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Topic **IASC Foundation XBRL Activities**
XBRL and IFRS

Introduction

1. XBRL acceptance around the world is growing. However, it is worth noting that the Trustees of the IASC Foundation made the decision as long ago as 2001 to initiate XBRL activities to provide stakeholders with a high-quality XBRL version of the IFRSs.
2. This paper has been prepared for the IASB Standards Advisory Council to provide its members with a description of the IASC Foundation's XBRL activities, and the potential impact of XBRL on the activities of the IASB. The aim of this paper, and the subsequent discussion during the meeting, is to answer the following questions:
 - (a) Why is there an XBRL initiative at the IASC Foundation, and why is it relevant to the IASB and to IFRSs?
 - (b) What are the IASC Foundation's XBRL activities?
 - (c) What interaction is there between the IASB and the IASC Foundation XBRL team?
 - (d) Why are IFRS Taxonomy Extensions important?

XBRL at the IASC Foundation and IASB

3. The IASC Foundation XBRL team is responsible for the development of the XBRL version of the IFRSs, known as the IFRS Taxonomy. Its mission statement is to create and provide a framework for the 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 IFRSs. The

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mission of the XBRL team is part of the adoption and implementation strategy of the IASCF, and is integrated with the development of IFRSs.

Activities and deliverables

4. The activities and the deliverables of the IASC Foundation XBRL team can be summarised as follows:
 - (a) The IFRS Taxonomy, consistent with both the IFRSs and the IFRS for SMEs.
 - (b) Translations of the IFRS Taxonomy: for the 2009 version translations are available in Arabic, Chinese, Dutch, French, German, Italian, Japanese, Korean and Spanish.¹
 - (c) Support materials, which currently include.
 - (i) *The IFRS Taxonomy Guide*, for issuers and preparers, analysts, accountants, regulators, software vendors and service providers.
 - (ii) *The IFRS Taxonomy Illustrated*, which presents a simplified view of the Taxonomy in an easy-to-read, visual format, in non-technical language.
 - (iii) The IFRS Taxonomy Modules Manager, an online tool which helps users to navigate and customise the Taxonomy according to their requirements.
 - (d) Outreach activities to national jurisdictions, regulators and supervisors, issuers and preparers, and software vendors in order to ease the implementation of the IFRS Taxonomy.
5. All deliverables - including the IFRS Taxonomy - are freely and publicly available from the IASB website.²

¹ The Japanese translation is expected in April 2010.

² <http://www.iasb.org/XBRL/XBRL.htm>

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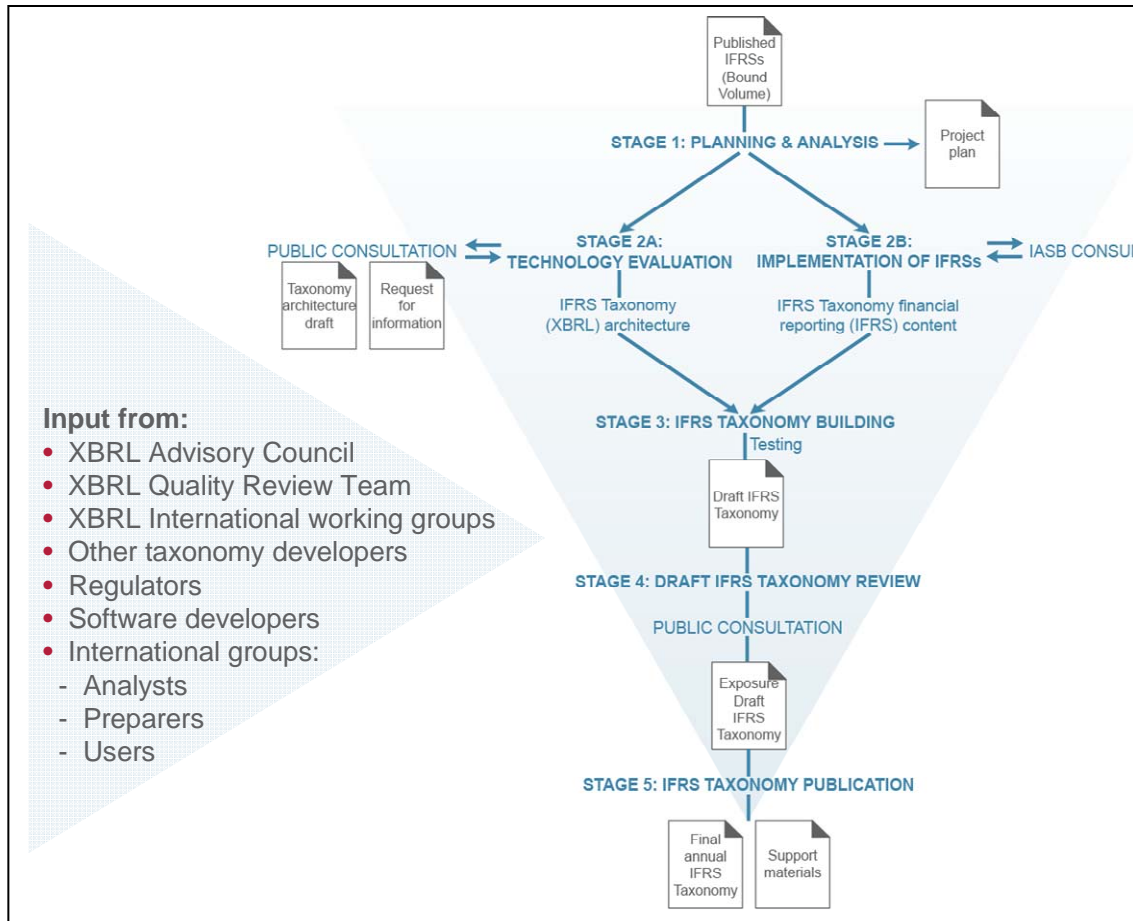
6. The IFRS Taxonomy developed by the IASC Foundation XBRL team consists of a set of XBRL files, and is the XBRL representation of IFRSs, including International Accounting Standards (IASs) and Interpretations, issued by the IASB. The Taxonomy is developed according to the IFRSs approved each year by the IASB, which appear in the form of the Bound Volume of IFRSs as at the beginning of a calendar year. The Taxonomy also includes IFRSs that are effective at the time of the release of the final annual Taxonomy, but that were superseded in the Bound Volume of IFRSs.

