

## Summary of the IFRS Taxonomy Consultative Group Discussions

25 June 2014

### The IASB's IFRS Taxonomy Consultative Group (ITCG) held its inaugural meeting on 29 May 2014.

The meeting took place at the IASB offices in London. Recordings of the meeting discussions, the agenda and related papers are available [here](#).

The following topics were discussed:

- [the IFRS Taxonomy Overview-overview of the current and future activities](#)
- [the IFRS Taxonomy Jurisdictional Profiles](#)
- [the IFRS Taxonomy due process](#)
- [ITCG working practices](#)
- [IFRS Taxonomy content-Common Practice](#)
- [IFRS Taxonomy content-Review of revenue recognition](#)
- [Data modelling IFRSs](#)
- [Updates from members of the ITCG](#)

The following agenda topics were planned but not discussed due to time constraints:

- The *IFRS Taxonomy Update* documents and the basic guide to these documents. It was agreed that members of the ITCG will provide feedback in writing on these documents and that the comments received will be discussed at the next public meeting of the ITCG.
- The *IFRS Taxonomy content-Review of revenue recognition* and other issues. This agenda paper also asked for feedback from the ITCG on the following two topics: (a) the creation of new IFRS Taxonomy elements for 'the disclosure of the fact of early application of an IFRS' and (b) whether the IFRS Taxonomy should include an element for the common practice disclosure 'Profit/loss' disclosed within the statement of financial position. It was agreed that these two topics will be discussed at a future meeting of the ITCG.

### The IFRS Taxonomy Overview-overview of the current and future activities

The staff provided an overview of the current and future activities of the IFRS Taxonomy team. The staff reported that since October last year the IFRS Taxonomy activities have been integrated within the IASB Disclosure Initiative project. This organisational change underpins the view of the IASB that digital reporting and technology can play an important role in the debate on how to make communication of IFRS disclosures more effective and relevant. The close interaction between staff also continues to bring immediate short-term benefits such as, for instance, the use of more clear, precise and consistent language within IFRSs.

Current activities focus mainly on the maintenance and further development of the content of the IFRS Taxonomy, the completion of the review of the due process, the IFRS Taxonomy jurisdictional profiles and the formation of a data model for IFRSs. Research into entity-specific extensions and possible IFRS Taxonomy mechanisms to make handling them easier is planned to start in the second half of this year.

### The IFRS Taxonomy Jurisdictional Profiles-review

The staff updated the ITCG members on the project to gather authoritative data on

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the use of the IFRS Taxonomy. The target is to start publishing IFRS Taxonomy jurisdictional profiles on the IFRS Foundation website from Q1 2015 onwards. The current focus is on gathering the information for Asia.

The staff asked the members of the ITCG for their feedback on the proposed survey questions. Some members asked for clarification on the purpose and content of the profiles. The staff replied that the survey is mainly targeted at regulators; its aim is not to compare or judge implementations but to inform. The survey also does not incorporate specific questions relating to the proposed new IFRS Taxonomy due process, on which a separate public consultation and outreach effort will take place.

### **The IFRS Taxonomy due process**

The staff described the proposals for the new IFRS Taxonomy due process. Members of the ITCG expressed broad support for the proposals. Overall, they considered them to be functional and comprehensive. Embedding the IFRS Taxonomy due process within the standard-setting process was also seen as a positive step forward.

The main areas on which members of the ITCG had specific questions or comments were as follows:

#### ***The proposal that the publication of IFRS Taxonomy files for IFRS Exposure Drafts should be an optional step***

A member of the ITCG expressed a concern that software vendors supporting regulators and other users of the IFRS Taxonomy prefer to work concurrently with the changes and generally require the XBRL technical files.

The staff clarified that the publication of the IFRS Taxonomy technical files remains a mandated step for the final Standard. It is an optional step at the IFRS Exposure Draft stage, because the main aim at that stage is to seek comments on the content of the IFRS Taxonomy. The staff also stated that this is an area on which specific feedback will be sought during the public consultation of the proposed IFRS Taxonomy due process.

#### ***Resource requirements***

A concern was raised by a member of the ITCG about the potential risk of the IFRS Taxonomy team not having the required resources to support the new process. Other ITCG members agreed that this is a fair concern but that the potential benefits outweigh the risks. The staff acknowledged that this risk may exist but remain of the view that this process is the best way to safeguard the integrity of the content of the IFRS Taxonomy. It ensures that the taxonomy is fully considered while setting standards. Any resource issues will be carefully monitored.

