioned as an example of a separate class within paragraph 37 of IAS 16.

Example—others

10. The following table lists some examples of other common practice elements that have been added to the IFRS Taxonomy:

IFRS Financial statements	Examples of IFRS Taxonomy common practice elements
Statement of financial performance and related notes	• Revenue from sale of natural gas • Repairs and maintenance expense • Interest expense on deposits from customers
Statement of financial position and related notes	• Cash and bank balances at central banks • Borrowings • Restricted cash and cash equivalents • Long-term deposits
Statement of cash flows	• Purchase of biological assets • Proceeds from issue of preference shares

The need for common practice elements

11. Including common practice content within the IFRS Taxonomy supports the consistent tagging of IFRS financial statements provided in a structured electronic format. Entities and regulators do not need to add their own taxonomy elements for IFRS disclosures that are commonly disclosed across jurisdictions.

12. This makes it easier for investors and other users of financial information reported electronically to consume the data, as the number of elements that investors and other users would have to handle is significantly reduced. It also reduces the costs and time to prepare electronic filings as the creation by entities and regulators of their own elements would have placed an extra burden on them.

Common practice is not exhaustive

13. IFRS Taxonomy common practice content is not an exhaustive list of all potential disclosures that entities could report when applying IFRS Standards. IFRS disclosures that are frequently reported only within a particular country or region ('local practices') or that are not commonly reported across entities ('entity specific practices') are not included within the IFRS Taxonomy.

14. The figure below illustrates what is included and what is excluded from the IFRS Taxonomy:
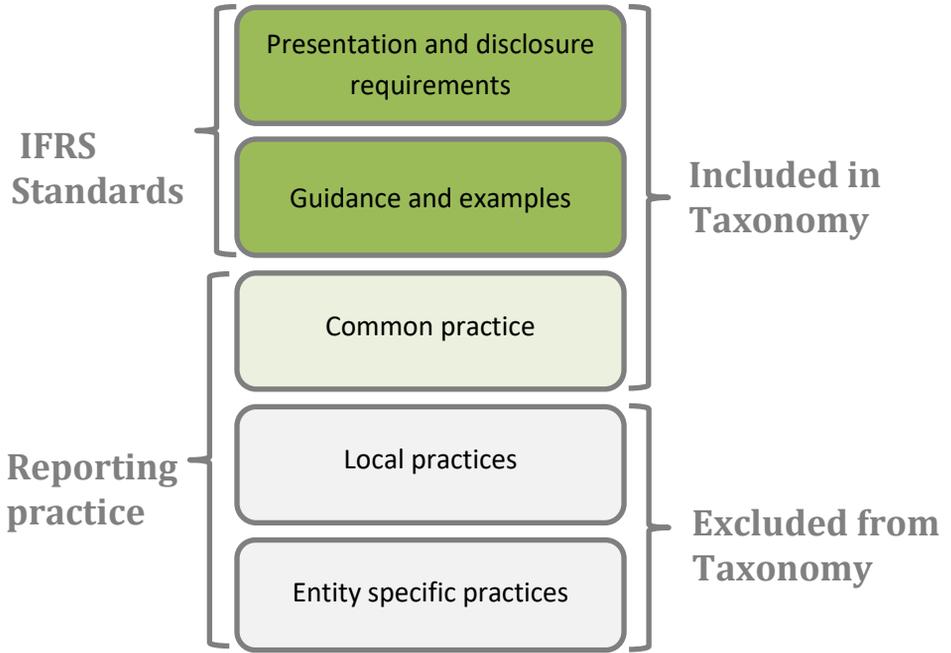
Figure 2 Taxonomy content

General and specific common practice

15. The IFRS Taxonomy common practice content includes both general common practice and common practice that is specific to a particular activity or transaction. The following table explains the different types of common practice elements.

Type	Definition
General	Elements that are commonly reported by all entities. For example, 'Buildings'
Activity-specific[3]	Elements that are commonly reported by entities engaged in particular business activities. For example, 'Communication and network equipment' is mainly observed as a commonly reported class of property, plant and equipment by entities engaged in telecommunication-related activities
Transaction-specific	Elements that are commonly disclosed by entities engaged in specific transactions. For example: 'Issued capital, preference shares'

Evolving content

16. IFRS Taxonomy common practice content is constantly evolving. New reporting practices may emerge as a result of new or amended Standards or as a response to a changing economic environment or emerging business models. The IFRS Foundation is committed to keeping the common practice content of the IFRS Taxonomy up to date with developments in IFRS financial reporting practice.

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[3] These elements may still be used by entities engaged in other activities if relevant for them.

