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**International
Accounting Standards
Committee Foundation**

This document is provided as a convenience to observers at IASCF meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

IASCF Meeting, 15-16 January 2009

Agenda Paper 7B

IFRS Taxonomy Extensions (Commons) Draft concept

This paper presents a draft concept for an IFRS Taxonomy Extensions Commons¹ (Commons) to be discussed by the members of the IASC Foundation XBRL Advisory Council only and is not intended to be publicly released. This concept is expected to be presented and discussed with the Trustees of the IASC Foundation at their meeting on 15th January 2009.

Executive Summary

It is difficult to use the IFRS taxonomy without extensions but uncoordinated extensions could lead to incomparability.

The purpose of COMMONS is to provide the framework to perform such coordination. The elements are guidance, repository, forum and identification of common concepts.

A panel of experts who are not members or employees of the IASCF or IASB will be asked to contribute to the COMMONS project by identifying the common concepts.

This document describes; the functional and technical requirements, the role of the IASCF XBRL team, the funding and the timeline for COMMONS.

¹ In the context of a knowledge commons, the term is used to mean a resource shared by a group of people (see Hess, C., & Ostrom, E. 2006. *Understanding Knowledge as a Commons*. Cambridge, MA: MIT Press, p. 3 and Tapscott, D., & Williams, A. 2008. *Wikinomics: How Mass Collaboration Changes Everything*. New York: Penguin, pp.163-164).

1. Context

1.1. What is a taxonomy extension?

Taxonomy Extensions are defined as providing tags for “*additional information, which is not specifically listed in IFRS, but is necessary to fulfill the requirements of IFRS principles; for specific industry, local/regional, supervisor, preparer or user needs*”.

We have taken the formal position that the IFRS Taxonomy as developed by IASCF is, and should be, limited to being an XBRL version of the principle-based IFRSs as published by IASB including all effective and early adoption IFRSs (usually called the Bound Volume)². As a result it is anticipated that the need for extensions to the IFRS Taxonomy will arise from three sources:

1. Where, in accordance with IAS 1, additional line items have to be added to statements or to notes whenever it is relevant to understand entity’s financial situation. This is a corollary of the principles-based approach and means that additional elements will be required to reflect (the management’s perspective of) what is important to understand the performance and position of the entity.
2. The need for industry specific concepts. The IASB does not have a policy of developing standards for a broad range of industries. There are limited exceptions such as the standards on insurance contracts, agriculture and mineral resources and the current project on extractive activities³. While any industry specific requirements in the IFRSs will be included in the IFRS taxonomy, it is likely that a significant number of concepts will be required for reporting that are outside of the intended scope of IFRSs⁴.
3. Local, regional, and supervisor requirements. The creation of IFRS taxonomy extensions may be required to meet jurisdiction-specific requirements.

It is expected that within and possibly between these categories of extensions there will emerge common concepts around which adopters may standardize.

1.2. Why is it important

We have observed what follows:

- Some first use cases have shown that it is difficult to use the IFRS taxonomy without extensions, and the risk exists that preparers will draw directly from US GAAP industry extensions which may not meet their needs nor be in line with IFRS standards;
- There are a number of initiatives to provide clear definitions of industry specific standards but none are recognized as ‘Generally Accepted’; and
- Last and probably the most important: multiple and inconsistent extensions development could lead to incomparability. So there is a need for an organization with worldwide recognition to monitor and provide guidance for extensions development. The IASCF XBRL team has been identified by representative stakeholders as an appropriate entity to fulfill this role.

² Unlike the US GAAP approach, the IFRS Taxonomy is not a compendium/recollection of elements from forms (e.g. 10Q) and does not incorporate common practice elements from actual financial statements by industries.

³ <http://www.iasb.org/Current+Projects/IASB+Projects/Extractive+Activities/Summary.htm>

⁴ The appendix to this document provides an indicative list of industries that may serve as a reference point for the COMMONS project.

