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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 Trustees Meeting

1-2 April 2009

Agenda Paper 7B

Preliminary Views on the IFRS Taxonomy Extensions

EXECUTIVE SUMMARY

The annual IFRS taxonomy reflects the IFRSs as published by the IASB in the annual Bound Volume. However, although all industry-specific disclosure requirements in IFRSs are included in the IFRS Taxonomy, particular industries may demand additional reporting items and ensure better comparability. There is therefore a need for a role. The IASC Foundation XBRL team has been identified by representative stakeholders as appropriate to fulfil this role.

If Trustees agree with the Preliminary Views presented here, a detailed paper will be prepared and submitted later this year, probably at the July meeting.

BACKGROUND

1. The mission of the IASC Foundation XBRL team, since its creation in 2001, has been to develop the IFRS Taxonomy as a framework for the consistent adoption and implementation of IFRSs. The annual IFRS taxonomy reflects the IFRSs as published by the IASB in the annual Bound Volume. However, although all industry-specific disclosure requirements in IFRSs are included in the IFRS Taxonomy, particular industries may require additional reporting items to disclose and explain their financial position and performance to assist users of financial information.
2. IAS 1 *Presentation of Financial Statements*, contemplates that additional line items may be required in statements or additional disclosures given in the notes to help users to understand an entity's financial situation. This is a corollary of the principle-based approach: information in addition to the minimum prescribed items may be necessary

to reflect (management's perspective of) what is important in order to understand the performance and position of the entity. The need for extensions to the IFRS Taxonomy arises from three sources:

- (a) need for industry-specific reporting items. Generally, the IASB does not develop standards for a particular industry or sector, though the following standards could be considered exceptions: IFRS 4 *Insurance Contracts*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 41 *Agriculture* and the current IASB project on extractive activities.
 - (b) jurisdictional or regulatory requirements. The creation of additional reporting items may be required to meet the specific requirements of different jurisdictions and regulators.
 - (c) entity-specific requirements. The creation of additional reporting items may be required to understand a particular entity's financial situation.
3. In the absence of such formally approved reporting items by the IASB, stakeholders around the world have started to develop extensions to the IFRS Taxonomy, raising the concern that multiple and conflicting extension development could lead to inconsistencies and incomparability. There are a number of examples where such inconsistencies could arise and these are detailed in Appendix 1.
 4. Consistent with the objective of improved comparability, many stakeholders have called for an impartial, globally recognised organisation to monitor and provide guidance on extension development. The IASC Foundation XBRL team has been identified by representative stakeholders as appropriate to fulfil this role.
 5. The need to augment the IFRS Taxonomy with a greater number of reporting items (especially for common practice disclosures of specific industries) has been discussed—usually by referring to IFRS Taxonomy extensions—with various stakeholders (IASC Foundation Trustees, the IASB and the IASC Foundation XBRL Advisory Council (XAC)). In the light of the advice given by those three bodies and reflecting topics discussed by them, this document presents initial points for consideration and discussion.

DEFINITION OF EXTENSIONS

6. IFRS Taxonomy extensions, as potentially developed by IASC Foundation, are common practice reporting items that, although not explicitly named, are addressed in IFRSs as additional and relevant disclosures: for example disclosures specific to the mining and exploration industry or for financial institutions. Disclosure requirements of any regulator, jurisdiction or entity that are not clearly associated with the requirements of IFRSs are not part of the IFRS Taxonomy extensions.

OBJECTIVE AND SCOPE

7. The objective of the XBRL team in relation to IFRS extensions is to provide a comprehensive consistent set of broadly accepted common practice reporting items derived mainly from industry-specific business activities. IFRS Taxonomy extensions will contribute to increased comparability of XBRL-reports based on the IFRS Taxonomy. Although the XBRL team will aim to provide a set of reporting items as comprehensive as possible, there are limitations that should be acknowledged.
8. The scope of the XBRL team's activities is intended to include IFRS Taxonomy extensions of common reporting items presented in financial statements, the notes and

the management commentary. For example, Revenue per square meter and Market risk analysis which are reported in the management commentary will be included.

