
IFRS Taxonomy Consultative Group (ITCG) meeting

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| Date | 1 February 2024 |
| Project | Formula Linkbase |
| Topic | Evaluating the IFRS Taxonomy formula linkbase |
| Contacts | Wladek Krawiec (wkrawiec@ifrs.org) |

This paper has been prepared for discussion at a public meeting of the ITCG. This paper does not represent the views of the International Accounting Standards Board (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[®] Accounting Standards.

Objective of the session

1

Provide background information on the IFRS Formula linkbase

2

Describe challenges and opportunities in updating the Formula linkbase.

3

Invite feedback and input from the ITCG members on the future direction of the IFRS formula link base

Background

Definition: XBRL formula is an XBRL standard released in 2009 to add business rule validations in the form of an additional XBRL linkbase.

The purpose of the IFRS formula linkbase is to help improve the data quality of XBRL filings based on the IFRS Taxonomy and to provide additional guidance for those working with XBRL filings which are based on the IFRS Taxonomy.

This linkbase allows validation of certain **business logic rules** included in the IFRS Taxonomy, which cannot be validated using the means provided in the base XBRL 2.1 specification or dimensions specification.

Challenges and opportunities

Opportunities

- **Data Quality Improvement:** The IFRS Formula Linkbase can help improve the data quality of IFRS Taxonomy filings. It provides additional guidance for both technical and financial reporting audiences so that they can better understand the IFRS concepts and their meanings.
- **Validation:** The linkbase can be used to validate certain business logic rules included in the IFRS Taxonomy. This can help preparers avoid reporting wrong values for IFRS Accounting Taxonomy elements.
- **Adaptability:** The IFRS Formula Linkbase is updated annually to reflect changes in the IFRS Accounting Taxonomy. This adaptability allows it to stay relevant and useful over time.

Future considerations for formula linkbase?

Update on the release

- Currently published as an addon (XBRL files) to the annual Accounting Taxonomy.
- No major updates to the IFRS Accounting standards, results in business rules in the formula linkbase that are largely unchanged.
- No IFRS formula linkbase published for the annual IFRS Accounting Taxonomy 2023.*
- Possibility to discontinue formula linkbase for Accounting Taxonomy.



Reasons

Allocating excessive resources to products that ultimately remain unused.

Companies implement and maintain their own XBRL validations.

Validations serve as a guide, yet their reusability is limited due to user-unfriendly design.

* - Update was dropped due to time constraints in favour of other priority activities

Challenges and opportunities – continued.

Challenges

- **Quality and Reusability:** The XBRL Formula Linkbase can sometimes face issues related to quality and reusability. For example, static extended link roles (ELRs) pointing to the IFRS Accounting Taxonomy ELRs can be difficult to reuse.
- **Complexity:** The technical structure of the IFRS Formula Linkbase can be complex, which might pose a challenge for users who are not familiar with it.
- **High Costs:** The process of updating the IFRS Formula linkbase to align with the latest version of the IFRS Accounting Taxonomy is resource-intensive, requiring 4-5 weeks of dedicated effort. This substantial investment is required even when there may not be any significant changes introduced within the taxonomy.

Options for the future

Option 1

Continue updating on annual basis, although it costs a lot of resources.

Option 2

Directing resources to more critical activities. Change in publication frequency and delivery format:

1. Update every 3-4 years; and
2. Provide business rules only in an excel format.

Option 3

Stop providing XBRL validations for the annual Accounting Taxonomy.

Staff recommendation

The Staff favours **Option 2**.

In an effort to optimise resource allocation, we propose a shift in the update cycle for the IFRS Formula Linkbase. Instead of adhering to an annual update schedule, we suggest extending this period to a **3–4-year cycle**.

This adjustment would coincide with major taxonomy updates that necessitate significant changes to business validation rules. Consequently, this would liberate resources to concentrate on pivotal tasks related to the IFRS Accounting and Sustainability Taxonomies.

Staff recommendation – continued.

Furthermore, we propose transitioning from publishing business rules in an XBRL Formula Linkbase to **an Excel-only format**. This change aims to address the quality and reusability issues often associated with the XBRL Formula Linkbase, thereby enhancing the efficiency and effectiveness of our processes.

Questions?



Questions to ITCG members

Question 1 Do you agree with the staff recommendation? Yes/No – please explain why do you agree/disagree?

Question 2 What are the potential challenges we might face by changing the frequency and in transitioning to an Excel-only format?

Question 3 Are you aware of anyone that uses the Formula Linkbase? Will our proposed approach have an impact on the quality of digital financial reports?

Question 4 Do you have any other suggestions that we should consider for works related to the IFRS Formula linkbase?

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