

GPF meeting, 8 March 2017
Agenda Paper 4

IFRS Taxonomy™ Common practice and supporting materials

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Aims of this session

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- To **explain the IFRS Taxonomy and why it is relevant** (slides 3–12).
- To discuss and **seek your views** on:
 - Reporting areas where improvements to the IFRS Taxonomy may be needed to cover sufficiently IFRS reporting practice (slides 12–16);
 - IFRS taxonomy supporting materials preparers might need to support consistent and accurate tagging (slides 17–23); and
 - How can we best involve preparers in the development of the IFRS Taxonomy content (slide 24)?

Why is the IFRS Taxonomy relevant?

Better Communication

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The IFRS Taxonomy is a key part of the Board's Better Communication in Financial Reporting theme

Primary
Financial
Statements

Disclosure
Initiative

IFRS
Taxonomy

Content and organisation of the content

Content delivery



Enhanced communication effectiveness of financial statements

- We are aware that **investors would like some form of electronic data**—as is demonstrated in a recent *CFA Institute member survey*: XBRL (see appendix 1).
- **Regulators are increasingly using the IFRS Taxonomy**—for example, the European Securities and Markets Authority is proposing to mandate the use of the IFRS Taxonomy for annual consolidated financial statements from 1 January 2020.

What is the IFRS Taxonomy?

What is the IFRS Taxonomy?

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- a **classification system** for IFRS reporting.
- ‘**elements**’ used to tag information in IFRS financial statements.
- enables **structuring** of the information to make it more understandable and accessible in a digital world.

Developed and issued by the IFRS Foundation, the IFRS Taxonomy covers IFRS[®] Standards and the *IFRS for SMEs[®]* Standard

How does the IFRS Taxonomy work?

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Financial statement

	Note	2015 £'000	2014 £'000
Assets			
Current assets			
Cash and cash equivalents		10,495	8,074
Contributions receivable	5	1,479	1,949
Trade and other receivables		1,039	955
Prepaid expenses		676	624
Inventories	period	141	110

IFRS Taxonomy using XBRL

```
<ifrs-full:CashAndCashEquivalents contextRef="e2015" unitRef="Sterling">10495000<  
<ifrs-full:CashAndCashEquivalents contextRef="e2014" unitRef="Sterling">8074000<
```

IFRS Taxonomy element

Benefits—Better Communication

- **Improves access** to IFRS Standards information—especially for users that prefer to receive electronic data.
- **Provides more direct and objective** information—companies themselves tag the financial statements.
- **Reduces costs**—investors and regulators can gather and analyse data faster.
- **Enables customisation and facilitates analysis**—investors can create tailored reports to meet their needs.

Concerns from preparers

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What have we heard?	What is our response?
Electronic data unduly emphasises numeric disclosures	The IFRS Taxonomy includes elements for different forms of information (for example numerical facts, narrative explanations and accounting policies).
Electronic data encourages—or requires—users to review and analyse IFRS Standards out of context	It is possible for information to be both viewed in context and extracted by software at the same time.

Concerns from preparers (cont'd)

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What have we heard?

Use of the IFRS Taxonomy may result in **excessive standardisation** of the presentation and content of IFRS financial statements.

What is our response?

