

Due Process Oversight Committee

IFRS Foundation Trustees

13 October 2011

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IFRS Foundation XBRL Team: Trustees' Report for XBRL Activities

The purpose of this paper is to provide the Trustees of the IFRS Foundation with an update about XBRL activities at the IFRS Foundation, as the adoption of the IFRS taxonomy grows in importance around the world, as does the implementation of IFRSs.

The following topics are addressed in this paper:

- the coverage of the IFRS taxonomy;
- the adoption by regulators and supervisors around the world and the search for consistent implementation;
- the adoption of the IFRS taxonomy by the US SEC; and
- the interaction between XBRL team and the IASB.

1. The coverage of the IFRS taxonomy

The concepts present in the existing official IFRS taxonomy represent **only a part** of the concepts that a preparer will need for preparing IFRS financial statements in XBRL. A complete set of requirements for a preparer could be classified as follows:

- concepts reflecting disclosure requirements of the IFRSs;
- concepts reflecting guidance and examples of the IFRSs;
- concepts commonly used by other preparers;
- concepts specific to a regulatory or regional requirement; and
- last but not least, concepts specific to the preparer itself or to its industry.

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So far, the IFRS taxonomy¹ as issued by the IFRS Foundation has covered the first two categories (disclosure requirements—part A of the Bound Volume of the IFRSs—and guidance and examples—part B of the Bound Volume).

Extra concepts have not been provided, because while it is required by IFRS, it is not explicitly described in the standards. The concern has been that any additional concepts **could be perceived as an official pronouncement** by the IASB. However, the absence of these concepts means that preparers create extra concepts (‘extensions’) for categories 3, 4 and 5. The lack of a central approach to extensions could lead to **inadequate comparability**.

Because of this concern about comparability, the Trustees of the IFRS Foundation authorised the XBRL team to initiate the development of extra concepts reflecting common practices (category 3 here before).

Before we go into detail about the development of common practice concepts, here are some details about the IFRS Taxonomy 2011 (covering categories 1 and 2).

The IFRS Taxonomy 2011

The development of the IFRS taxonomy is following a thorough due process (which was approved by the Trustees in October 2010), which involves both internal and external experts².

The IFRS Taxonomy 2011 was released on 25 March 2011 and **contains 2,545 concepts** (reflecting both IFRSs effective as at 1 January 2011 and IFRSs not yet effective as of that date), of which:

- 1,145 are monetary concepts.
- 62 are numeric non-monetary concepts (eg per cent, per share).
- 1,063 are textual concepts.
- 267 are dimensional concepts (so-called ‘members’).
- 8 are other concepts.

¹ The final version of the IFRS Taxonomy 2011 was released on 25 March 2011

² <http://www.ifrs.org/The+organisation/About+XBRL/XBRL+due+process/XBRL+due+process.htm>

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In comparison to 2010, the number of concepts in the taxonomy has increased by approximately 25 per cent, which is mainly due to the inclusion of Bound Volume B.

Taxonomy interim releases

After the publication of the final IFRS Taxonomy 2011, the XBRL team issued a number of interim releases, reflecting new IFRS, common practices and Illustrative Examples.

1) Interim releases, reflecting new IFRSs

a. Fair Value Measurement and Consolidation package

In May 2011, the IASB issued IFRS 13 Fair Value Measurement as well as IFRSs 10-12, referred to as the 'Consolidation package'. On 27 July 2011, the related XBRL Taxonomy Interim Release was published, after a review of the XQRT. 350 new elements were introduced.

b. Employee Benefits and Presentation of Items of Other Comprehensive Income

In June 2011, the IASB issued the revised IAS 19 Employee Benefits and Presentation of Items of Other Comprehensive Income (Amendments to IAS 1). On 19 August 2011, the related XBRL Taxonomy Interim Release was published, after a review of the XQRT. 121 new elements were introduced.

2) Interim releases, reflecting Common Practice (CP1)

The objective of the project is to provide extensions for the most commonly used concepts, thus reducing the workload for preparers when electronically filing financial statements in accordance with the IFRSs.

During this project, we analysed almost 200 IFRS financial statements, mostly from filings to the US SEC, among which were 25 financial institutions and 23 insurers. We have also included the illustrative models of the 'Big 4'. New concepts were introduced not only on the basis of their frequency in our sample, but also on the basis of the materiality and logic of the taxonomy. At the same time, we have excluded concepts that contradicted IFRSs or overlapped with existing concepts.

The interim release was reviewed internally (by IASB members and technical staff, providing a 'negative assurance') and externally (by the XBRL Quality review Team and public

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comments). The final interim release for common practice concepts (which included 343 new concepts) was published on 1 September 2011 with a number of supporting materials including a snapshot, a podcast and a slide deck.

3. Illustrative Examples

On 12 April 2011, we published a set of 12 Illustrative Examples in XBRL, based on the data provided in IFRS Bound Volumes A and B. Among others, these examples include: a fully tagged financial statement of a Small/Medium-sized Entity (including notes), operating segments, a share-based payment arrangement, business combinations, and income taxes.

