

International Financial Reporting Standards Foundation
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Dear IFRS Foundation members

Invitation to comment: Exposure Draft IFRS XBRL Taxonomy 2010

The global organisation of Ernst & Young is pleased to submit comments on the Exposure Draft of the IFRS XBRL Taxonomy 2010.

We appreciate the level of time and effort the IFRS Foundation puts into each version of the IFRS taxonomy and are generally supportive of the content included within the overall taxonomy. In February, Josef Macdonald, in his capacity as an XBRL Quality Review Team (XQRT) member, provided detailed feedback on aspects of the IFRS Taxonomy 2010, in particular financial instrument disclosure elements. For this reason, Ernst & Young is using this opportunity to provide general comments on the IFRS XBRL Taxonomy 2010.

Changes since the IFRS Taxonomy 2009

The IFRS taxonomy is one of the more established XBRL taxonomies in existence, (first published in 2002), and there is a public perception that the changes to the taxonomy will be minimal and centred primarily on changes in the underlying IFRS. In light of its perceived maturity, users view the IFRS taxonomy as stable and, as a result, numerous jurisdictions base their taxonomies on the IFRS taxonomy, with local extensions when necessary.

In 2011 a few high profile applications of the IFRS taxonomy will come into effect with the United Kingdom (UK) HM Revenue & Customs (HMRC) mandate and the United States (US) Securities and Exchange Commission (SEC) rule requiring Foreign Private Issuers using IFRS (as issued by the IASB) to submit XBRL financial statements. In addition, the SEC is due to make a decision in 2011 regarding the use of IFRS by US registrants based on the milestones set out in the SEC proposal, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by US Issuers* (July 2008). One of the milestones to adoption is "improvement in the ability to use interactive data for IFRS reporting" which stipulates that "US issuers would have to be capable of providing IFRS financial statements to the Commission in interactive data format at a greater level of detail than is currently available".

Structural Changes

In reviewing the IFRS Taxonomy 2010, it is clear that, among a series of structural changes, it introduces a wider use of dimensions into its taxonomy architecture. This has resulted in a significant change to the base taxonomy. Specifically in *Appendix B: Changes in concepts*, of the Exposure Draft, paragraph (d) “*extended use of dimensions (axes) [...], resulting in the deprecation of redundant concepts from the IFRS Taxonomy 2009*” includes approximately 22 pages of elements that are no longer within the IFRS Taxonomy 2010. We believe that jurisdictions looking to implement XBRL in the near future will have a significant task to adjust current taxonomies that extend earlier versions of the IFRS taxonomy to conform to the 2010 IFRS taxonomy. That, is, while there is no loss of content, significant rework may be required for taxonomy builders and users who have mapped to earlier IFRS taxonomies.

Albeit a difficult transition for taxonomy builders, consistent with the feedback in our comment letter of 12 March 2009 on the Exposure Draft IFRS XBRL Taxonomy 2009, we believe the addition of dimensions to the taxonomy architecture is a positive step in the alignment of the IFRS taxonomy with other significant taxonomies worldwide.

Fitness for purpose

With the XBRL requirements for companies using IFRS in the UK and US both commencing in 2011, we do not believe the current IFRS taxonomy is fit for purpose to meet the needs of regulators and impacted preparers. The current IFRS Taxonomy 2010 is lacking a richness demanded by regulators, preparers, analysts and investors worldwide.

We note that of the approximately 2,200 concepts included in the IFRS taxonomy 2009 less than 600 concepts were incorporated into the UK -IFRS taxonomy 2009. Further to this, the current UK-IFRS taxonomy was built out to encompass approximately 3,600 concepts (excluding industry extensions) to prepare it for use by companies reporting within the UK.

The current equivalent US GAAP taxonomy contains approximately 13,500 elements (excluding the industry extensions). If the US regulators require a similar level of content (i.e. element granularity) from entities using the IFRS taxonomy it is unclear how the IFRS Taxonomy 2010 will meet the needs of these filers, especially in light of the impending 2011 deadline.

These two examples magnify the issue of comparability among companies using the IFRS taxonomy. A fundamental characteristic of a taxonomy should be its ability to provide comparability between issuers reporting in XML. It is clear that users are not satisfied with the current core of the IFRS taxonomy based on the IFRS bound volumes. The IFRS Foundation needs to assess the qualitative characteristics of the current core taxonomy and delineate a core that will meet the comparability needs across the jurisdictions; we expect this core will be larger than what is included in the IFRS bound volumes.

