

IFRS Taxonomy™ content

ITCG meeting, June 2016

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Agenda

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- Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Proposed amendments to IFRS 4)
- IFRS Taxonomy common practice content
- Upcoming *IFRS Taxonomy Updates*



Applying IFRS 9 *Financial Instruments* with IFRS 4
Insurance Contracts
(Proposed amendments to
IFRS 4)

Proposed amendments to IFRS 4—introduction

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- **Exposure Draft** of the Proposed amendments to IFRS 4 published in December 2015, final **Amendments** expected **within 6 months**
- **Aim**—to address concerns about the **different effective date** of IFRS 9 *Financial Instruments* and the forthcoming new insurance contracts Standard
- **Main proposals:**
 - an optional **temporary exemption from applying IFRS 9** for selected entities that issue insurance contracts
 - an **option** for entities that issue insurance contracts and apply IFRS 9 to reclassify, from profit and loss to other comprehensive income, some of the income or expense (the ‘overlay approach’)

Temporary exemption—description

- With some conditions, the Proposed amendments **permit an insurer to apply IAS 39 *Financial Instruments: Recognition and Measurement*** rather than IFRS 9 for annual reporting period beginning **before 1 January 2021**
- When an entity applies the temporary exemption, it will be **required to provide additional disclosures**
- Due to the nature of the temporary exemption (deferral of a Standard beyond its effective date), the **disclosures will not be applicable until** the effective date of IFRS 9, which is **1 January 2018**—no early application

Temporary exemption—Taxonomy issue

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In accordance with the **new due process**, we aim to publish the *[Proposed] IFRS Taxonomy Update* document at the same time or shortly after the final Amendments to IFRS 4 are issued.

However, the related elements may be:

- 1) **included** in the annual IFRS Taxonomy files **when the Amendments become effective** (ie 2018)
- 2) **released as an IFRS Taxonomy Update shortly after the Amendments are issued**
 - + is there a need to indicate ‘no early application’ in the reference?
- 3) **other options?**

Temporary exemption—Taxonomy options

- The IFRS Taxonomy team prefer **option 1**.
- We think that:
 - **publication** of the *IFRS Taxonomy Update document* **keeps stakeholders informed** about future changes
 - **addition of new elements** in the Taxonomy before they can be used in real-life IFRS reporting may **cause confusion**
- In case **option 2** is preferred by the ITCG, the IFRS Taxonomy team think that there is **no need to indicate the lack of early application** in the main reference as the elements will not be used in IFRS reporting until 2018. However, this information might be **included in an implementation note** (as discussed earlier today).

Temporary exemption—Taxonomy questions

QUESTIONS:

- Are there any other viable options that were not mentioned?
- Which option do you prefer and why?
- If you prefer option 2, is there a need to indicate that ‘no early application’ is permitted? Should that indication be in the main reference, in the implementation note or both?

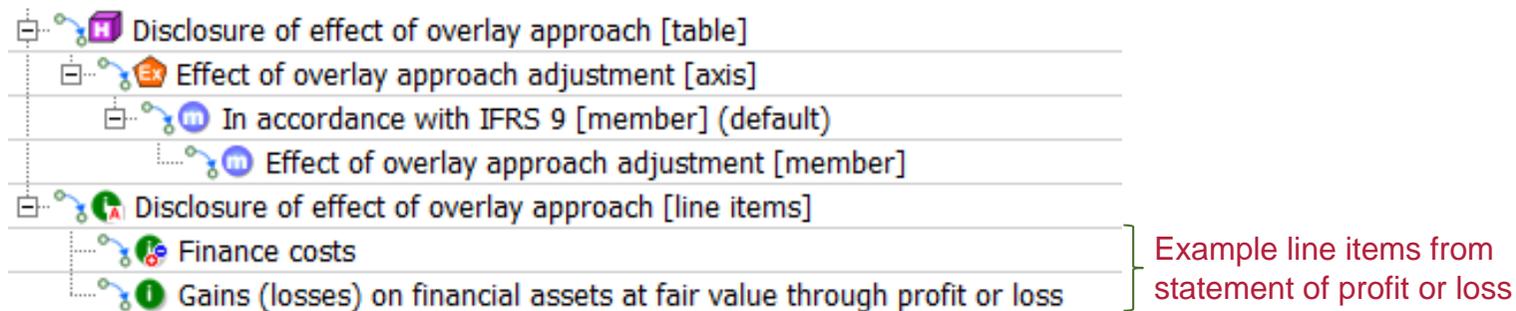
Overlay approach—description

- The Proposed amendments require entities applying the overlay approach to **disclose** in the notes **the effect of the overlay approach adjustment on each individual line item** in the statement of profit or loss. No examples of affected line items are given.
- In other IFRS Standards, there are **no explicit requirements** to disclose a **numeric effect** on each line item. For example, IFRS 16 *Leases* requires entities to ‘disclose **which line items** in the statement of financial position include right-of-use assets’. This and similar requirements are currently **modelled with text elements** only.

