



International Financial Reporting Standards



Taxonomy content – RevRec and other *ITCG meeting*

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- Revenue from Contracts with Customers - general
- Revenue from Contracts with Customers - issues
 - 'common practice' members
 - use of abstract elements
 - mapping 'not ideally' to the Standard
- Profit (loss) – instant element/member
- Early application – 'disclosure of fact'
- Handling expected extensions

Revenue from Contracts with Customers – general information

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Revenue from Contracts with Customers

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- **New** revenue Standard (IFRS 15)
- Applies only to '**a subset of revenue**' that relates to **contracts with customers**
- **Does not apply to:**
 - dividends
 - non-exchange transactions (eg donations, contributions)
 - changes in values of biological assets & investment properties

Revenue from Contracts with Customers

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- Main definitions:
 - **Revenue** – income arising in the course of an entity's ordinary activities
 - **Contract** - an agreement between two or more parties that creates enforceable rights and obligations
 - **Customer** - a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration

Revenue from Contracts with Customers

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- Main areas of presentation/disclosure:
 - **Contract balances** (assets, liabilities, receivables) and changes in those balances
 - **Contract revenue**, including its disaggregation into various categories (eg by products, geography, duration)
 - **Performance obligations in contracts** (eg nature of goods or services, payment terms, warranties)
 - **Transaction price**
 - **Assets recognised from costs to obtain or fulfill contracts**

Revenue from Contracts with Customers – issues

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Common practice members

- IFRS 15 requires a disaggregation of **revenue from contracts with customers**, for example by type of products or services
- As a result of **common practice analysis** in the previous periods, the IFRS Taxonomy has a number of elements for disaggregating **revenue** (see next slide)

Common practice members - IFRS

[-]	[A]	Revenue [abstract]
[-]	[i]	Revenue from sale of goods
	[i]	Revenue from sale of copper
	[i]	Revenue from sale of gold
	[i]	Revenue from sale of silver
	[i]	Revenue from sale of oil and gas products
	[i]	Revenue from sale of crude oil
	[i]	Revenue from sale of natural gas
	[i]	Revenue from sale of petroleum and petrochemical products
	[i]	Revenue from sale of telecommunication equipment
[-]	[i]	Revenue from rendering of services
[-]	[A]	Revenue from rendering of telecommunication services [abstract]
	[i]	Revenue from rendering of telephone services
	[A]	Revenue from rendering of internet and data services [abstract]
	[i]	Revenue from rendering of interconnection services
	[i]	Revenue from rendering of other telecommunication services
	[i]	Total revenue from rendering of telecommunication services

Common practice members – IFRS 15

IFRS 15:

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

	Products and services [axis]					
	Products and services [member]					

Disclosure of disaggregation of revenue from contracts with customers [line items]

	Revenue from contracts with customers				
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QUESTION:

Should we consider **adding** the **existing common practice** revenue line items also **as members** to the 'Products and services' axis (disregarding the fact that the analysis was performed for 'Revenue' rather than 'Revenue from contracts with customers')?

or

Should we **wait** until common practice analysis dedicated to 'Revenue from contracts with customers' can be performed?

Use of abstract elements

- We have noticed that recent IFRSs seem to make more extensive use of **headings**. Examples for IFRS 15:

Contract balances

116 An entity shall disclose all of the following:

- (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;
- (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and

Assets recognised from the costs to obtain or fulfil a contract with a customer

127 An entity shall describe both of the following:

- (a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95); and

Use of abstract elements

- Until now, such headings were **generally ignored** in the IFRS Taxonomy, which would result in the following mapping (example based on par 127):

126	Disclosure of information about methods, inputs and assumptions used for allocating transaction price [text block]
	Disclosure of information about methods, inputs and assumptions used for measuring obligations for returns, refunds and allowances [text block]
127	Description of judgements made in determining amount of costs to obtain or fulfil contracts with customers
	Description of method used to determine amortisation of assets recognised from costs to obtain or fulfil contracts with customers [text block]

- Alternatively, we may consider **adding abstract headings**:

	Disclosure of information about methods, inputs and assumptions used for allocating transaction price [text block]
	Disclosure of information about methods, inputs and assumptions used for measuring obligations for returns, refunds and allowances [text block]
	Disclosure of assets recognised from the costs to obtain or fulfil a contract with a customer [abstract]
	Description of judgements made in determining amount of costs to obtain or fulfil contracts with customers
	Description of method used to determine amortisation of assets recognised from costs to obtain or fulfil contracts with customers [text block]

Use of abstract elements

- **Advantages**

- might improve navigation – headings would group similar disclosures making them easier to find

- **Disadvantages**

- might hinder navigation – reportable elements would not be visible on the 'first' level of the Taxonomy making them more difficult to find
- more elements listed as result of searches by key words

QUESTION:

Do you think we should consider using **more abstract elements** within the IFRS Taxonomy to represent headings in IFRSs?

Mapping 'not ideally' to the Standard

- IFRS 15.128 requires a **breakdown of assets** from the costs to obtain or fulfil contracts with customers **by main category**:

128 An entity shall disclose all of the following:

- (a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and

Mapping 'not ideally' to the Standard

- Initially, we intended to **model exactly** as suggested by par. 128:

Disclosure of assets recognised from costs to obtain or fulfil contracts with customers [table]

Categories of assets recognised from costs to obtain or fulfil contracts with customers [axis]

Categories of assets recognised from costs to obtain or fulfil contracts with customers [member]

Costs to obtain contracts with customers [member]

Pre-contract costs [member]

Setup costs [member]

- However, we were informed that some of the categories given in par. 128 ('pre-contract costs' and 'setup costs') **may in practice belong to either** 'costs to obtain a contract' or 'costs to fulfil a contract'

Mapping 'not ideally' to the Standard

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QUESTIONS:

Do you think we should consider **moving away from exact modelling** of the text of the Standard?