Due process and quality assurance

7. Upon the request of the Trustees, the XBRL activities conducted at the IASC Foundation have been documented, and are now performed according to a formal Due Process for XBRL Activities, which was approved by the Trustees in October 2009. The IASC Foundation's XBRL activities are now periodically reviewed by the Trustees' Due Process Oversight Committee.
8. The due process for the development of the IFRS Taxonomy comprises the following stages: planning and analysis, technology evaluation, implementation of IFRSs, taxonomy building, review of taxonomy drafts, and taxonomy publication and maintenance. The technology evaluation (2a) stage and implementation of IFRSs (2b) stage occur in parallel with each other, after the planning and analysis stage.
9. Generally, a single Taxonomy development cycle is one year, and is aligned with the publication cycle of the Bound Volume of IFRSs.
10. The XBRL team is supported by two external committees: the XBRL Advisory Council (XAC) and the XBRL Quality Review Team (XQRT). The XAC provides strategic advice on XBRL activities. The XQRT conducts reviews of developed taxonomies in order to achieve the highest level of quality. Its reviews do this by providing input and offering practical recommendations on the usability of the Taxonomy, from both a technology and a financial reporting perspective.

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11. The following snapshot illustrates the different stages of the taxonomy development due process.



Relationship with the IASB

12. The issue of closer integration with the IASB stems partly from the issue of quality assurance—ie it is perceived that the financial reporting content of the IFRS Taxonomy would be best assured if the IASB were involved in its development. It also stems from the growing realisation that the standard-setting process is evolving and that the traditional ‘paper’ approach could be supported by the ‘digital’ approach. The development of the IFRS Taxonomy and the technology involved enables analysis of the IFRSs not only in minute detail, but also as a larger whole, offering more insights than might be offered when considering each IFRS in turn. This could potentially benefit the IASB and its technical staff in the standard-setting process. Closer integration

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of the IASB technical staff and the XBRL Team is now an objective, and the following steps have been taken to improve this liaison. However, further work is required.

- (a) Since July 2009, the XBRL Team has held regular meetings with the XBRL Board Advisory - which includes six Board members, the Director of Technical Activities and the COO - to seek advice on its activities, such as the implementation of IFRSs in the IFRS Taxonomy, the IASB work plan (ie Financial Statement Presentation), extensions, etc.
- (b) When relevant, and when agreed with the Board Advisory, the XBRL Team has provided updates to the full IASB.

