

International Financial Reporting Standards



IFRS Taxonomy content

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- IFRS 16 *Leases*
- Items for disclosure of location of information
- Additional guidance on use of the IFRS
Taxonomy elements

IFRS 16 *Leases*

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IFRS 16 Leases - overview

- **Lessor** accounting largely unchanged:
 - Breakdown between **finance and operating leases**
 - **Finance leases** presented as **receivables**
 - **Operating leases** presented according to the **nature of underlying assets**
- **Lessee** accounting changed significantly:
 - No breakdown between **finance and operating leases**
 - **All leases and corresponding payables recognised** in the statement of financial position ('right-of-use assets' or 'ROU assets')
 - **Presentation and classification choice** – refer to the following slides

IFRS 16 Leases – lessee presentation

- The Standard allows entities to either:
 - present ROU assets separately
 - present ROU assets within the same line item as the corresponding underlying assets when they are owned
- The Standard, however, does not explicitly decide on classification of ROU assets. Entities might treat them as either:
 - a separate class of assets – like Entity A on the next slide
 - part of an existing class of assets (such as for example PPE) – like Entity B on the next slide



IFRS 16 Leases – tagging issue

- Assume the following presentations:

Entity A		IFRS Taxonomy element
PPE	90	Property, plant and equipment ?
ROU assets	10	
Total PPE and ROU assets	100	
Entity B		
PPE without ROU assets	90	
ROU assets	10	
Total PPE (incl. ROU assets)	100	Property, plant and equipment ?

As a result of the different classification of the ROU assets – which is the correct use of the ‘Property, plant and equipment’ element?



IFRS 16 Leases – IFRS Taxonomy option 1

1) create a total for ‘PPE and ROU assets’ - unambiguous tagging, easy interpretation of data

Entity A		IFRS Taxonomy element
PPE	90	Property, plant and equipment
ROU assets	10	Right-of-use assets
Total PPE and ROU assets	100	Property, plant and equipment and right-of-use assets
Entity B		
PPE without ROU assets	90	Property, plant and equipment
ROU assets	10	Right-of-use assets
Total PPE (incl. ROU assets)	100	Property, plant and equipment and right-of-use assets

IFRS 16 Leases – option 1 cont.

But:

- **assumes that ROU assets are not part of PPE** – may be seen as an interpretation of the Standard
- **unintuitive** - all entities that treat ROU assets as part of PPE would be required to use the total element, even if they call their position ‘property, plant and equipment’ (Entity B in the example)
- there will be **no direct connection between the total element and the notes** for PPE and ROU assets (although all elements to make the calculation will be provided)
- **no combined table of movement for PPE and ROU assets**, at least until common-practice analysis

IFRS 16 Leases – IFRS Taxonomy option 2

2) Element for 'ROU Asset' only – the Standard does not address the different classification issue, so the Taxonomy need not either. However:

- PPE element **not fully comparable** among entities (see Slide 6)
- **extensions necessary** to tag the data if any totals are reported
- information on whether ROU assets are included in PPE is necessary for correct understanding (only a text element would be provided)

3) other options?

IFRS 16 *Leases* – questions

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- Do you see any other options apart from options 1) and 2)?
- Which option do you prefer and why?

Items for disclosure of location of information

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Items for disclosure of location

- Some Standards require **disclosure of information about the location** of certain numbers in the primary financial statements
- Examples:
 - IFRS 3 ‘**disclose line item** in the statement of comprehensive income in which gain or loss on remeasuring equity interest in the acquiree is recognised’
 - IFRS 7 ‘**disclose line item** in the statement of comprehensive income that includes reclassification adjustment’ [for hedges]
 - IFRS 16 ‘**disclose which line items** in the statement of financial position include right-of-use assets and lease liabilities’

Items for disclosure of location

- Currently all such requirements are modelled with an unrestricted **text (string) element** ‘Description of line item in X where Y is located’
- Other options are using:
 - **Line items with enumerations** representing potential locations
 - **Dimensions** with members representing potential locations

However:

- the **list** of primary statement positions is **practically unlimited**
- use of dimensions would require **tagging a numerical value** and qualifying it with a member

- **Questions:**
 - Is the **existing modelling sufficient**?
 - If not, should we **reconsider the options** listed or are there **any other options** we haven't considered?
 - In specific cases, where the list of potential financial statement locations is predictable (for example for leases, which may be presented within PPE, investment property and intangible assets) – should we use any of the options?

Additional guidance on use of the IFRS Taxonomy elements

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- The IFRS Taxonomy should be **clear** and **easy to use**.
- The means to achieve this include:
 - **references to IFRSs** for all line items and members
 - **descriptive standard labels** for elements
 - **additional labels** (such as netLabel, totalLabel)
 - **documentation labels** for all line items and members
- We also publish **illustrative examples** (in the form of extension taxonomies and instance documents) and describe reasons for mapping decisions in **Taxonomy Update documents**

Additional guidance - example

- An example when additional implementation guidance might be useful – IFRS 7.25:

25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.

Additional guidance – example cont.

- The Taxonomy mapping for IFRS 7.25:

Element label	Element documentation label
Disclosure of financial assets [table]	
Classes of financial assets [axis]	
Financial assets, class [member]	
Financial assets at amortised cost, class [member]	
Financial assets at fair value, class [member]	
Financial assets outside scope of IFRS 7, class [member]	
Disclosure of financial assets [line item] [carrying amount]	
Financial assets [Fair value]	The amount of assets that are [definition of financial assets]
Financial assets, at fair value	The fair value of financial assets.

- The implementation issue – which line item to use, when the carrying amount equals the fair value? Or both?
- Potential implementation note could say that if the carrying amount equals the fair value, both elements should be tagged with the same amount .

Additional guidance - use

- Implementation guidance may provide useful information about:
 - **choice of element** (which element to use)
 - **sign of element** (whether to report a positive or negative value)
 - **list of similar elements** for consideration
 - **cross-reference** to an illustrative example and maybe even
 - **reasons for certain mapping choices** made
- Potential means of providing implementation guidance:
 - separately published **implementation guides**
 - additional **implementation labels**
 - additional **implementation references**

- Benefits:
 - makes the Taxonomy elements **easier to understand and use**
 - **improves consistency of tagging** by preparers
 - **facilitates more accurate analysis** by users
- Risks:
 - may be seen as **guidance on application of the Standard**, rather than the Taxonomy
 - **increases the complexity** of the Taxonomy (information overload)

- Should the IFRS Taxonomy team **consider providing additional implementation guidance?**
- If yes, should that guidance be **separate from the Taxonomy** or should it be **included within the Taxonomy files?**
- If the latter, do you have a preference **how that guidance is included:**
 - additional labels?
 - additional references?
 - other?