If yes, do you think we should **create any members** under the default member (eg. 'costs to obtain contracts' and 'costs to fulfil contracts)?

If yes, what **reference** should such members have?

Profit (loss) – instant element/member

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Profit (loss) – instant element/member

Source – common practice analysis

Statement – financial position and/or changes in equity

Elements – 'Retained earnings' breakdown

Observation – some entities separately disclose '**Profit (loss) for the year**' and '**Retained earnings excluding profit (loss) for the year**'

Profit (loss) – example

Statement of financial position

€ (thousands)	Note	31 December 2012	31 December 2011
Shareholders' equity			
Share capital		26,141	26,141
Additional paid-in capital		83,719	83,719
Treasury stock		(46,254)	(53,215)
Retained earnings		501,701	445,745
Net income for the year		118,484	116,434

Statement of changes in equity

€ (thousands)	Share capital	Add. paid-in capital	Treasury stock	Retained earnings	Net income for the year
Balance at 31.12.2011	26,141	83,719	(53,215)	445,745	116,434
Allocation of 2011 net income:					
- Dividends					(59,802)
- Retained earnings				56,632	(56,632)

Profit (loss) – instant element/member

We believe the IFRS Taxonomy **need not** have separate elements for the mentioned concepts, because:

- The IFRSs consistently (in Illustrative Examples, Implementation Guidances and educational materials) promote the idea that '**Profit (loss)**' is not a statement of financial **position concept** – 'Retained earnings' is
- The **count** in common practice analysis is **borderline**

Profit (loss) – instant element/member

However we are aware that for:

- 'Retained earnings excluding profit (loss) for the year' – entities will need to extend
- 'Profit (loss)' – some entities might extend for the instant element, some might use the duration element (although the choice might be limited with a good documentation label)

QUESTION:

Should we consider creating separate elements?

Early application – disclosure of fact

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Early application – disclosure of fact

- **Many**, if not all, **IFRSs include** in the 'Effective date and transition' the following **requirement** (highlighted):

C1 An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. Earlier application is permitted. **If an entity applies this IFRS for an earlier period, it shall disclose that fact.**

- In the IFRS Taxonomy, the above disclosure requirement has so far remained **intentionally untagged**.
- We have received a comment that it **might be beneficial to have** separate 'early application' elements for each Standard

Early application – disclosure of fact

We believe such disclosure is covered by the general requirements of:

IAS 8.28

- 28** When initial application of an IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
- (a) the title of the IFRS;
 - (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
 - (c) the nature of the change in accounting policy;
 - (d) when applicable, a description of the transitional provisions;

IAS 1.117

- 117** An entity shall disclose in the summary of significant accounting policies:
- (a) the measurement basis (or bases) used in preparing the financial statements, and
 - (b) the other accounting policies used that are relevant to an understanding of the financial statements.

QUESTIONS:

Do you think we should consider **separate elements** for the disclosure of the fact of early application of an IFRS?

If yes, should they:

- have any **effective date**?
- have any **expiry date** (eg. application date of a Standard)?

Handling expected extensions

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Handling extensions

- A **taxonomy-wide** consideration
- Re-raised because of **IFRS 15** Revenue from Contracts with Customers (**breakdowns of revenue**)
- A more general project in terms of:
 - **IFRS Taxonomy architecture** - mechanisms to make handling extensions easier
 - **Guidance** for different types of IFRS Taxonomy users

- XBRL mechanisms being considered (some more than others) include:
 - 'Dummy' explicit dimension members
 - Typed dimensions (with constrained or unconstrained values)
 - Additional definition link roles

Dummy members

- Some Standards, for example IFRS 15, require **disaggregations or breakdowns** currently modelled by means of **axes**
- As a result, we are aware that **extensions will need to be created** for members in breakdowns (eg members for types of products or for geographical areas)
- To limit the number of necessary extensions, we could consider **creating 'dummy members'**, such as for example **'Product1', 'Product2'** etc.

Typed dimensions

- The IFRS Taxonomy currently **does not use typed dimensions** for disaggregations or breakdowns
- **Typed dimensions with a restricted range** for values might achieve a similar effect to 'dummy' explicit members
 - for example, when values restricted to integer numbers (with no semantic meaning)

Extension links

- **XBRL linkbases** are used to **provide context** for items, **including extensions** – for example, the addition of an extension into a calculation roll up
- The use of **custom definition links** to give further context to extension items has been suggested by various commenters
- Most likely this would be **implemented at a filings system level** rather than within the IFRS Taxonomy

Other extensions work

- We are at an **early stage** in the consideration of the advantages and disadvantages of all of the mentioned mechanisms
- Other work planned includes more **specific guides** for the use of extensions with the IFRS Taxonomy aimed at different users:
 - preparers
 - regulators
 - investors

Questions

- Do you think additional **mechanisms to assist with** the creation and analysis of **extensions** could be **beneficial** to the IFRS Taxonomy?
- If yes, **which mechanisms** do you think provide the **most benefit** and where would they be best used?
- Are there **other means** of reaching the same goal that we should consider?

Thank you