Overlay approach—Taxonomy options

Options for the IFRS Taxonomy:

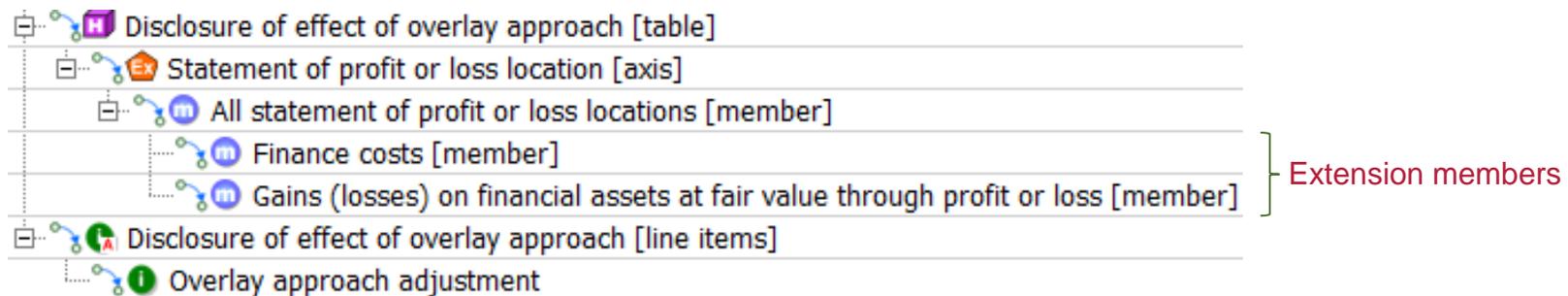
- 1) Create an 'effect of overlay adjustment' axis and member that would be used with existing line items from the entity's statement of profit or loss



Overlay approach—Taxonomy options, cont.

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- 2) Create an empty 'statement of profit or loss location' axis, whose extension members would represent the individual line items in that statement:



- 3) Other options?

Overlay approach—Taxonomy options, cont.

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- The IFRS Taxonomy team prefer **option 1**.
- We note that option 1:
 - **does not require creation of any line items** that are not already used in the statement of profit or loss—no extensions
 - **offers intuitive tagging**—positive values for increase, negative values for decrease
 - **enables tagging of IFRS 9 numbers**, with default member, **and IAS 39 numbers** if an additional member is created

QUESTIONS:

- Are there any other viable options that were not mentioned?
- Which option do you prefer and why?

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IFRS Taxonomy common practice content

- To ask ITCG members whether we:
 - should **initiate a new Common Practice project** in 2016/2017?
 - and if yes, what should be the **area of focus** for this project?
- Please note that:
 - while we are **committed to an IFRS Taxonomy that is up to date with developments in the IFRS reporting practice**, we have limited resources and cost-benefit factor needs to be taken into account
 - the input today will **help the IFRS Taxonomy Review Panel** decide whether to add a 2016/2017 Common Practice project to our work plan

Area of focus—change in approach

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The staff view is that we **should initiate a new Common Practice project**, but **move away from** our current **activity-based approach**, because:

- main activities have been analysed
- number of elements added to the IFRS Taxonomy **has been declining and is low** (10-15 elements per activity)—see slide 16
- at the February 2015 ITCG meeting **you suggested** that we **add agricultural activity** to our analysis. We are currently **finalising this addition**. We have not received any external feedback suggesting other activities that should be considered.

Overview of common practice elements

Annual Taxonomy	Number of activities analysed	Number of common practice elements added
2012	General	570
2013	3	70
2014	2	100
2015	2	25
2016	4	50
2017	3	Currently being analysed

Area of focus—future projects

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- Future common practice projects might focus on:
 - working with the IASB project team involved in **post implementation reviews** (PIRs)
 - analysis of **IFRS Standards and amendments to IFRS Standards that have become effective** within the last three years
 - analysis of **regulator extensions** to the IFRS Taxonomy (co-ordinating role only)

Area of focus—IFRS Standards and PIRs

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New IFRS Standards

- IFRS 10
- IFRS 11
- IFRS 12
- IFRS 13
- IAS 19

Amendments to existing IFRS Standards

- IFRS 7

PIRs

- IFRS 8
- IFRS 10
- IFRS 11
- IFRS 12
- IFRS 13

Area of focus—staff view

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The staff suggest that the area of focus for the 2016/2017 Common Practice project should be the **analysis of new IFRS Standards and amendments to IFRS Standards** effective within the last three years, as:

- this approach **may reveal more common practice** than would have been identified by continuing the focus on activities
- it will help us **identify and use** the benefits of aligning common practice projects and PIRs

Questions

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- 1) Do the ITCG members agree that we should:
 - a) **initiate** a new Common Practice project?
 - b) **shift the focus** of the Common Practice project **away from activity-specific analysis**?
 - c) **analyse IFRS Standards** and amendments to IFRS Standards **effective within the last three years**?
- 2) Are there any other options we should consider?

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Upcoming *IFRS Taxonomy* *Updates*

Upcoming *IFRS Taxonomy Updates*

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Topic	IASB due process stage	Expected publication date
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	analysis	within 6 months
Insurance Contracts	IFRS drafting	after 6 months

Topic	Expected publication date
Common Practice – agriculture, leisure, retail and franchising	Proposed <i>IFRS Taxonomy Update</i> in Q3 2016

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