

IFRS Taxonomy content: review of common reporting practice related to primary financial statements

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Background and aims of today's session

In April 2019, the staff started **researching the extensions created by foreign private issuers** filed under the US SEC requirements

The aim of this research is to review whether **further improvements** can be made to the IFRS Taxonomy to support high-quality tagging



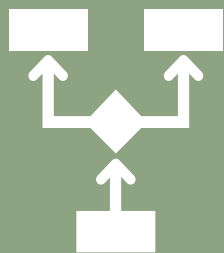
- new common reporting practice? *(see appendix A for criteria applied)*
- new implementation guidance?
- improved data modelling?
- new formula?

At the **June 2019 meeting** ITCG members generally agreed:

- that this research is important and high priority
- with the research methodology proposed by the staff *(see next slide)*

The **project has been divided into two phases** and today, we are seeking ITCG members' views on the research and staff proposals for phase 1 *(see slide 4)*

Research methodology used—a recap



1. Extension analysis: bottom-up approach
 - 1A. clustering of extension line items into categories



2. Extension analysis: top-down approach
 - 2A. review of fundamental relationships for the primary financial statements
 - 2B. review of extension axes created for the primary financial statements



3. External stakeholders' feedback
 - 3A. focusing on feedback specific to the primary financial statements

Project phases

Following the June ITCG meeting in 2019, **the staff decided to divide the project into two phases**

Phase 1

Today's focus



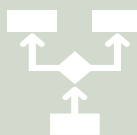
- 2. Extension analysis: top-down approach
 - 2A. fundamental calculation relationships (see agenda paper 2A)
 - 2B. review of extension axes (see agenda paper 2B)



- 3. External stakeholders' feedback
 - 3A. focusing on feedback relating to gross profit (see agenda paper 2A)

Phase 2

Future meeting

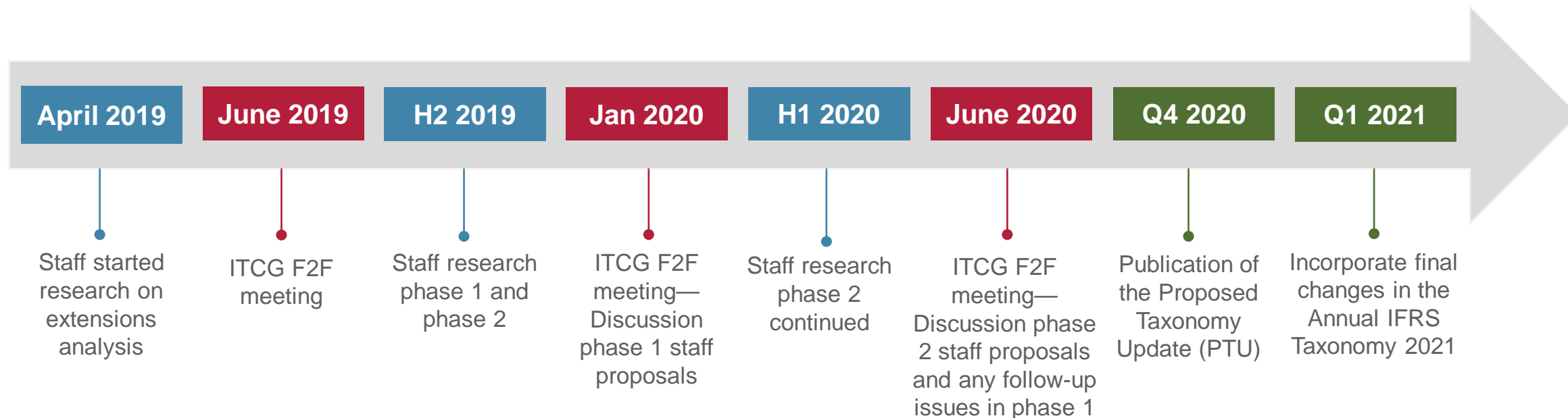


- 1. Extension analysis: bottom up approach
 - 1A. review of extension line items



- 3. External stakeholders' feedback
 - 3A. focusing on other feedback (see Appendix B)

Project timeline



Other important dates

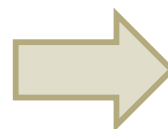
Q3 2020	Review of staff proposals by the IFRS Taxonomy Review Panel
Q3 2020	Preparation of the Proposed Taxonomy Update and files
Q4 2020	ITCG review
Q1 2021	Review of comments

Appendix A

Criteria used to identify common reporting practice

Criteria used to identify common reporting practice

Criterion	Description
Consistency with the Standards	Only those elements that are consistent with the requirements of the Standards are added to the IFRS Taxonomy.
Frequency	Only those elements that are frequently reported within the sample set of IFRS financial statements are added to the IFRS Taxonomy.
Distinctiveness	Only those elements that cannot be represented by an existing IFRS Taxonomy element are added to the IFRS Taxonomy.
Completeness	This involves the inclusion of elements representing an aggregate amount and/or a breakdown of an aggregate amount. These elements are added to logically complete the IFRS Taxonomy. These elements need not meet the frequency criterion.
Relevance	Only those elements that provide relevant information to users of the IFRS Taxonomy are added to the IFRS Taxonomy.



New common practice elements are generally proposed when these elements are reported by at least 10 per cent of entities within the sample. *(see next slide for approaches used to select the sample)*

Source: [Using the IFRS Taxonomy Guide to common practice content](#)

Approaches used for selecting samples

The staff have used **two approaches to select sample** on which the frequency criterion is applied:



Total companies sample

Common reporting practice is identified based on the total of all Foreign Private Issuers (*see next slide*)



Activity-based sample

1. A specific industry
 - For example: all companies engaged in extractive activities
2. A specific transaction
 - For example: all companies that have issued preference capital

Use of sample of foreign private issuers (FPI)

For all projects being discussed today, the staff has used the FPI sample to identify common reporting practice. The staff is also planning to use the FPI sample to identify common reporting practice going forward.

- We will assess whether common practice identified is **country-specific** or reflects **SEC requirements**. If so, we would **not** add elements to the IFRS Taxonomy.
- We would **expand the sample** when:
 - other jurisdictions start requiring the use of the IFRS Taxonomy—if the data is easily available
 - the sample of tagged data available is not representative for the type of common practice project we are undertaking (for example not enough companies for a particular industry or transaction)

Appendix B

Stakeholder feedback: project phases

Stakeholder feedback—project phases

Issue and phasing	Description
Statement of profit or loss and other comprehensive income (Phase 1)	Missing elements for a breakdown of ‘costs of goods sold’, for example, ‘cost of goods sold excluding depreciation’ or ‘cost of goods sold - direct operating expenses’
Statement of financial position (Phase 2)	Missing elements for: <ul style="list-style-type: none">• financial instruments that have characteristics of equity and liability• borrowings from non-financial institutions• Profit (or loss) for the year reported within equity Accounting meaning of the element ‘Retained profit’ is not clear

Stakeholder feedback—project phases

Issue and phasing	Description
Statement of cash flows (Phase 2)	Missing elements: <ul style="list-style-type: none">• movements in working capital• impact of changes in consolidation scope• impact of reclassifications to assets held for sale
Per share data (Phase 2)	How to tag ADR (American Depositary Receipts) related per share data?
Statement of changes in equity (Phase 2)	How to tag 'equity at the beginning of the period' when a company reports two values (before and after adjustments) Missing elements: <ul style="list-style-type: none">• members on the 'Retrospective application retrospective restatement' axis to identify specific IFRS Standards• equity opening balance adjustments at transitioning date

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