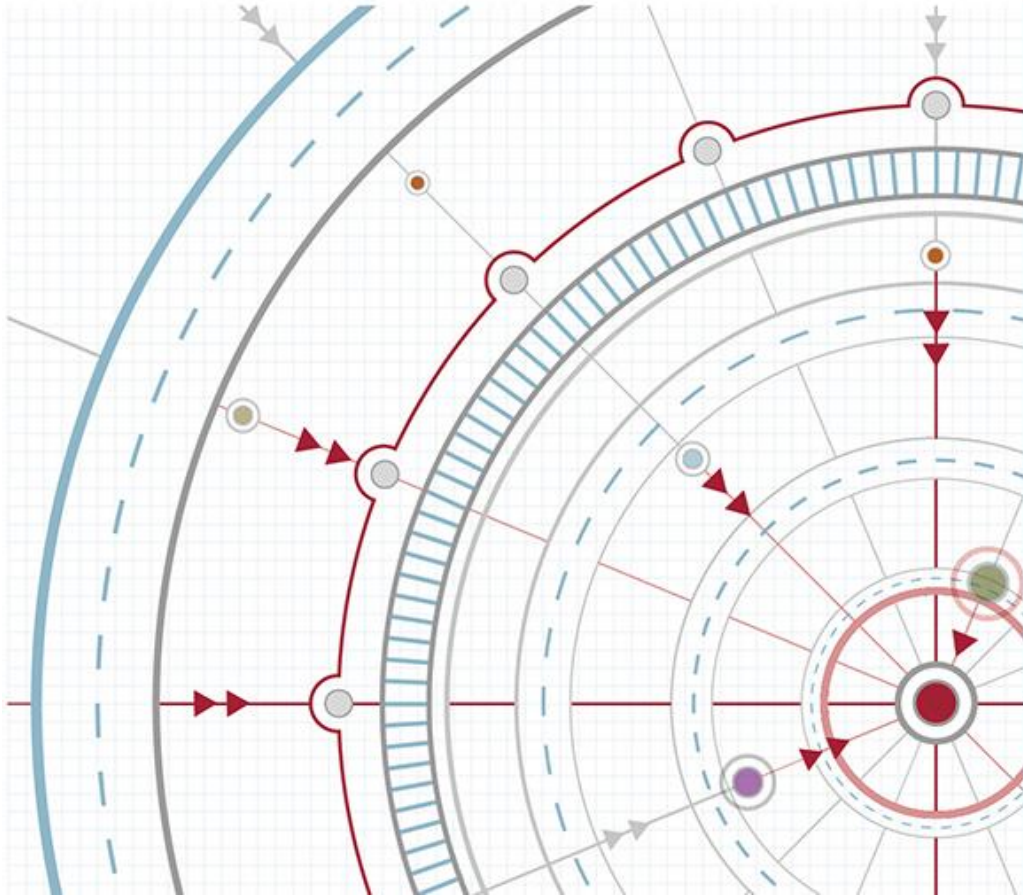


20 September 2018

IFRS® Foundation



IFRS® Taxonomy 2018— Proposed Update 1 *Common Practice* *IFRS 13 Fair Value Measurement*

A high-level overview

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Background

How does the IFRS Taxonomy reflect common reporting practice?

IFRS Taxonomy elements

presentation and disclosure requirements in IFRS Standards

examples in IFRS Standards or accompanying materials

common reporting practice



Objective

reduces the need for entities and regulators to create their own taxonomy elements (extensions)