1.3. Previous discussions

In various previous discussions, including with XAC and some IASB members, several scenarios have been investigated in which the XBRL team would undertake increasing levels of involvement:

1. As a minimum provide IFRS Taxonomy Extensions Guidance, to help the market to build, in a coordinated way, extensions on top of IFRS taxonomy;
2. Provide a link on its web site to industry extensions provided by other parties with no further involvement or acknowledgment;
3. Provide a link on its web site to industry extensions provided by other parties after performing a quality review process;
4. Facilitate and contribute to other parties' extension initiatives before linking these from its web site; and
5. Contribute to and host industry extensions.

At their meeting on 8 October 2008, and considering that the already published IFRS Taxonomy Guide⁵ satisfies option 1, the Trustees of the IASC Foundation recognised:

- The Team as the best party to coordinate and maintain such development; and
- The importance of the issue and firmly supported the proposed clearing system (now referred to as a commons) and option 5 was recommended.

The next section of the document provides a functional and technical description of a solution for dealing with IFRS extensions taxonomies.

2. Proposed solution

2.1. Functional elements

Currently the XBRL team observes (and only observes) a number of efforts which aim to extend the IFRS Taxonomy (for example FINREP, ECCBSO, South African and some other national-local developments). The XBRL team has received feedback that among these extensions there exists common concepts but these are currently maintained separately (i.e. a set of concepts for each extension separated from common set of concepts for the core IFRS taxonomy).

Based on all collected information and after extensive discussions, the proposed solution includes the following elements:

- Guidance;
- Repository;
- Forum; and
- Identification and suggestions for common concepts.

2.1.1. Guidance

IFRS extension taxonomies are currently being built and more will be built in the future. They should be based on clear guidance provided by IASCF XBRL team. The IFRS Taxonomy Guide and especially the Extenders Guide section fulfil this need. This resource will be made available in appropriate sections of the COMMONS system (see below).

⁵ <http://www.iasb.org/News/XBRL/The+IASC+Foundation+publishes+the+IFRS+Taxonomy+Guide.htm>

2.1.2. Repository

The repository is a mechanism that:

- interested groups or individuals can use to make their IFRS extension taxonomies available;
- people adopting an extension taxonomy may use to identify which ones are available (and get an indication of where they are being used); and
- allows users (through their software) to access extension taxonomies referenced in instance documents.

2.1.3. Forum

COMMONS would host a web-based forum environment for people to provide comments on IFRS extension taxonomies. The exchange of ideas among the community may be facilitated through notice boards and/or taxonomy development tools.

2.1.4. Identification and suggestions for common concepts

In common with open source projects, it is necessary to have a co-ordination mechanism. In this case, in order to stimulate standardisation a means for identifying common concepts and placing them in a common extension to the IFRS Taxonomy (which can be later used by other extensions) is required. A broad-based panel of experts in accounting and XBRL would be invited to perform this role for the community on a voluntary basis. The panel will periodically identify, select and suggest common concepts from various taxonomies for the same industry or other classes of extensions.

For example, country 1 is developing an IFRS Taxonomy extension for oil & gas and makes it available on COMMONS. When country 2, who developed an extension for the same industry, also places it on COMMONS, the Expert Panel will be asked to provide advice on the common concepts between the two extensions and to recommend the use of these common concepts. Refinement of this concept and process in a later document needs to consider:

- Composition of the Expert Panel : preparers, regulators (IOSCO, IMF, FSF, others), users (a possible source of candidates is the existing IASB/IASCF Advisory Councils);
- Periodicity of Expert Panel actions;
- Scope of work of the Expert Panel (charter);
- Working procedures for the Expert Panel; and
- Some requirements may be set before extension taxonomies are uploaded to the site.

The outcome of the Expert Panel action is to be strictly limited to IFRS Taxonomy extensions and not related to the core IFRS Taxonomy. The advice on common concepts offered by the expert panel is designed to facilitate community choice and may stimulate *de facto* standardisation, but is not a requirement for IFRS adopters to follow and is not a regulated or legal standardisation (*de jure*). Furthermore the following points should be taken into consideration:

1. What development due process should be followed to ensure discovery of common concepts and collaborative effort? One of the options discussed was to allow Wikipedia-like development with little of control. This is especially important since initial efforts

already have been undertaken in different parts of the world which could be used in order to initiate and speed up the process.

