

International Financial Reporting Standards



IFRS Taxonomy content *ITCG meeting*

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- Update on common practice (CP) project
 - Discussions with the Technical Staff
 - Considerations for future CP projects
 - Meeting with the Board Review Panel
- IFRS for SMEs amendments
- Early application – 'disclosure of fact'

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Update on common practice project

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Discussions with the Technical Staff

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Discussions with the Technical Staff (TS)

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We have discussed the **proposed list of elements internally with the TS**. As a result of this, areas for **further analysis** have been proposed. These included:

- Technology
- Programming assets (including current and non-current breakdowns)
- Combinations of classes of property, plant and equipment

We have performed the requested analysis.

Discussions with the TS – technology

- The Technical Staff questioned whether “Technology” should be a **separate class of intangible assets** or whether it is **synonymous with existing classes** such as “computer software”, “recipes, designs and prototypes”, “copyrights, patents and other rights”
- Reporting practice indicates that **companies disclose technology as a separate class of intangible assets** and they do not explain what is included in it
- **Illustrative examples to IFRS 3** use and describe the term “technology-based intangible assets”

Discussions with the TS – technology

- The following has been proposed:
 - Adjust the label of the proposed element from “Technology” to “Technology-based intangible assets” and propose this element as a separate class of intangible assets
 - Adjust the definition of the proposed element from “a class of intangible assets representing technology” to “a class of intangible assets representing assets based on technology. Such assets may include patented and unpatented technology, databases as well as trade secrets”

Discussions with the TS – programming assets

- Programming assets is a concept common to **media related activities**, in particular to the **broadcasting sector**.
- Programming assets are often **presented separately on the face of the financial statements** (including the breakdown into current and non-current)
- The TS raised concerns regarding the classification of programming assets. They asked whether programming assets were not a **class of intangible assets** that was **reported separately due to its significance**.

Discussions with the TS – programming assets

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- Having analysed the **classification of programming assets** in various financial statements, we have found out that programming assets are **defined and classified differently by companies, either as intangible assets, inventories or both.**
- The following has been proposed:
 - **Retain the proposed positioning** of “Programming assets” in the IFRS Taxonomy under the “Miscellaneous assets” heading (therefore **avoiding the classification as either intangible assets or inventories**)
 - **Seek feedback** on this during **public consultation**

Discussions with the TS – classes of PPE

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- Our 2014 common practice analysis identified various combinations of PPE, specifically:
 - Plant and machinery
 - Plant and equipment
 - Machinery and equipment
- The TS pointed out that:
 - None of these combinations are **defined in IFRS**
 - These combinations may have a **conceptually equivalent meaning**
 - IFRS Taxonomy elements such as “**Machinery**”, “**Fixtures and fittings**” or “**Office equipment**” could potentially be used

- Including these items may imply that preparers should only apply tags with precisely matching labels and therefore create extensions for every slight difference in labelling, regardless of the actual accounting meaning
- The TS noted that it might be more useful to provide a top down structured breakdown of classes of ‘property, plant and equipment’ within the taxonomy rather than provide a flat list which includes many potential combinations

- The following has been proposed:
 - Consider analysing **reported combinations** of classes of assets and liabilities in more detail as a part of the **Disclosure Initiative project**
 - **Defer the proposals** for additional combinations of classes of PPE until a **general analysis** is performed

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Considerations for future CP projects

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Suggestions from the TS

For future common practice projects, the TS have suggested the following:

- **Further investigate** (for example, by analysing accounting policies and related notes) **each potential CP element** before proposing it:
 - Ensures that the **accounting meaning of proposed elements is captured**; and not just the label
 - Helps to avoid **unwarranted interpretation of the accounting meaning of potential elements**
 - Allows for clearer **understanding of how an element is classified** and hence **better positioning in the Taxonomy**.

Suggestions from the TS

- **Reconsider** our approach to creating **documentation labels**
 - investigate the **potential for clarifying the accounting content of proposed elements**, for instance by means of **additional examples or guidance**

(If undertaken, this is likely to become a separate project, due to its extensive scope and significance. Other functions of the Organisation may need to be included - Board Members, Education)

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Meeting with the Board Review Panel

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Meeting with the Board Review Panel

- The Staff will present a paper to the BRP on April 8, 2015*
- The aim of this paper is to:
 - Present the findings of the **2014 Common Practice Project**
 - Highlight **two specific issues** for which we seek the **feedback by the BRP**
 - 1) The use of **alternative performance measures** such as **EBIT, EBITDA** and net debt
 - 2) The use of **‘Profit (loss)’** as a part of the **equity section of the statement of financial position** in the **IFRS Taxonomy**

* We will update you on the outcome of this meeting during the ITCG meeting

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IFRS for SMEs – amendments

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IFRS for SMEs - timeline

- The **IFRS for SMEs** standard was published in **July 2009**, with the intention to undertake a **review** of its implementation **after two years** of its use.
- Consequently, in **June 2012** the IASB decided to **seek public views** on whether there is a need to make any **amendments to the IFRS for SMEs** and, if so, what amendments should be made (Request for Information).
- Based on the feedback received, the IASB published an **Exposure Draft** of the proposed amendments in **October 2013** (comment period ended in March 2014)

IFRS for SMEs - timeline

- In **October 2014**, the **SME Implementation Group** report was made available. The report contained recommendations of the Group on proposals included in the Exposure Draft.
- The IASB **finalised its technical discussions** on the amendments (including analysis of public comments on the Exposure Draft) in **December 2014**.
- The final amendments to the IFRS for SMEs will be published in **Q2 2015**.

