

Handling entity-specific disclosures

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- To provide **an update** on:
 - the work done by the Entity Specific Disclosures Task Force (including draft recommendations); and
 - the anchoring rules included within the draft regulatory technical standard on the European Single Electronic Format.
- To discuss possible **implications for IFRS Taxonomy content and architecture**.

Update on the work done by the Entity Specific Disclosures Task Force (ESDTF)

Louis Matherne—Chief of Taxonomy Development, FASB; Co-Chair ESDTF

- To identify and recommend **mechanisms that optimise the automated consumption** of entity-specific disclosures (ESDs) in an XBRL filing:
 - focusing on numeric ESDs in financial reporting
 - addressing known concerns of users (and preparers) of XBRL-tagged financial statements
 - making recommendations targeted mainly at regulators

What is an entity-specific disclosure?

- A reported fact **that is sufficiently unique** as to be considered specific to the reporting entity or to a small number of reporting entities.

An ESD is a feature of the reporting domain, and exists regardless of the technology being applied.

Base taxonomy design

- **For example:** whether the base taxonomy reflects the reporting domain fully and in the most appropriate manner

Filing rules

- **For example:** selecting the most appropriate taxonomy element

- Reviewing of existing practice for handling ESDs
- Reviewing sample ESDs to identify patterns ('categories')
- Defining business requirements for ESDs
- Evaluating the extent to which existing XBRL mechanisms meet business requirements for handling ESDs
- Proposing recommendations for public consultation

Examples of existing practice for handling ESDs

Preparer extension taxonomy permitted by regulator

Calculation, dimension and other relationships may or may not be required

Preparer extension taxonomy **not** permitted by regulator

Base taxonomy has extensible features

No tagging of ESDs because not expected or deemed covered by other mechanisms, i.e., Inline XBRL

Specific mapping rules for ESDs

Disaggregation

- an entity-specific breakdown of a base taxonomy element, see [slide 10](#) for an example

Aggregation

- an entity-specific combination of two or more base taxonomy elements, see [slide 11](#) for an example

Standalone

- a disclosure that does not have any relationship with a base taxonomy element—the ESDTF think this is a rare occurrence

Disaggregation—example

Statement of Financial Position		
ESD	Amount due from an associate, non-current	88.4
ESD	Amount due from a joint venture, non-current	14.3
ESD	Amount due from an investee company, non-current	75.0
BT	Amount due from related parties, non-current	177.7

BT = base taxonomy element
ESD = entity-specific disclosure

Observed reporting and presentation variations

- The ‘aggregating’ base taxonomy element might not be reported.
- All or some of the disclosures may be located in the notes to the Statement of Financial Position.
- Some of the ESDs may be base taxonomy elements.

Aggregation—example

Statement of Financial Position

	Line Item	Amount
BT	Prepaid pension	2,432.4
BT	Postretirement benefits	6,299.5
ESD	Prepaid pension and postretirement benefits	8,731.9

BT = base taxonomy element
ESD = entity-specific disclosure

Observed reporting and presentation variations

- The components of the ESD might not be reported as not individually material.
- The components of the ESD might be located in the notes to the Statement of Financial Position.
- Some or all of the components may be ESDs.

The automated consumption of ESDs could be improved through better linking to the base taxonomy. For example:

- linking an ESD that is a disaggregation to a base taxonomy element with the best matched shared accounting properties permits software to deduce a broad meaning for ESDs
- linking an ESD that is an aggregation to its component base taxonomy elements
- wherever possible, describing the mathematical relationship that exists between ESDs and base taxonomy elements

1. The calculation linkbase provides the most useful links for ESDs. It can:
 - provide links for both categories of ESDs (aggregations and disaggregations)
 - link ESDs to the most appropriate base element(s) irrespective of the presentation and location of the disclosures within a financial report
 - provide information about how elements relate mathematically to each other

2. However, improvements to the existing XBRL calculation linkbase are required in order for it to be a complete solution for ESDs.