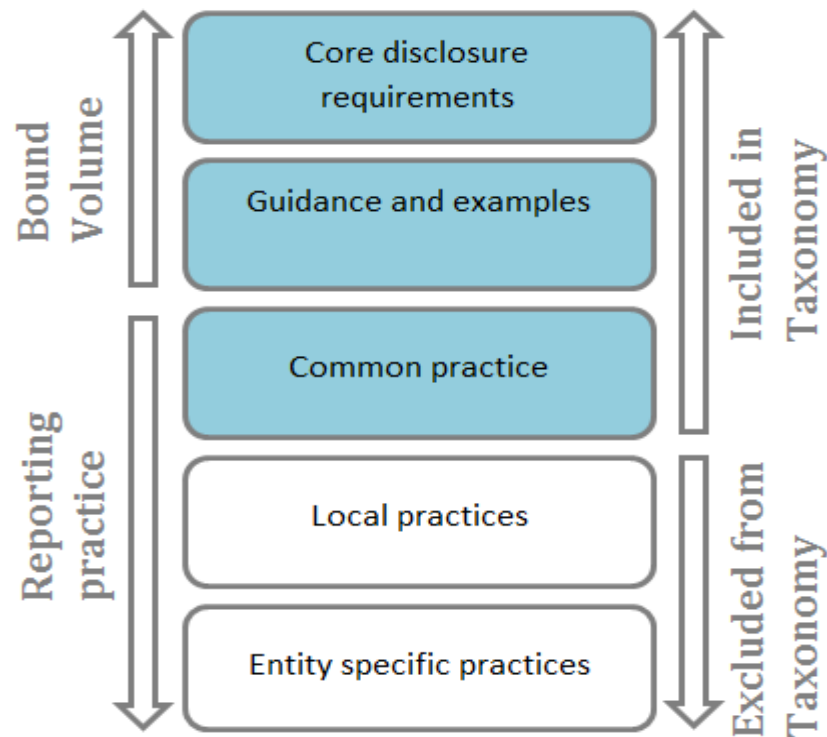
The IFRS Taxonomy neither prescribes nor provides guidance regarding the content and presentation of IFRS financial statements.

It is possible for an entity to add to the IFRS Taxonomy, allowing tagging of the entity's specific facts.

Areas for future common practice analysis

What is common practice?

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Common practice reflects disclosures that are reported frequently across jurisdictions and entities—these disclosures conform with IFRS Standards, but are not explicitly referred to in the Standards or their accompanying materials.

NOT anticipated practice—disclosures expected to be observed upon application of new or amended Standards are not within the scope of the IFRS Taxonomy.

Common practice—examples

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Disclosures described only generally or not described in IFRS Standards, for example:

- Additional, material line items in primary financial statements;
- Maturity analysis of inventories;
- **Classes** of property, plant and equipment, intangible assets, financial instruments, or **categories** of revenue;
- **Maturity periods** (time bands); and
- **Items in reconciliations.**

Common Practice projects—past and future

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Scope of the Common Practice projects

2011	2012–2016	2017–?
General approach— approximately 200 IFRS financial statements from entities in a broad range of industries were analysed.	Activity approach— during this time period, around 800 IFRS financial statements from entities in 15 industries were analysed (see Appendix 1).	Standards approach— disclosures relating to specific IFRS Standards are reviewed.

- 1) Which IFRS Standards do you think are likely to give rise to most common practice (ie disclosures not explicitly required by the Standards)?
- 2) Do you have any suggestions of approaches (other than mentioned on slide 15) or areas we should consider when searching for common practice?

Supporting materials for preparers

Supporting materials

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The IFRS Taxonomy includes content **supporting the accurate use** of the IFRS Taxonomy elements by preparers:

- **references** and **documentation labels** (slides 19 and 20);
- **effective and expiry dates of elements**, based on the applicability of IFRS Standards; and
- **illustrative examples**—illustrate how the presentation and disclosure examples available within the IFRS Standards (and their accompanying materials) might be tagged using the IFRS Taxonomy.

References and documentation labels

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Reference

- Links the IFRS Taxonomy element and the corresponding IFRS Standard or its accompanying material.

Reference source

- Identifies the source of the IFRS Taxonomy element, for instance, whether it is a disclosure requirement or a common practice element.

Documentation label

- Provides a textual description of the accounting meaning of each element.