The examples are intended to help preparers understand how to apply the taxonomy to create instance documents and entity-specific extensions using both block tagging and detailed tagging, and also XBRL and Inline XBRL.

2. Adoption around the world

The adoption of the IFRS taxonomy includes (but is not limited to):

- Corporate/securities filing:
 - Accounting and Corporate Regulatory Authority of **Singapore** *ACRA Taxonomy*;
 - DCCA (Danish Chamber of Commerce Association), **Denmark**;
 - DART System of the Financial Supervisory Service, **Korea**;
 - Financial Services Agency of **Japan** *EDINET*;
 - **Israel** Securities Authority MAGNA platform;
 - Ministry of Finance, **PR of China** *Chinese Accounting Standards (CAS) Taxonomy*;
 - Standard Business Reporting Program in **Australia** and **The Netherlands**;
 - Superintendencia de Valores y Seguros información del Mercado de Valores of **Chile**;
 - Johannesburg Stock Exchange, **South Africa** *SA Taxonomy*;
 - CNMV (Comisión Nacional del Mercado de Valores) of **Spain**;
 - **UK HRMC** and **Companies House** *UK-IFRS Taxonomy*; and
 - **Microfinance** Information eXchange *MIX Microfinance Taxonomy*
- Banking regulation³:

³ While the EBA is the only formal supervisor that has adopted the IFRS taxonomy, a number of countries are in the process of evaluating it. This includes India and most Latin American countries.

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- **EBA** (European Banking Authority) *FINREP (FINancial REPorting framework) Taxonomy*; and
- **Bermuda Monetary Authority** *Solvency II XBRL Taxonomy and IFRS for Insurance XBRL Taxonomy*.

Other projects:

Most countries who have adopted IFRSs are also considering the adoption of XBRL and the IFRS Taxonomy. These include Brazil, Canada, Denmark, India, Indonesia, Italy, Luxembourg, Mexico, Poland and Switzerland.

With so many projects around the world, it is becoming critical to have all of them working consistently. Among other things, the XBRL team is offering a service to perform tests against IFRS-based taxonomies including China (CAS), Switzerland, South Africa and the UAE.

3. The adoption of the IFRS taxonomy by the US SEC

Under rule 33-9002 'Interactive Data to Improve Financial Reporting' of 15 June 2011, foreign private issuers (FPIs) who prepare their financial statements in US GAAP and IFRSs will be required to submit these filings in XBRL format.

In a letter sent to the US SEC, the Center for Audit Quality (CAQ) 'acknowledge the IFRS Foundation's efforts to further develop its IFRS taxonomy and the improvements that have been made to date; however, it is our understanding that users of the IFRS Taxonomy 2011 still may need to create numerous extensions for their interactive data exhibits, which may limit the usefulness of such interactive data to users of financial statements. Such extensions may be needed because IFRS Taxonomy 2011 does not yet fully address common reporting practice or industry specific disclosures and does not include standard definitions. In addition, absent significant development of the IFRS taxonomy for footnote disclosures, the need to create a significant number of extensions may continue in year two of the phase-in period, when detailed tagging is required. Until these issues are addressed in future taxonomy enhancements, we believe the benefits achieved by requiring certain FPI's to submit interactive data based on IFRS Taxonomy 2011 may not outweigh the cost and effort to be expended and that additional time is necessary to further develop the IFRS taxonomy.'

In its response dated April 8, 2011, the US SEC stated that '*foreign private issuers that prepare their financial statements in accordance with IFRS as issued by the IASB are not*

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required to submit to the Commission and post on their corporate websites, if any, Interactive Data Files until the Commission specifies on its website a taxonomy for use by such foreign private issuers in preparing their Interactive Data Files’.

Staff is interacting with SEC staff about improvements sought in the IFRS taxonomy. It is understood that no decision on the usability of the IFRS taxonomy will be made before the decision on IFRS in the United States. And while the IFRS taxonomy was a matter of concern in the roadmap⁴ released on 14 November 2008, staff does not believe that XBRL will be a determining factor in any SEC decision on IFRS.

4. The interaction between XBRL team and the IASB

The Trustees of the IFRS Foundation initiated a review on the strategy of the IFRS Foundation as it entered its second decade. The XBRL activities were mentioned in different places and in particular the review asked whether ‘as XBRL requirements become the norm, the standard-setting process and the XBRL taxonomy development should be integrated’.

Most of the comments received did not support further integration, mainly because XBRL should not guide IFRS developments but rather be guided by them. However, there are already a number of actions that have been undertaken to improve the interaction between both teams:

- There is regular contact between the XBRL team and the IASB (members and staff) to check consistency between IFRS and taxonomy concepts.
- There is ‘negative assurance’ when publishing an interim release (new standard, CP...).
- Some of the XBRL tools developed by the IFRS Foundation are used to provide assistance to the IASB for improving standards, eg: for post-implementation reviews, for annual improvements or for new standards.

⁴ ‘Therefore, the state of development of an IFRS list of tags for interactive data reporting will be a consideration in the Commission’s determination of whether to require the use of IFRS for all U.S. issuers.’ <http://www.sec.gov/rules/proposed/2008/33-8982.pdf>