2. How to / who should coordinate the daily activities and could provide resources to manage the project?

2.2. Technical solution

The XAC members suggested developing a common framework for the activities called IFRS Taxonomy Extension Commons (COMMONS). At their meeting on 11 November 2008, XAC stated that the due process for establishing the COMMONS should guarantee that compliance with the IFRS Taxonomy guidelines and the IFRSs is ensured. The four functional elements outlined above are designed to facilitate and monitor the developments to the extent permitted by the scope of the Team's remit.

From the organisational and technical point of view the COMMONS could comprise the following elements:

- A secured web-based collaborative framework (information system) to facilitate the functional expectations described in the previous section;
- Technical experts to provide architecture for the common extension as an extension of the IFRS Taxonomy Guide (this role could be assumed by IASCF XBRL Team followed by the XQRT review);
- A project coordinator to build, coordinate and maintain the system (this role could be assumed by IASCF XBRL Team);
- A website administrator to manage the technical issues and assure its permanent availability; and
- An expert panel comprising of people with appropriate expertise to identify and recommend common concepts in already developed IFRS extensions.

2.3. The role of the IASCF XBRL team

The options for the involvement of the IASCF XBRL team should be considered in the light of the following parameters:

- What XBRL Team initially considered doing:
 - Monitor developments to make sure that extensions developments are aligned (XAC members consider that the XBRL team clearly has the expertise and skills to do that);
 - Provide clear guidance and documentation for extensions development, including best practice;
 - Provide a dedicated section of the website to list the developed extensions, disclaiming the IASCF role in such developments; and
 - Principally and practically, the IASCF should provide a “system” where extensions could be made available by their extensions developers (“repository” concept).
- What XBRL Team initially considered not doing:
 - Be part of the development of extensions; and
 - Approve, certify, comment in any way on such extensions and ensure no extensions could be perceived as approved, endorsed, or recognized by both the IASB and the IASC Foundation.

The involvement of the IASCF XBRL team in each of the four functional elements of COMMONS should be:

- Guidance: the IASCF XBRL team has already released the IFRS Taxonomy Guide, and will keep this guidance up-to-date and will make sure that it is properly communicated and disseminated. The IASCF XBRL team will not assist in the development of extensions;
- Repository: the IASCF XBRL team will provide the technical platform;
- Forum: the IASCF XBRL team will provide the technical platform;
- Selection and suggestion for concepts: the IASCF XBRL team will:
 - Provide assistance for establishing the constitution (membership and charter) of the Expert panel;
 - Provide logistical assistance for letting the Expert panel perform its mission; and
 - but will not take part in the work of the Expert panel.

3. Costs and Funding

<to be discussed>

4. Proposed timeline

The proposed timeline is as follows:

- 11th November 2008: initial discussion with XAC and elaboration of a draft concept
- 15th January 2009: draft concept submitted to Trustees
- 11th March 2009: further discussion with XAC and elaboration of a final concept
- 1st April 2009: final concept submitted to Trustees

Appendix: Indicative Industry List

The following list of industries taken from the US GAAP taxonomy development project indicates the potential for proliferation of extensions and may also serve as a reference point, along with other classifications, for the COMMONS community to consider.

- Agricultural Producers and Agricultural Cooperatives
- Airlines
- Brokers and Dealers in Securities
- Casinos
- Commercial and Industrial
- Common Interest Realty Associations
- Construction Contractors
- Depository and Lending Institutions
- Entities with Oil and Gas Producing Activities
- Health Care Organizations
- Investment Companies
- Life and Health Insurance Companies
- Property and Liabilities Insurance Companies
- Service Organizations

The reflection of these industries in the latest US GAAP taxonomy modules is the following:

- Commercial and Industrial Taxonomy (most companies)
- Banking and Savings Institutions Taxonomy
- Brokers and Dealers Taxonomy
- Insurance Taxonomy
- Real Estate Taxonomy

Other sources of industry classifications include the Dow Jones and FTSE Industry Classification Benchmark.