#### ***Process followed for common practice additions subsequent to publication of new or amended IFRSs***

Some members of the ITCG asked for clarification about the process that will be in place to identify common practice additions for future new or amended IFRSs. The staff explained that the proposed new IFRS Taxonomy due process facilitates this as follows:

- the proposal for the IASB to approve the initiation of a common practice project; for example one of the future triggers for a common practice project could be an IFRS post-implementation review; and
- the proposal for the IASB to approve the content of the IFRS Taxonomy; for example the IASB may decide to add in some cases anticipated common practice within a [proposed] IFRS Taxonomy Update for new or amended IFRSs. Such decisions cannot be made by staff, due to the risk of such elements being perceived to be an interpretation of IFRSs.

***IASB approval and importance of an integrated publication process*** Some members sought further detail on the form that the IASB approval will take. The staff explained that under the proposals the IASB will review and approve a new due process document 'the [proposed] IFRS Taxonomy Update'. This document is

not an integral part of IFRSs but should be regarded as accompanying materials included within the package that the IASB signs off on. This approval provides the required assurance that the IFRS Taxonomy is consistent with IFRSs, i.e. it does not interpret or extend, and that it reflects user needs.

A member of the ITCG stressed that organisations would also expect to see an integrated process to communicate and publish the proposed changes. The staff confirmed that this is indeed the intention; the invitation to comment on new or amended IFRSs will incorporate or refer to the questions relating to the IFRS Taxonomy.

### **The ITCG Working Practices**

The Chair and Vice-Chair of the ITCG led a discussion about the objectives and working practices of the ITCG. A wide range of topics were discussed including determining the agenda for meetings, taxonomy review and meeting frequency. The main topic for further review is the formalisation of the interaction between the ITCG and the IFRS Advisory Council. The role of the IFRS Advisory Council is to provide strategic guidance on the IFRS Taxonomy, whereas the role of the ITCG is more technically oriented. In practice an overlap may exist in activities. The ITCG may be called upon to provide practical expert guidance on how to implement a particular strategic direction and/or how to evaluate particular options. It was agreed that the next step is to organise a meeting between the Chairs of both advisory bodies to discuss this further.

### ***IFRS Taxonomy content-common practice***

The staff updated the ITCG members on the 2014 common practice project. The staff explained some of the issues and questions that were included in the agenda paper and asked the ITCG for feedback on those items. A summary of the guidance provided by the members of the ITCG is as follows:

#### ***Use of a new IFRS Taxonomy axis for 'types of right'***

Members of the ITCG indicated their preference not to create a new IFRS Taxonomy axis for 'types of right'. It was considered to be an over-complication. It additionally runs the risk that the same disclosure may be tagged differently, which would form a barrier to efficient data consumption and preparation

#### ***Creation of new IFRS Taxonomy elements for sub-policies of accounting policies***

Members of the ITCG indicated their preference not to create new elements for sub-policies of accounting policies. Identifying those elements will involve a significant amount of empirical analysis and judgement and it is not immediately apparent that a user demand for it exists. Text block and high level tagging ensures simplicity and is believed to meet market demand.

#### ***Proposed common practice IFRS Taxonomy element additions for activities relating to transport, pharmaceuticals and biotechnology***

Members of the ITCG expressed the view that the proposed additions seem to be fine but asked for some more time to review them in depth. It was agreed that members should provide comments by mid-June.

#### ***Usefulness of the call for participation for common practice***

Members of the ITCG who have participated in the past in the calls for participation considered them to be useful and recommended that the staff should continue organising them. Some members suggested that targeted direct outreach with specific companies (data aggregators, XBRL software vendors) or with sector research analysts may improve the response rates and that closer involvement of the accountancy firms and XBRL preparer software vendors could also help.

### ***IFRS Taxonomy content-IFRS 15, Revenue from Contracts with Customers***

The staff described the major amendments to the IFRS Taxonomy resulting from IFRS 15. They explained some of the issues and questions referenced within the agenda paper and asked for feedback on those items.

#### ***Addition of the existing IFRS Taxonomy line items reflecting 'common***

### ***practice revenue disaggregations' as members to the IFRS Taxonomy axis 'products and services'***

The opinion of the ITCG were divided on this issue. Some members expressed the view that these should be added as anticipated common practice, minimising the risk that entities would need to create their own extensions when implementing IFRS 15 for the first time. Under this scenario, anticipated common practice members could also be deprecated if it proves after empirical review that they are not used. Other ITCG members noted that adding such members might be considered to be an interpretation of IFRS 15. The consensus guidance of the ITCG was that the staff should seek the advice and approval of the IASB on this issue and report back to the ITCG.

### ***Addition of IFRS Taxonomy abstract elements reflecting the headings used in IFRSs to organise the disclosure and presentation requirements***

Members of the ITCG indicated that their preference was not to add new IFRS Taxonomy abstract elements. These are not perceived as adding significant value to users when searching or navigating the IFRS Taxonomy.