IFRS Taxonomy adoption

- 13. There is an emerging link between XBRL adoption and IFRS adoption. In order to demonstrate the growing acceptance of IFRSs with XBRL, and the criticality of the quality of the IFRS Taxonomy, a world map with some of the key IFRS-XBRL projects around the world is provided in the following Appendix.
- 14. The *XBRL Update* newsletter provides a comprehensive overview of recent XBRL projects around the world. A hard copy will be provided to SAC members during the meeting.

IFRS and the IFRS Taxonomy

- 15. Each version of the IFRS Taxonomy captures the equivalent annual Bound Volume of IFRSs.³ The elements in the taxonomy draw upon the terms and requirements in IFRSs.

³ Starting this year, the IASB is publishing two versions of the Bound Volume. The *Blue Book* is a consolidated text prepared on the basis that none of the IFRSs issued have been adopted early—eg IFRS 9 *Financial Instruments* is not included in the 2010 version because it has a mandatory effective date of 1 January 2013. The *Red Book* (which has been our traditional Bound Volume) assumes that all

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16. To illustrate this point, consider *property, plant and equipment* (PP&E). The IFRS taxonomy specifies, among other things, elements for **total** cost and **total** accumulated depreciation for PP&E. The taxonomy also specifies some *children* of these elements, by identifying some specific classes of PP&E (each with the same element structure as for total PP&E).⁴ In creating the taxonomy the classes were limited to classes mentioned in IFRSs. Even then, the taxonomy identifies these as *common practice* elements. There is, for example, no requirement to have *motor vehicles* as a class of PP&E, but it is referred to as a possible class by IAS 16. The purpose of designing the taxonomy in this way was to ensure that an element in the taxonomy could be traced to a reference in the Bound Volume. This ensures the integrity of the taxonomy and reduces the risk of the taxonomy defining IFRS requirements. Instead, IFRSs define the taxonomy.
17. The US GAAP taxonomy was designed using a different approach. Financial statements and other references were used to identify common practice. As a consequence, the *core* US GAAP taxonomy has many more elements than the IFRS taxonomy. An example is *shipping containers*, for which there are elements as a class of PP&E in US GAAP. There is no requirement in US GAAP to disclose or define shipping containers as a class of PP&E, but it is included because it was identified in the documents used to create the US GAAP taxonomy. The IFRS taxonomy does not have equivalent elements.
18. The most recent experience with XBRL filings indicates that filers had to generate entity-specific extensions (ie elements created by the companies filing) whether they were using the IFRS or US GAAP taxonomies. In other words, neither taxonomy provides a complete set of elements. It also seems that there were just as many extensions using the US GAAP taxonomy as there are with the IFRS taxonomy.

IFRSs issued at 1 January are adopted early—IFRS 9 will be included, but not the sections of IAS 39 it is replacing.

⁴ Total PP&E and each class of PP&E each have approximately 125 elements (cost, accumulated depreciation, gain on disposal etc).

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19. We know that entity-specific extensions potentially undermine the goal of creating equivalent and exchangeable data. It is with this in mind that the IASCF has been developing an approach to creating extensions that will capture common practice, thus reducing the need for entities to create their own elements. The extensions project would create an expanded set of elements under the umbrella of the IFRS requirements. One way to think of this is that the IFRS taxonomy defines all of the parents and their children. The extensions define the children of the children.

IFRS Taxonomy Extensions

20. The IFRS Taxonomy 2009 contains approximately 2,700 elements (tags) representing concepts from the Bound Volume of IFRSs.⁵ The IFRSs do not include common-practice or industry-specific disclosure concepts, and therefore such disclosures are not included in the IFRS Taxonomy.
21. A number of stakeholders (including regulators and analysts) have requested that the IASC Foundation should consider providing such concepts (in addition to the concepts currently available in the IFRS Taxonomy) in the form of IFRS Taxonomy Extensions. These stakeholders recognise the risks arising from the uncoordinated development of IFRS taxonomy extensions by different parties across the world, with the main concern being non-comparability of data that results from a proliferation of tags for the same concept. After consultation and careful consideration, it has been decided to recommend that the IASC Foundation should not undertake the development of IFRS Taxonomy Extensions on its own. The reasons for this recommendation are:
- (a) resource constraints;

⁵ The final release of the IFRS Taxonomy 2010 is expected to contain about 1,900 elements. The main reason for the drop in the number of elements is the use of *dimensions* to capture elements that have a structure that is replicated many times (such as the sub-elements of each class of property, plant and equipment). It is a more efficient way to capture the elements, which improves its usability without decreasing the number of elements available to a user.