makes tagging of IFRS financial statements more consistent

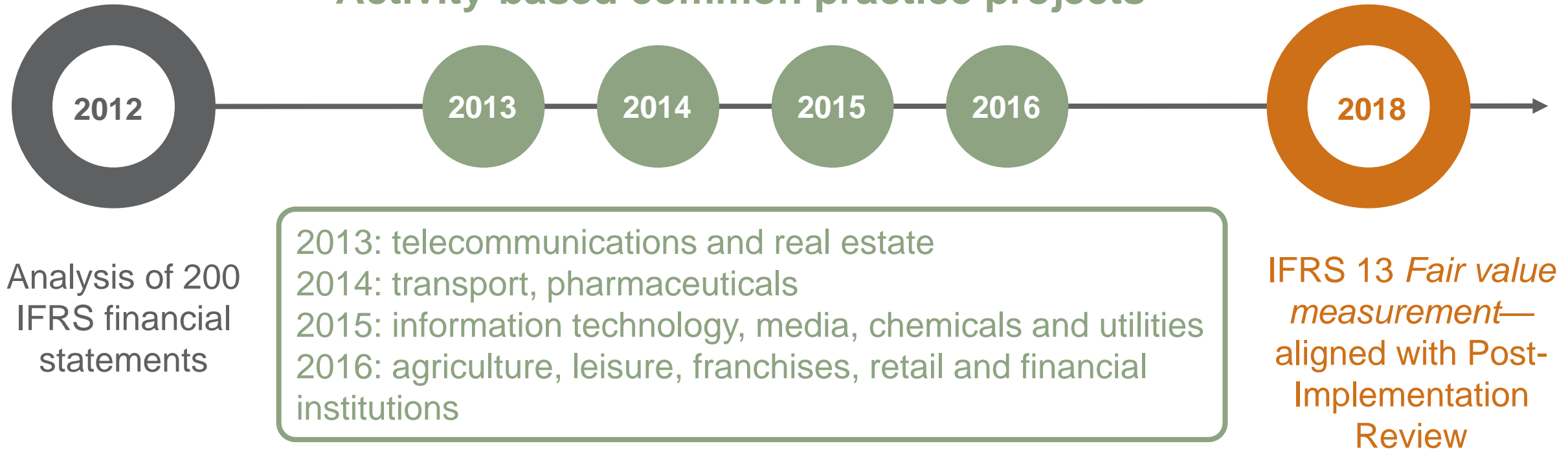


makes the data easier for users to consume



How have common practice projects evolved?

Activity-based common practice projects



Project timeline—past

April – July 2018

August 2018

September 2018



Discussions with IFRS Taxonomy Review Panel



Discussions with IFRS Taxonomy Consultative Group in April, June & July 2018



IFRS Taxonomy Review Panel & IFRS Taxonomy Consultative Group review draft of Proposed IFRS Taxonomy Update and IFRS Taxonomy files



IFRS Taxonomy Consultative Group call to summarise changes after review



Staff finalise Proposed IFRS Taxonomy Update

Proposed IFRS Taxonomy Updates related to common practice are **reviewed, but not approved**, by the IFRS Taxonomy Review Panel.

Project timeline—next steps

September – November 2018

November – December 2018

January – March 2019

Comment period (60 days)



Publication of Proposed IFRS Taxonomy Update, IFRS Taxonomy files & supporting materials:

- elements with documentation labels in Excel file
- IFRS Taxonomy Illustrated in PDF
- Versioning report in HTML (comparison between IFRS Taxonomies)



Staff analyse comment letters and other feedback received



IFRS Taxonomy Review Panel and ITCG discuss any follow-up issues



Staff finalise IFRS Taxonomy Update



Publication of final IFRS Taxonomy Update and supporting materials

IFRS Taxonomy building blocks

Line items

represent **accounting concepts**

for example, 'Revenue from contracts with customers'

Axes & members

are **information categories** used to disaggregate accounting concepts

for example, axis and members for segments

Tables*

are **logical groups** of line items, axes and members

for example, table and table text block reflecting requirement to disaggregate revenue

* All tables in the IFRS Taxonomy have associated **table text blocks** that allow tagging of the entire table with a single tag.

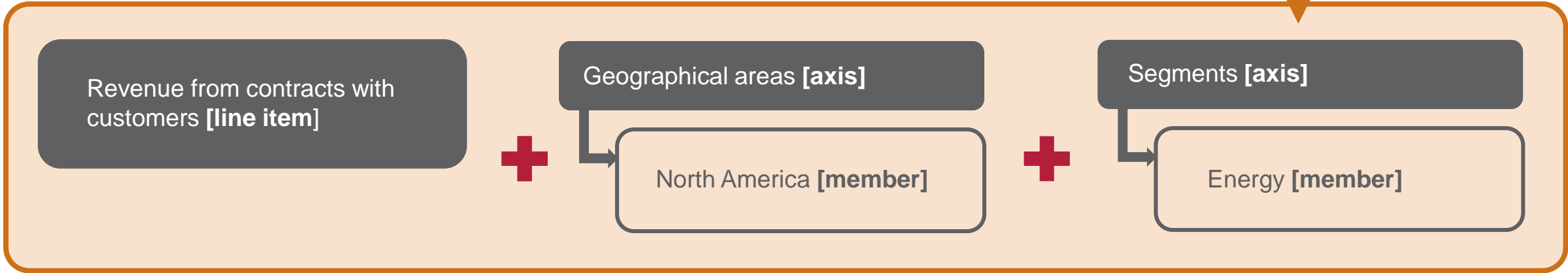
IFRS Taxonomy terminology—example

Extract from Illustrative Example (IFRS 15.IE211)