RESPONSIBILITIES AND PROCESS

9. The current mission statement of the XBRL team is to *create and provide a framework for consistent adoption and implementation of IFRSs with a high quality IASCF-developed IFRS Taxonomy in the same languages and at the same time as the annual Bound Volume of the IFRSs*. The XBRL team has built and operates within this framework for the production and maintenance of the core IFRS Taxonomy. XBRL remains part of the adoption and implementation strategy of the IASC Foundation and is integrated with the development of IFRSs. However in addition to developing the core IFRS Taxonomy the XBRL team shall also be responsible for developing IFRS Taxonomy extensions. This would be an extension of, rather than a departure from, the team's current mission statement though the team's active role in the development of the IFRS Taxonomy extensions may require adjustments to the team's strategy, due process and budget.
10. The illustrative process for the development of the IFRS Taxonomy extensions should consist of following stages:
 - (a) Collecting information: information sources to be considered for industry-specific reporting items include financial statements, analytical databases, knowledge bases of accounting firms, industrial charts of accounts, existing IFRS Taxonomy extensions and others. The team will seek to proactively engage with representatives of each industry to seek input and raise awareness of the extensions project.
 - (b) Analysis and identification: from the collated information the XBRL team will identify common practice reporting items in line with IFRSs and classify them according to a given industry (or industries).
 - (c) Further stages of the IFRS Taxonomy development will be in line with the stages stated in the Due Process Handbook for XBRL Activities, these being planning and analysis, technology evaluation, taxonomy building, review of taxonomy drafts, and taxonomy publication and maintenance.
11. Currently the FASB is involved in the process of developing, reviewing and maintaining the US GAAP taxonomy. The FASB technical staff conducts reviews and provides commentary to the taxonomy development team. The FASB also initiates and approves all changes to the US GAAP taxonomy for new and modified accounting standards. Although the XBRL team considers that there is potential for the core IFRS Taxonomy to be endorsed by the IASB, this is not foreseen for the IFRS Taxonomy extensions. Therefore, IFRS Taxonomy Extensions should in no way be perceived as accounting standards outside IFRSs.
12. Comparing the development of the IFRS Taxonomy extensions to similar activities in the US or in Japan there is a significant challenge resulting from the international adoption of the IFRSs. While the US or Japanese initiatives for identifying common reporting items considered local requirements only (as both were strongly driven by regulatory needs) the IFRS Taxonomy extensions development shall consider global outreach of the final result. This requires the XBRL team to collect information to analyse commonly reported items from an appropriate range of industries, and also to consider differences resulting from geographical spread. For example analysis of common reporting items for the mining and exploration industry cannot only consider

a single jurisdiction view (for example Canada) but shall take into consideration other approaches (for example Australia and Republic of South Africa).

13. Today, the XBRL team is cooperating with the Translation team of the IASC Foundation in order to provide translations of the core IFRS Taxonomy, which are based on translations of the Bound Volume for a given language. It is not expected that such translations for commonly reported concepts will be performed.

RESULT

14. The result of the XBRL team's activities with regards to the IFRS Taxonomy extensions will be a consistent and comprehensive set of reporting items that allow for reporting common practice derived from industry-specific business activities. Physically, the IFRS Taxonomy extensions will consist of a set of XBRL files.
15. IFRS Taxonomy extensions will reduce the number of entity-specific extensions and therefore facilitate commonality across different industries when filing using the IFRS Taxonomy. The organisational framework for managing the IFRS Taxonomy extensions shall be specifically designed according to a selected classification of industries. The selected classification of industries shall be modular in order to enhance reporting of entities from a given industry, as well as conglomerates requiring reporting items from more than one industry.