With significant jurisdictional extensions, the benefits of having “a single set of high-quality globally accepted accounting standards” around the world is undermined by the limited comparability of elements in financial reports filed in XBRL under IFRS worldwide. Consistent with our feedback provided in our comment letter of 12 March 2009, we recommend that

the IFRS Foundation XBRL team focus on making improvements to the IFRS taxonomy developments based on the needs of the preparers as follows:

1. Increase taxonomy content and scope
 - a. IFRS common practice or industry concepts reflecting disclosures and relational structures commonly observed in financial statements in practice
 - b. Descriptions or definitions of concepts
2. Continue to accelerate the alignment of the underlying IFRS taxonomy with other significant taxonomies. We note some progress has been made in this area since the 2009 IFRS Taxonomy.
3. Standardise preparer guidance materials and online support applications and make them more user friendly
4. Provide a more robust development, internal review and external public comment process

In addition, to make the IFRS XBRL Taxonomy fit for purpose, updates to the IFRS taxonomy should be released at the same time as the underlying IFRSs are issued. This would make elements available to early adopters, and not as annual bound volume releases, as is the current practice. Just as each standard is developed at different times independently of the bound volumes, the taxonomy should mimic the development and release of the underlying IFRSs.

Ownership of IFRS core taxonomy and extensions

Consistent with the above point regarding the lack of an acceptable core to the IFRS taxonomy, we believe the Foundation must take ownership over the core IFRS taxonomy. It is imperative that extensions (e.g. jurisdictional and regulatory extensions) developed outside the purview of the Foundation be minor in comparison to the core taxonomy.

Further, the IFRS Foundation must take ownership over the validation and approval of the overall IFRS taxonomy, irrespective of the body put in charge of developing the additional content required to create the core taxonomy. Similar to the role of the Financial Accounting Foundation (FAF) who owns, develops and maintains the US GAAP taxonomy, the IFRS Foundation should be the body to ensure an appropriate IFRS Taxonomy is available for users worldwide. As detailed in the feedback provided in our letter of 12 March 2009, we suggest improving the accountability, support and funding mechanisms of the Foundation's IFRS taxonomy development, review and maintenance function.

Due Process

While we are encouraged by the IFRS Foundation's recent moves to develop a due process for its core IFRS taxonomy development and maintenance, Ernst and Young would like to make a number of suggestions to improve shortcomings in this process:

- A co-development of the taxonomy at the same time as the underlying IFRSs are developed should occur in the future. This will also require a change in the validation process (by exposure draft). This should in future be on an incremental basis.
- The XQRT (which is made up of individuals external to the IFRS Foundation) should not be responsible for "approval" of the IFRS taxonomy (see paragraph 32 of the *Trustee's Due Process Handbook for XBRL Activities*). The IFRS Foundation must assume this responsibility, in a similar way as the IASB is responsible for the approval of the underlying financial reporting standards.

Questions for consideration

In respect of the three questions posed in the Exposure Draft, we note that:

1. The proposed regrouping of sub-classifications in the IFRS Taxonomy 2010 is likely to facilitate more efficient preparer searches, as the presentation of information is more akin to the way a user is accustomed to viewing the data. However, consistent with our earlier comments on the impact of changes to the taxonomy on users, potential rework may be required to vendor search engines, if these are anchored to the structures and groupings in prior versions of the taxonomy.
2. It is appropriate to amend the referencing to include a reference to the different versions of the IFRS, however consistent with our previous feedback - it is not prudent to reference or document an element as "required" as this is likely to be misinterpreted by a user (i.e., that a disclosure and/or item must be tagged).
3. The provision of a deprecated schema separate from the main taxonomy is a source of useful historic information for the user and eliminates confusion over the introduction of new or changed elements. However, it would be helpful if the IFRS Foundation XBRL team also provided details of the changes made or a mapping between the deprecated and new elements.

Summary

It is our recommendation that, with urgency, the IFRS Foundation XBRL team focus its efforts on defining what constitutes a core IFRS taxonomy (e.g., IFRS, common practice and/or industry elements), create a valid tool to maximise the overall comparability of XBRL filings worldwide and meet the requirements of regulators in time for wide mandated use.

Should you wish to discuss the contents of this letter with us, please contact Josef Macdonald (+44 (0)207 980 0112) or James Luke (+44 (0)20 7951 4773).

Yours faithfully

Ernst & Young