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- (b) to avoid compromising the IASC Foundation's other XBRL activities (namely the continual maintenance of the IFRS Taxonomy); and
 - (c) to ensure that the extensions meet the needs of all stakeholders, and that the extensions have independent authoritative support.
22. At its last meeting, the Trustees approved the decision to allow the XBRL Team to prepare a Business Plan, and to initiate contacts for a collaborative IFRS Taxonomy extension development initiative – the so-called Extensions External Experts Panel (EEEP).
23. After a few initial contacts, it was confirmed that there is high interest in this topic, and that a meeting could help in sharing views and to make progress. As a result, a first round table was held on 12 December 2009 and was attended (in person or by videoconference) by representatives of:
- (a) Regulators and supervisors, including China Securities Regulatory Commission (CSRC), Commission of European Banking Supervisors (CEBS), European Commission, IOSCO, Japan Financial Services Agency, Johannesburg Stock Exchange, Singapore Accounting and Corporate Regulatory Authority (ACRA), UK Companies House, UK Department for Business, Innovation & Skills, UK Her Majesty's Revenue & Customs, US SEC.
 - (b) The 'big 4', including KPMG and PricewaterhouseCoopers.
 - (c) Staff from the IASB and IASCF.
24. The objectives of the meeting were:
- (a) to develop a common understanding of the issues at hand for all involved;
 - (b) to share views and experiences on IFRS Taxonomy extensions;
 - (c) to try to identify common issues and agree a common approach;
 - (d) to review the draft Business Plan and consider organisational issues and next steps for the inception of the new body.

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25. The round table confirmed that the EEEP is a worthy and needed initiative. Timing is becoming an issue, because the development of IFRS Taxonomy extensions has already started in Australia, Chile, Germany, Europe (ECCBSO, CEBS and member states), Japan, Singapore, South Africa, UK and the US. Some participants considered that the EEEP's activities should not be restricted to securities regulation, but should be open to all filing requirements (tax, banking supervision, etc).
26. The role and the potential contribution of both the IASC Foundation and the IASB are still subject to internal considerations, and will be discussed with the Trustees in March.

XBRL and Financial Statement Presentation

27. The development of XBRL, and the possibility that entities that file financial information will be required to do so as tagged XBRL data, raises some interesting questions in relation to presentation. The Board is considering carefully whether information should be presented on the face of the primary financial statements—statement of financial position, statement of comprehensive income etc—or whether presentation in the notes is sufficient.
28. During the development of the financial statement presentation project, the importance of operating profit, and the preference some have to recycle from OCI to profit or loss, are examples that demonstrate that presentation still matters to many parties. Yet users could already use XBRL tagged data to choose their own way of presenting the data. There is nothing stopping users from doing that now, because the data are there. XBRL does not increase the data available to analysts, it only makes it more accessible.
29. These simple observations raise two questions:
 - (a) Does presentation matter in an XBRL world?
 - (b) Should XBRL be subject to the same materiality threshold as the financial reports?

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Does presentation matter?

30. If presentation does not matter, then the Board could, eventually, stop focusing on presentation and simply identify data disclosure requirements. The form of presentation, and deciding whether the information should be presented in the notes, or whether more prominence should be given to fair value or cost based measures, would not be issues. Consider financial instruments for a moment. IFRS already requires the disclosure of fair value measures for all financial instruments measured on a cost basis. If presentation does not matter, then presumably including data about cost and fair value is sufficient. A user could construct a statement of financial position and statement of comprehensive income the way they want to. The user could decide how financial instruments are grouped together, and measure 'profit' based on their own construction.
31. Is this the direction the IASB should be heading? The issues are important because this data approach seems to conflict with the demands we see for a disclosure project that helps to define how information should be presented.

Materiality

32. The issue here is simple. Should XBRL filing requirements capture financial reports, or should entities be required to tag and file data at a much more granular level?
33. IFRS requirements are based on materiality—information that affects the decisions that investors and other users make. The development of the IFRS Taxonomy by the IASC Foundation together with the IASB has been on the basis that XBRL is an enabling technology that helps to facilitate easy access and transfer of the information in the financial reports. There has never been any plan for, or even any thought of, developing separate XBRL data disclosure requirements that have a lower materiality threshold.⁶

⁶ We have heard it suggested that entities should tag data at the general ledger level and make that data available publicly.

February SAC session

At the February meeting we will provide you with the opportunity to ask questions about the IFRS taxonomy and the extensions project.

We are also keen to hear your views about the importance of presentation and materiality.

Appendix