ORGANISATION AND COSTS

16. The XBRL team's initial mission is to develop the core IFRS Taxonomy. This has been defined as scalable and manageable with defined resources. The involvement of the XBRL team in development of the IFRS Taxonomy extensions will require in-depth analysis of the exact scope of the new activities. The XBRL team anticipates the following human resource requirements for the development of the IFRS Taxonomy extensions:
 - (a) Project management staff: the development of the IFRS Taxonomy extensions will require coordination of a number of data sources for the identification and analysis of the common reporting items. Further effort is required to continuously monitor and maintain this knowledge base and respectively update the IFRS Taxonomy extensions.
 - (b) Accountants: the conceptual analysis of the information sources requires expertise in accounting, and specifically in different industries.
 - (c) Investors/analysts: the identification of common reporting items will require judicious decision-making on the use of financial information tagged by the means of such item. As the primary users of financial information investors/analysts shall play a vital role in making these decisions.
 - (d) IT/Technology: development of the IFRS Taxonomy extensions requires a significant effort on the technology side. In particular, the development and maintenance of XBRL tools, and the implementation of the XBRL specifications for the IFRS Taxonomy extensions.

The contractual aspect of expanding the human resources base will comprise of a mix of full time staff and external (outsourced) resources. Also secondments will be considered, in particular for acquiring resources/expert knowledge for a specific industry.

17. In order to provide taxonomy development in a controlled environment with a greater number of staff the XBRL team shall implement an IFRS Taxonomy (and extensions) development and management platform.

TIMELINE

18. This document presents preliminary views to be approved by Trustees at their meeting in April 2009. If Trustees approved these preliminary views, a detailed paper will be prepared and submit to them later this year, probably at the July meeting. Here is the tentative timeline for these preliminary views
 - 11 March 2009: discussion with XAC
 - 17 March 2009: discussion with IASB
 - March-April-May 2009: development of an approach with IASB
 - June 2009: Review of proposed approach with the Due Process Oversight Committee
 - 7 July 2009: Approval of approach by Trustees

Appendix 1: Conflicts in taxonomy development

Three illustrative examples of the development of IFRS Taxonomy extensions and potential conflict are provided below.

1. European financial institutions sector

The Committee of European Banking Supervisors has developed the Financial Reporting (FINREP) taxonomy as an extension to the IFRS Taxonomy for financial institutions reporting to supervisors and its use is required in over 12 member states of the EU. The FINREP taxonomy contains specific reporting requirements of the regulators and a number of reporting items which are common for financial institutions. The Microfinance Exchange (MIX) developed its own IFRS Taxonomy extension to serve the reporting requirements of microfinance institutions. The MIX extension which was developed separately to FINREP contains reporting items in common with the FINREP extension. These items are commonly reported by financial institutions in accordance with the IFRSs, but are represented differently.

2. European non-financial institutions

At least eight of European countries mandate or allows XBRL filing for non-financial entities (especially to business registers or securities supervision). In most of these countries a project committee for the development of the extensions to the IFRS Taxonomy has been established. Such initiatives are currently only co-ordinated on an ad hoc basis through the efforts of XBRL Europe to improve communication. Examples of countries where extensions to the IFRS Taxonomy are advanced are Spain, Italy, France, UK, Ireland, Germany and Poland.

3. The United States and Japan

The approach adopted in the United States to the inclusion of a broad range of elements in the US GAAP taxonomy means that companies based in the US will expect a more comprehensive coverage in IFRS taxonomies. The US SEC's release of the final rule on the Interactive Data to Improve Financial Reporting on 30 January 2009 mandated XBRL filing according to the US GAAP and the IFRS taxonomies. The US GAAP taxonomy in addition to the concepts reflecting the disclosure requirements of FASB or US SEC, contains a number of items commonly reported under US GAAP. This creates a significant discrepancy in the comparability of tagged financial information that may be achieved among companies filing according to the US GAAP taxonomy compared to the comparability that may be achieved using the core IFRS Taxonomy. Without a legitimate source for the common reporting elements in an IFRS extension, individual companies would need to create their own extensions for the common elements as well as individual company elements. It is anticipated that the US SEC will require a greater number of concepts in the IFRS Taxonomy to address the needs of preparers, investors and analysts for comparability at a level that is consistent with the US GAAP taxonomy. Additionally the US GAAP taxonomy organises the commonly reported items in five industry groups (Commercial and Industrial Companies, Real Estate, Banking and Saving Institutions, Insurance Companies and Broker and Dealers in Securities) which allows for easier adaptation of the taxonomy for preparers.