Process used to identify common practice

Overview

17. In order to identify potential common practice elements to be considered for inclusion in the IFRS Taxonomy, empirical analysis is carried out on a sample of IFRS financial statements.

18. The following diagram summarises this process and the subsequent paragraphs describe each step in this process.
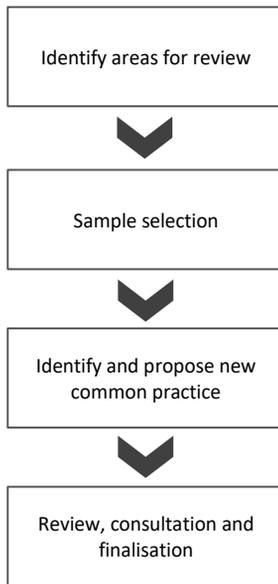
Figure 3 Process followed to identify common practice elements for inclusion in the IFRS Taxonomy

Identify area(s) for review

19. The first step in the process is to identify possible areas for a common reporting practice review considering, for example:

    (a) feedback from regulators, preparers and users of financial information reported electronically;

    (b) high observed extension rates for specific disclosures or a specific activity or transaction in financial statements tagged using the IFRS Taxonomy;

    (c) the relative global importance of a particular activity or transaction measured for instance by the market value or the number of IFRS filers engaged in that particular activity or transaction; or

    (d) post-implementation reviews of IFRS Standards or other technical projects where an empirical review of reported disclosures is likely to be useful to the standard-setting process.

20. The IFRS Taxonomy Review Panel considers staff proposals for new content areas for common practice review. The IFRS Taxonomy Review Panel consists of at least three, but not more than five, members of the International Accounting Standards Board. At least one senior member of the technical staff is also a member of this panel. [4]

Sample selection

21. The IFRS Taxonomy team selects a random sample[5] of entities that apply IFRS Standards based on the following criteria:

    (a) the number of entities within a region/country, to ensure a geographical balance;

    (b) the number of entities within an industry, to ensure a balance of activities (when doing a project focusing on the identification of general common practice); and

    (c) the market value, revenue or any other size-related indicator, to ensure a balance of large and small entities (when such information can be easily obtained and is considered relevant to the project).

22. When available, illustrative examples of financial statements provided by large accounting firms are also used by the IFRS Taxonomy team to identify potential common practice elements.

Identify and propose new common practice

23. The IFRS Taxonomy team reviews the IFRS financial statements of the entities in the sample and identifies disclosures for which no suitable IFRS Taxonomy element can be found. These disclosures are marked as potential common practice elements.

24. The decision on whether to propose a new element for incorporation within the IFRS Taxonomy depends on a number of qualitative and quantitative factors. These are described in more detail below in the section 'Criteria used to select proposed common practice'.

25. The IFRS Taxonomy team may engage with external stakeholders during the analysis and identification of common practice content, for example by setting up a specific taskforce. The objective of this is to get expert views on possible elements for inclusion. Regulators may also conduct their own empirical analysis and share their results with the IFRS Taxonomy team.

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[4] For more details, please refer to the *Due Process Handbook*, available at: https://cdn.ifrs.org/-/media/feature/about-us/legal-and-governance/constitution-docs/due-process-handbook-2020.pdf?la=en
[5] While the sample is chosen to be representative of the analysed population, it cannot be precluded that use of a different sample could have resulted in identification of a slightly different set of common practice elements.

Identify and propose new common practice

26. Proposed common practice content is subject to internal review and public consultation prior to it being finalised. The IFRS Taxonomy due process provides more details about the process followed.

Criteria used to select proposed common practice

Overview

27. As noted in paragraph 24, the decision on whether to select a particular element for inclusion as common practice in the IFRS Taxonomy depends on a number of qualitative and quantitative factors. The selection criteria are:

Criterion	Description
Consistency with the Standards	Only those elements that are consistent with the requirements of the Standards are added to the IFRS Taxonomy.
Frequency	Only those elements that are frequently reported within the sample set of IFRS financial statements are added to the IFRS Taxonomy.
Distinctiveness	Only those elements that cannot be represented by an existing IFRS Taxonomy element are added to the IFRS Taxonomy.
Completeness	This involves the inclusion of elements representing an aggregate amount and/or a breakdown of an aggregate amount. These elements are added to logically complete the IFRS Taxonomy. These elements need not meet the frequency criterion.
Relevance	Only those elements that provide relevant information to users of financial statements are added to the IFRS Taxonomy.

Consistency with the Standards

28. IFRS Taxonomy common practice content should not conflict with the Standards. Elements that are inconsistent with the Standards are not added to the IFRS Taxonomy.