IFRS for SMEs – impact on the IFRST

The projected impact of the changes on the IFRS Taxonomy for SMEs:

- **Significant** – remodelling, new elements, elements deprecated, documentation label changes
- **Non-controversial** – changes mostly align IFRS for SMEs to full IFRS

The changes will be effective **1 January 2017**.

IFRS for SMEs - amendments

The **main amendments** to the IFRS for SMEs (from the IFRS Taxonomy perspective):

- **Separation of investment property** accounted for under the cost model from **property, plant and equipment**
- **Addition of an option to use the revaluation model for property, plant and equipment** (similarly to full IFRS)
- **Separation of items within OCI** that may and may not be reclassified to profit or loss (similarly to full IFRS)
- **Alignment of income tax** section to IAS 12 *Income taxes*

Other amendments to the IFRS for SMEs:

- Clarification of “undue cost or effort” exemption (and a related disclosure) in various sections of the Standard
- Addition of option to account for investees using the equity method in separate financial statements
- Alignment to IFRS 1 to permit multiple applications of Section 35 (*Transition to the IFRS for SMEs*)
- Some amendments to definitions of terms (eg combined and separate financial statements, related party) and new definitions (eg active market, transaction costs)

- Until and including IFRS Taxonomy 2013, IFRS for SMEs and full IFRS constituted **one core schema**.
- In 2014, after long deliberations, we split the Taxonomy into **separate core schemas**.
- Having separate core schemas enables **independent management of elements** (including names, labels, documentation labels and references). There is **no pressure to re-use** the full IFRS elements for IFRS for SMEs purposes.
- The following slides present benefits of the current solution.

- Different labels:

Element name EffectOfTransitionToIFRSsMember

Full IFRS label Effect of transition to **IFRSs** [member]

SMEs label Effect of transition to **IFRS for SMEs** [member]

Element name StatementOfIFRSCompliance

Full IFRS label Statement of **IFRS** compliance [text block]

SMEs label Statement of compliance with **IFRS for SMEs** [text block]

- Different documentation labels:

Element name BusinessCombinationsMember

Full IFRS label This member stands for transactions or other events in which an acquirer obtains control of one or more businesses.

SMEs label This member stands for the bringing together of separate entities or businesses into one reporting entity.

Element name InvestmentsInJointVentures

Full IFRS label A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

SMEs label A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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Early application – disclosure of fact

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Early application – disclosure of fact

- **Most new IASB publications** (new IFRSs and amendments to existing 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 earlier, it shall disclose that fact and apply IFRS 11, IFRS 12, IAS 27 Separate Financial Statements and IAS 28 (as amended in 2011) at the same time.**
- 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 occurrence

Early application – example disclosure

IFRS 10, 11 and 12

IFRS 10, IFRS 11 and IFRS 12 will become effective in the European Union from the 2014 financial year. However, early adoption is permitted. The Linde Group has early adopted IFRS 10, IFRS 11 and IFRS 12 from 1 January 2013 in accordance with the rules on application set out by the IASB. The new standards are to be applied retrospectively.

As a result of applying IFRS 10, The Linde Group has adjusted its accounting policies to reflect the revised definition of “control”.

As a result of the application of IFRS 11, The Linde Group has revised its accounting policies in respect of the obligation to include certain joint arrangements on a line-by-line basis. Linde accounts on a line-by-line basis in accordance with the rules set out in IFRS 11 for four joint arrangements in the United Arab Emirates and in China where the sole object is to supply one or several shareholders. In the absence of any special rights attaching to individual assets and liabilities, the assets and liabilities are accounted for on the basis of the share of equity held by The Linde Group.

Early application












We believe such disclosure is initially 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;

Early application

These requirements are represented by the following **table** in the IFRS Taxonomy:

 Disclosure of initial application of standards or interpretations [text block]
 Disclosure of initial application of standards or interpretations [abstract]
 Disclosure of initial application of standards or interpretations [table]
 Initially applied IFRSs [axis]
 Initially applied IFRSs [member]
 Disclosure of initial application of standards or interpretations [line items]
 Title of initially applied IFRS
 Description whether change in accounting policy is made in accordance with transitional provisions of initially applied IFRS
 Description of nature of change in accounting policy
 Description of transitional provisions of initially applied IFRS
 Description of transitional provisions of initially applied IFRS that might have effect on future periods

Early application

After initial application, we believe the disclosure should be part of the **accounting policies disclosure**, as required by IAS 1:

- 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.**

The IFRS Taxonomy includes **text block elements** for each significant accounting policy applied by an entity.

Early application

QUESTIONS:

Do you think the current representation is sufficient for the disclosure of the fact of early application of an IFRS or an amendment to an IFRS? Or should we consider **separate text elements**?

If you prefer separate elements, should those elements:

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