Calculation tree functionality to cover the following:

- calculations that include XBRL dimensions
- cross-period calculations
- functionality that allows for documentation of a non-validating relationship

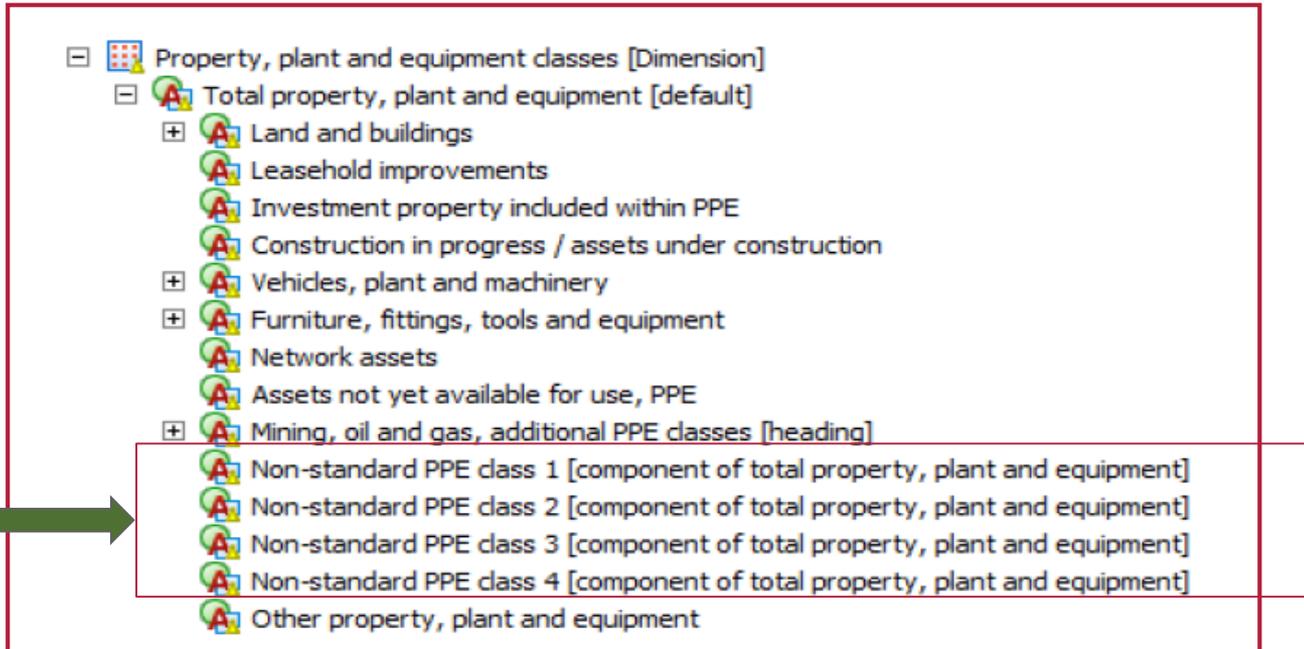
3. Other linkage mechanisms should be provided when use of the calculation linkbase:
 - is not required; or
 - is expected to result in many missing or incomplete links due to the constraints illustrated on slide 14; or
 - is expected to result in many missing or incomplete links due to the limited scope of tagging required.

4. The use of extensible features within the base taxonomy can work well for ESDs:
 - that are disaggregations of a base taxonomy element; and
 - that are predictable in nature and/or the data requirements of the end-user are well-defined in advance.

‘Extensible features’ refers to the use of specific XBRL dimensions and members that can be used to report the value of ESDs. An example is provided on slide 17.

Example of a taxonomy extensible feature

A set (and limited) number of dummy members added to a taxonomy axis where actual (or predicted) reporting practice indicates (or anticipates) entities may need to extend



The European Single Electronic Reporting Format—Anchoring rules

Anna Sciortino—Policy Officer, ESMA

Anchoring rules in RTS

- Extension elements should be anchored to an element in the core taxonomy using a ‘wider-narrower’ relationship defined in the ESMA extension taxonomy
 - Extension elements should be anchored to the element that has the closest wider accounting meaning
 - Where the extension taxonomy element combines a number of elements of the base taxonomy, the issuer should additionally anchor that extension taxonomy element to each of those narrower elements
- HOWEVER issuers need not anchor extension elements that are subtotals of other disclosures of the same primary financial statement