29. All IFRS Taxonomy common practice elements have element references. These provide a reference to the most relevant paragraph(s) in the IFRS Standards[6]. Using element references for IFRS Taxonomy common practice content reaffirms that these elements are consistent with the Standards. They also provide to all those using the IFRS Taxonomy additional information to understand the meaning of a common practice element and how it relates to the presentation and disclosure requirements in the IFRS Standards.

30. Normally, the IFRS Taxonomy label of a common practice element represents the label that is most frequently used in practice. However, adjustments may be made to ensure that the label is consistent with the language used in the IFRS Standards and that the accounting meaning of the element is clear.

31. It could be that the sample used to identify potential common reporting practice only includes filings submitted to a single regulator. When this is the case, the staff will undertake additional steps to ensure that the observed reporting practice is not confined to the jurisdiction in which the single regulator operates and reflects the requirements of IFRS Standards. For example, the staff may review company filings from other jurisdictions or discuss the observed practice with the regulator. Common reporting practice that solely represents regulatory reporting requirements or local practices is not added to the IFRS Taxonomy.

Frequency

32. Paragraph 6 of this guide defines IFRS Taxonomy common practice content as IFRS disclosures that are frequently disclosed by entities across various jurisdictions. It follows that the starting point within the selection process is the number of entities within the sample that have reported a particular disclosure. New common practice elements are generally proposed when these elements are reported by at least 10 per cent of entities within the sample.

33. Entities may use different terms to describe the same accounting concept or may present the same accounting concept differently. The economic meaning of the reported concept, rather than the entity-specific naming, is used when determining the frequency of disclosure.

Distinctiveness

34. Distinctiveness means that there is no repetition, i.e. only one IFRS Taxonomy element should exist for each disclosure. When making the decision whether to add a commonly reported element to the IFRS Taxonomy, the IFRS Taxonomy team consider whether entities could use an existing IFRS Taxonomy element.

35. There are is one exception to the 'distinctiveness criterion' which is that equivalent items may be added to accommodate the use of different taxonomy-modelling techniques.

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[6]Where there are no directly related disclosure requirements, the common practice elements are referenced to paragraphs requiring disclosure of additional information, such as paragraphs 55, 85 or 112(c) of IAS 1 *Presentation of Financial Statements*.

Exception — equivalent items

36. The IFRS Taxonomy can use either line items or a combination of line items and members to depict IFRS disclosures[7]. Sometimes, a disclosure can be modelled within the IFRS Taxonomy as both a line item and a member, depending on the location of this disclosure within the IFRS financial statements.

37. New IFRS Taxonomy line items are added for disclosures that are required to be or are commonly presented in the primary financial statements, even when an equivalent member exists within the IFRS Taxonomy. New IFRS Taxonomy members are added for disclosures that are commonly reported as a table in the notes, even when equivalent line items exist within the IFRS Taxonomy. For example, classes of property plant and equipment can be represented by line items in the primary financial statements and by members in a table to show a breakdown or reconciliation in the notes.

38. The IFRS Taxonomy includes these duplicates (or equivalent items) to cater for the need of some regulators who do not permit or may constrain the use of axes for tagging primary financial statements.

Completeness

39. Occasionally, the IFRS Taxonomy common practice content may include elements that do not meet the frequency criterion. These elements may relate to the inclusion of a component element of a breakdown or alternatively provide the aggregate of a breakdown.

Example

40. The following example applies to IFRS Taxonomy common practice elements applicable to entities engaged in media-related activities.

IFRS Taxonomy common practice element	Frequently reported
Revenue from sale of publications	Yes
Circulation revenue (aggregate)	Yes
Subscription circulation revenue	Yes
Non-subscription circulation revenue	No
Revenue from sale of books	No

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[7] These terms are described in detail in the *Guide to Understanding the IFRS Taxonomy Update*

41. Entities engaged in media publication-related activities differ in the way in which they disclose their revenues within the primary financial statements or notes to the primary financial statements. Some may provide a total figure, while others may disaggregate the information. Other entities may only be engaged in one particular activity such as, the sale of books.

42. The elements 'Non-subscription circulation revenue' and 'Revenue from sale of books' were not identified as frequently reported. However, they have been included as a logical breakdown of 'Circulation revenue' and to complete the breakdown of 'Revenue from sale of publications', respectively.

Relevance

43. Stakeholders are asked for their views to determine the importance they place on tagging of specific disclosures. This mainly takes place during public consultation. As stated in paragraph 25, the IFRS Taxonomy team may also engage with external stakeholders during the process to identify and propose common practice content.