References and documentation labels—example

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type	value
name	PropertyPlantAndEquipment
Label:	
type	value
label (en)	Property, plant and equipment
documentation (en)	The amount of tangible assets that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period.
Reference:	
type	value
disclosureRef	IAS 1 2016-01-13 54 a http://eifrs.ifrs.org/eifrs/XBRL?type=IAS&num=1&date=2016-03-30&anchor=para_54_a&doctype=Standard 2016-04-28
disclosureRef	IAS 16 2016-01-13 73 e http://eifrs.ifrs.org/eifrs/XBRL?type=IAS&num=16&date=2016-03-30&anchor=para_73_e&doctype=Standard 2016-04-28

Viewing the IFRS Taxonomy

The IFRS Taxonomy content is available in formats that do not require expert technical knowledge:

- **xIFRS**—the electronic IFRS Standards with embedded IFRS Taxonomy elements (slide 22); and
- *IFRS Taxonomy Illustrated*—documents that present the IFRS Taxonomy structure in HTML and PDF formats.

Statement of financial position

Information to be presented in the statement of financial position

54 The statement of financial position shall include line items that present the following amounts:

(a) **property, plant and equipment;**

Property, plant and equipment	Disclosure	$X_{\text{instant, debit}}$	IAS 16.73 e	Disclosure
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(b) **investment property;**

Investment property	Disclosure	$X_{\text{instant, debit}}$	IAS 40.76	Disclosure
			IAS 40.79 d	Disclosure

- 1) Do you have any **suggestions for IFRS Taxonomy supporting materials** (other than mentioned on slide 18) that would be useful to preparers?
- 2) We currently do not have **a general educational taxonomy guide aimed at preparers**. Do you think the publication of such a guide could be useful? If so, do you have any suggestions as to the topics that should be included?

3) How could we encourage preparers to get more involved with the IFRS Taxonomy content? For example:

- Commenting on a proposed update to the IFRS Taxonomy
- Participation within a common practice project
- Voluntary tagging to help to identify areas where further improvements to the IFRS Taxonomy (and its supporting materials) may be needed

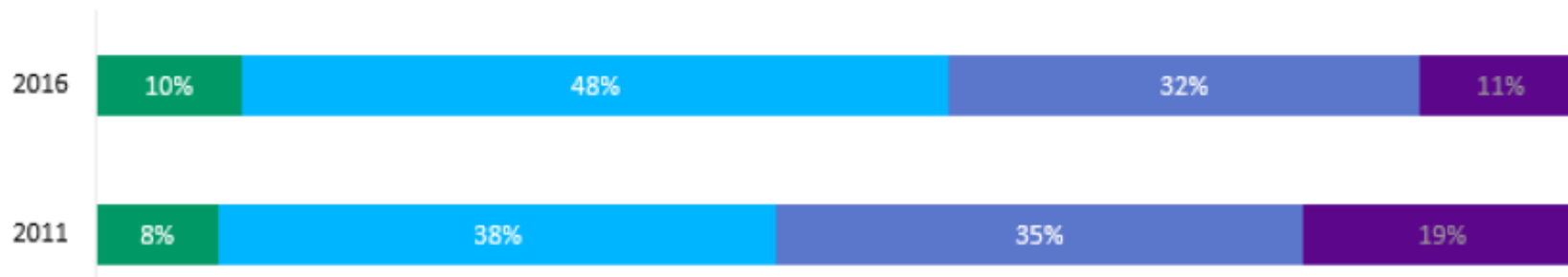
Appendix 1

The CFA Institute member survey: XBRL

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Sources of obtaining companies' financial data

- All data/information is obtained from 3rd party data providers.
- Most of the data/information is obtained from 3rd party data providers with some limited amount of data extracted manually from source documents.
- Limited data/information is obtained from 3rd party data providers but most is extracted manually from source documents.
- All data/information is extracted manually from source documents.



List of activities covered by common practice

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The common practice analysis performed during 2012–2016 covered the following areas:

Agriculture
Chemicals
Extractive Activities
Financial Institutions
Franchising
Insurance
IT
Leisure

Media
Pharmaceuticals
Real Estate
Retail
Telecommunication
Transport
Utilities

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