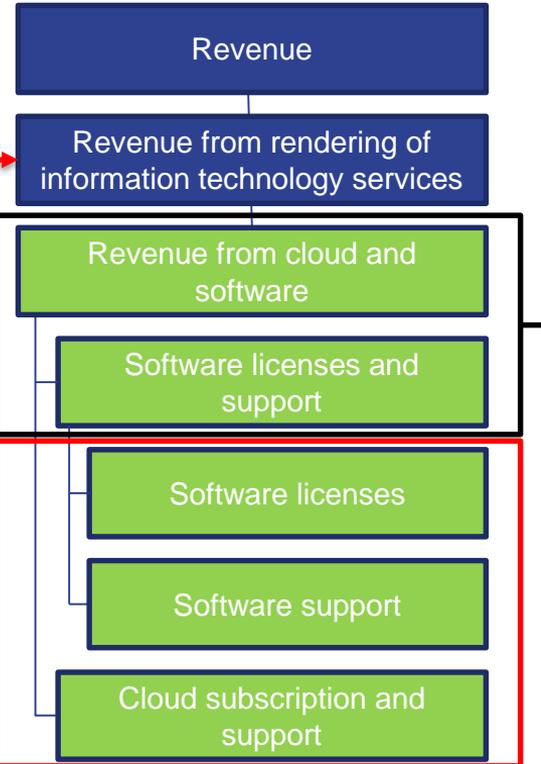
Anchoring: Example 1—Disaggregation

Example 1—P&L European issuer

	2016
millions, unless otherwise stated	€
Cloud subscriptions and support	2,993
Software licenses	4,860
Software support	10,571
Software licenses and support	15,431
Cloud and software	18,424
Services	3,638
Total revenue	22,062

- Elements contained in IFRS Taxonomy
- Extension elements

not anchored
→ subtotals



to be anchored to IFRS Taxonomy

Anchoring: Example 2—Combinations

Example 2—Balance sheet European issuer

Equity attributable to owners of the company

Share capital and Premium

Cumulative translation differences

Treasury shares

Retained earnings and other reserves

Total equity

to be anchored in the IFRS Taxonomy indicating that the extension is wider than the base taxonomy elements

Share capital and Premium

Issued capital

Share premium

-  Elements contained in IFRS Taxonomy
-  Extension element

Possible implications for the IFRS Taxonomy

Rita Clijmans—Senior Technical Manager,

The staff:

- thinks there is no **immediate significant impact on the content and architecture of the IFRS Taxonomy.**
- identified the following implications:
 - there are likely to be changes to the empirical process followed to identify common practice elements (see slides 24 to 26)
 - equivalent elements will continue to exist in the IFRS Taxonomy, at least in the short to medium term (see slide 27)
 - the IFRS Taxonomy should not be changed to include taxonomy-specific extensible features (see slides 28 to 29)

1. **Linking** ESDs provides information that can be used to **more efficiently identify and prioritise** new common practice:
 - Extensions are pre-organised based on their relationship to IFRS Taxonomy elements. This will facilitate staff analysis.
 - Extensions linked to high-level elements (such as equity or assets) or extensions that are not linked at all may point to an important missing IFRS Taxonomy element.

2. **Should we be more selective?** For example, should we increase the benchmark for common practice elements that are aggregations from 10% to 30%?

Considerations:

- + linking aggregations can provide software with a 'precise meaning' provided all the underlying ESDs are IFRS Taxonomy elements
- + a single IFRS Taxonomy element for an aggregation is likely to be most useful for investor analysis when it is consistently available for a relatively large number of companies
- + a smaller, more logically organised taxonomy structure could result
- extension elements and linking may increase cost of tagging

- IFRS Taxonomy content includes **line items that are equivalent in accounting meaning** to members. For example:
 - the line item ‘bearer plants’ is equivalent to the member ‘bearer plants’
- They are included within the IFRS Taxonomy **to support XBRL calculations and validation** of primary financial statements.
- Equivalent elements **will continue to be required** at least **in the short term** because:
 - the ESDTF improvements to the calculation linkbase are currently a business proposal only

1. The staff hold the view that linking (instead of taxonomy extensible features) **best supports IFRS financial reporting**:
 - linking provides entities with the tools to communicate their specific facts:
 - regardless of whether they are aggregations or disaggregations
 - linking is not constrained to pre-defined elements within the base taxonomy
 - individual users of IFRS financial statements may have different data requirements.

2. The staff also has to consider that:

- regulators may use the IFRS Taxonomy in different ways. If appropriate, a regulator can extend the IFRS Taxonomy to include extensible features.
- linking does not require the IFRS Foundation to predict the elements for which extensible features may be required.
- on-going resources are required to identify the IFRS Taxonomy elements for which extensible features may be required.

1. Do you agree with the staff's initial assessment of the implications of the ESDTF recommendations for the IFRS Taxonomy?
2. Are there any other implications we should consider?

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