Disaggregation of revenue

Segments	Consumer products	Transport	Energy	Total
	CU	CU	CU	CU
<u>Primary geographical markets</u>				
North America	990	2,250	5,250	8,490
Europe	300	750	1,000	2,050
Asia	700	260	—	960
	<u>1,990</u>	<u>3,260</u>	<u>6,250</u>	<u>11,500</u>

Disclosure of disaggregation of revenue from contracts with customers [table text block]





① Sensitivity of fair value measurement to changes in unobservable inputs

Sensitivity analysis



- Example of a quantitative sensitivity analysis disaggregated by input:

Asset/ liability class	Unobservable input	Change in unobservable input	Effect on fair value
Asset class A	Discount rate	Increase by 5%	(CU3,000)
		Decrease by 5%	CU2,800
	Expected cash flows	Increase by 1%	CU2,100
		Decrease by 1%	(CU2,000)
Asset class B
Liability class C

Proposed changes—sensitivity analysis (1)

 Common reporting practice	 Proposed change	
1.1	Entities commonly disclose the sensitivity analysis separately from other disclosures related to fair value measurement.	adding a new table and text block element for the sensitivity analysis—to allow easier extraction and analysis of sensitivity information separately from other disclosures.
1.2	Entities commonly disclose quantitative and narrative sensitivity analyses disaggregated by unobservable input.	adding a new axis and members for unobservable inputs.
1.3	Entities commonly quantify the change in inputs used to calculate the effect on fair value.	adding new line items to quantify the reasonably possible change in unobservable inputs.

Proposed changes—sensitivity analysis (2)

 Common reporting practice	 Proposed change
1.4 When quantitative sensitivity analyses are disaggregated by input, entities commonly disclose whether the change in fair value is due to an increase or a decrease in inputs.	adding new line items for the change in fair value measurement that capture whether it was caused by an increase or a decrease in inputs.
1.5 Entities commonly distinguish between the effect on fair value recognised in profit or loss and the effect on fair value recognised in other comprehensive income.	adding new line items for the change in fair value to distinguish between the effect on profit or loss and the effect on other comprehensive income. We propose such line items also distinguish between the effect before tax and after tax to avoid ambiguity.

② Quantitative information about significant unobservable inputs used in fair value measurement



Quantitative information about significant unobservable inputs

- Extract (simplified) from Illustrative Example (IFRS 13.IE63):



Description of asset/liability	Valuation technique(s)	Unobservable input	Value
Other equity securities: healthcare	Discounted cash flow	Weighted average cost of capital	2.1%
		Long-term revenue growth rate	4.2%
...





Proposed changes—quantitative information about significant unobservable inputs

	 Common reporting practice	 Proposed change
2.1	Entities commonly disclose quantitative information about discount rates, rent, capitalisation rates and credit spreads used as inputs in fair value measurements.	adding new line items for those significant unobservable inputs—to avoid entities creating extensions for commonly used inputs.
2.2	Entities disclose quantitative information for many different inputs. Consequently, we expect entities to create many extensions for unobservable inputs.	changing the data model to use an axis and members rather than line items—to support easier consumption of extensions for inputs that are not common.

③ Other proposed improvements

 Common reporting practice	 Proposed change	
3.1	Entities commonly use the net asset value and income capitalisation techniques when measuring fair value.	adding new members to the existing 'Valuation techniques used in fair value measurement' axis.
3.2	Entities commonly provide separate fair value disclosures for contingent consideration and derivative liabilities.	adding a new member and an existing member to the existing 'Classes of liabilities' axis.

Other proposed changes (2)

	 Common reporting practice	 Proposed change
3.3	Entities commonly present the effect of changes in exchange rates in a separate line item in the reconciliation.	adding new line items for the reconciliation from opening to closing balance of fair value measurements.
3.4	Entities commonly disclose a narrative statement that there were no transfers: (a) between Level 1 and Level 2 of the fair value hierarchy; or (b) between any levels of the fair value hierarchy.	adding new line items for transfers between levels of the fair value hierarchy.

How to comment

- We would prefer to receive your comments electronically; however, comments can be submitted using any of the following methods:

Electronically	Visit the 'Open for comment' page at: http://go.ifrs.org/open-for-comment
By email	Send comments to: commentletters@ifrs.org
By post	IFRS Foundation Columbus Building 7 Westferry Circus Canary Wharf London, E14 4HD United Kingdom

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