### ***IFRS Taxonomy mapping not ideally to the Standard***

Consensus guidance provided by the ITCG was that the proposed additions to the IFRS Taxonomy should reflect the exact text of paragraph 15.28 of IFRS 15, which means that three new members need to be created mirroring the examples mentioned in this paragraph. Not doing so could be considered to be an interpretation of IFRSs.

### ***Convergence with the US GAAP taxonomy***

IFRS 15 is a converged Standard, and for that reason some members of the ITCG raised the question of whether the IFRS and US GAAP taxonomies will also be converged. The staff explained that the team interacted closely with the FASB Taxonomy team, resulting in largely the same data model being used, but differences in element identifiers, labels and documentation remain reflecting the different methodologies. A few members of the ITCG indicated that convergence of element identifiers would reduce the mapping effort by consumers of the XBRL filings. The staff stated that they will review this further and report back at the next meeting of the ITCG.

### ***Data modelling IFRSs***

The staff updated the ITCG members on a joint trial project with the FASB, consisting of the development of a data model for IFRS 13 Fair Value Measurement. The aim of the project is to investigate the use of a detailed data model and how this interacts with the IFRS Taxonomy. The Data Point Methodology (DPM) is used as a means to structure the analysis, helping to draw out the properties involved in reporting so as to define the abstract data model. It does not imply that the outcome of this project will be the building of a physical DPM based IFRS Taxonomy. The staff also stated that the project is at an early stage and it is not yet clear what the future outputs resulting from this project may be. Some examples were provided to illustrate the benefits of using an explicit data model and what physical future outputs may look like.

The main messages and comments of the ITCG were as follows:

#### ***Impact on preparers***

Some members of the ITCG asked for further clarification on what the impact may be on preparers. IASB and FASB staff stated that they do not expect this project would have an immediate impact on preparers. The short-term benefits are mainly internal through influencing and benefiting the way in which Standards are written and taxonomies are built. In the medium to longer term, filers may benefit because it will make the taxonomies easier to navigate. Another potential benefit is that additional documentation files could be provided describing the financial reporting terms through listing their explicit properties. This could benefit a more technical - oriented user of the IFRS Taxonomy and IFRSs.

#### ***DPM-based IFRS Taxonomy***

A few members of the ITCG had reservations about moving towards a DPM-based IFRS Taxonomy. They questioned whether there is market demand for such a taxonomy or whether such a model can be applied to IFRS financial reporting. The

staff reiterated that the DPM-based methodology is used as a means to define properties within the abstract data model. Properties may be translated as dimensions or line items within the physical IFRS Taxonomy data model or used to inform a better use of existing dimensions and line items.

One member of the ITCG pointed out the benefits to users of a DPM-based physical taxonomy. It facilitates comparability between taxonomies (compound line item names used within non dimensional taxonomies are difficult to map) and is a means to structure extensions. It may also facilitate discussions with users on the IFRS disclosure reporting framework.

### **Updates from members of the ITCG**

The Japan Financial Services Authority ('FSA') provided an update on the use of the IFRS Taxonomy within Japan. The FSA has adopted the IFRS Taxonomy as issued by the IFRS Foundation, but extensions to reflect Japan specific reporting practices may be added in the future. Currently, XBRL filings for companies using IFRSs are voluntary. The FSA is considering mandating it, subject to there being sufficient demand by users. No target date has been set yet. The Japan FSA is using inline XBRL. The Ministry of Finance of China reported on recent developments relating to the Chinese General Purpose Taxonomy ('the CAS Taxonomy'). This taxonomy is consistent with the architecture of the IFRS Taxonomy and imports around 200 elements of the IFRS Taxonomy. The new version of the CAS Taxonomy will reflect updated Chinese accounting standards, imports and follows the architecture of the IFRS Taxonomy 2014 and also introduce common practice and additional dimensions. The next focus areas are to make the CAS XBRL filings public and to continue to work with certain Chinese governmental agencies and regulators in a view of promoting the use of the CAS taxonomy for listed companies and in a broader scope.

Michal Piechocki, Director of Business Reporting Advisory Group (BRAG), informed ITCG members of XBRL project developments in Malaysia, Indonesia, South Africa, Uruguay and Colombia. Almost all these countries are using or are planning to use the IFRS Taxonomy.

Chie Mitsui, researcher at Nomura Research Institute, reported on the XBRL investor seminars and working groups organised for members of the Chartered Financial Analyst Institute ('CFA'), local analysts and data providers. Of particular interest is that investors report that the IFRS Taxonomy has helped them to better understand what the practical implications are of entities moving to IFRS financial reporting.

