

# Primary financial statements: stakeholder feedback

Review of common reporting practice

Rita Clijmans, IASB technical staff  
Vivek Baid, IASB technical staff

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

# Topics to discuss

The IFRS Taxonomy team researched the extensions created by foreign private issuers within their 2018 financial reports for the feedbacks received from the stakeholders.

	Statement	Stakeholder feedback received	Agenda paper reference
1	Statement of financial position	Missing elements for: <ul style="list-style-type: none"><li>• profit (or loss) for the year reported within equity</li></ul>	See slides 3 to 7 of this paper
2	Per share data	How to tag ADR (American Depositary Receipts) related per share data?	See slides 44 to 50 of Agenda Paper 1B
3	Statement of changes in equity	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"><li>• members on the 'Retrospective application retrospective restatement' axis to identify specific IFRS Standards</li></ul>	See slides 8 to 20 of this paper  See slides 21 to 27 of this paper
4	Statement of Cash Flows	Missing elements for: <ul style="list-style-type: none"><li>• movements in working capital</li></ul>	See slide 18 of Agenda Paper 1

Profit (or loss) for the year

# What is the issue?

- A stakeholder questioned how to tag ‘Profit (or loss) for the period’ when a company presents this disclosure as a separate component of equity in its statement of financial position. For example:

Equity	(9)	
Subscribed capital		44,632
Capital reserve		117,109
Capital reserve from foreign currency conversion adjustments		(2)
Loss carried forward		(136,505)
Loss for the period		(8,878)
Total equity		16,356

- In the view of this stakeholder, the existing IFRS Taxonomy element ‘Profit (or loss)’ cannot be used as doing so would invalidate the XBRL calculation for ‘total equity’ (not possible to mix elements with a period type of ‘duration’ and ‘instant’).

Criterion considered	Taxonomy team view
Consistency with the IFRS Standards?	Presentation of 'Profit (loss) for the period' is not required but is not inconsistent with the IFRS Standards.
Common practice frequency criterion?	<b>Only a few foreign private issuers</b> (less than 10%) presented 'Profit (loss) for the year' separately from retained earnings. However, this disclosure was identified as borderline (just over 10%) in past common practice projects. A decision was made at that time not to add as the IFRS Taxonomy already includes an element 'Profit (loss) for the period' with a period type of duration.
Ease of use and practical considerations?	In practice, preparers would need to create an extension element with a period type of instant for XBRL calculations and anchoring (where required by a regulator) to work. The addition of the proposed new element reflects practice and makes it easier for an investor to use the tagged data.

- Add four new elements:
  - Retained earnings, profit (loss) for the financial reporting period [member]
  - Retained earnings, profit (loss) for the financial reporting period (line item – instant)
  - Retained earnings, excluding profit (loss) for the financial reporting period [member]
  - Retained earnings, excluding profit (loss) for the financial reporting period (line item – instant)
- Add a new calculation between the two proposed line items and the existing line item ‘Retained earnings’.

# Question 1 to the ITCG

---



Do you agree with the proposals to add the four new elements listed on the slide 6? If not, what would you suggest and why?





# Statement of changes in equity

Equity opening balance adjustments as at date of initial application



# What is the issue?

- How do preparers tag the 'equity opening balance before and after the adjustment for the cumulative effect of initial application of new IFRS Standards' when an entity uses the transition approach wherein it **adjusts equity at the date of initial application of that new Standard (referred as cumulative effect approach)**.

	Total equity CU*
At 1 January 2018	100
Loss for the year	(10)
Other comprehensive income	20
At 31 December 2018	110
Balance at 1 January 2019	110
Impact of change in accounting policy due to adoption of IFRS 9	5
Adjusted balance at 1 January 2019	115
Loss for the year	(15)
Other comprehensive income	25
At 31 December 2019	125

Note: The amounts for equity as 'at 31 December 2018' and 'at 31 December 2019' are also presented in the Statement of Financial Position. These amounts can be tagged with the line item 'Equity', not using any specific (non-default) member.

\*CU refers to Currency Unit

# What do the IFRS Standards require?

- A new (or amended) IFRS Standard requires a company to use one or more of the following approaches at transition:

<b>Prospective approach</b>	The new (or amended) IFRS Standard is applied from the year of adoption onwards. Under this approach, comparative amounts are not restated and no adjustment is made to the opening balance of equity (and its components).	Existing IFRS Taxonomy model works fine.
<b>Retrospective approach</b>	The comparative amounts are restated and the restatement adjustment to the opening balance of equity (and its components) is shown in the earliest period presented.	Existing IFRS Taxonomy model works fine. See slide 12.
<b>Cumulative effect approach</b>	The cumulative effect of initial application is shown as an adjustment in the opening balance of the period to which the new (or amended) IFRS Standard is initially applied. Comparatives are not restated. IFRS Standards do not prescribe presentation or disclosure requirements for this approach.	<b>Existing IFRS Taxonomy model does not work</b> (see slides 13 - 14). Focus of today's discussion.

# Retrospective approach—the IFRS Taxonomy model

IFRS Standard	IFRS requirement	IFRS Taxonomy model
IAS 1.106 [Statement of changes in equity]	<p>An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:</p> <p>(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;</p> <p><b>(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and</b></p> <p>(c)...</p>	<ul style="list-style-type: none"> <li>[610000] Statement of changes in equity             <ul style="list-style-type: none"> <li>Statement of changes in equity [abstract]                 <ul style="list-style-type: none"> <li>Statement of changes in equity [table]                     <ul style="list-style-type: none"> <li>Components of equity [axis]                         <ul style="list-style-type: none"> <li>Retrospective application and retrospective restatement [axis]                             <ul style="list-style-type: none"> <li>Currently stated [member] ← (highlighted with red arrow)</li> <li>Previously stated [member]</li> <li>Increase (decrease) due to changes in accounting policy and corrections of prior period errors [member]                                 <ul style="list-style-type: none"> <li>Increase (decrease) due to changes in accounting policy [member]                                     <ul style="list-style-type: none"> <li>Increase (decrease) due to changes in accounting policy required by IFRSs [member]</li> <li>Increase (decrease) due to voluntary changes in accounting policy [member]</li> <li>Increase (decrease) due to corrections of prior period errors [member]</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> <li>Statement of changes in equity [line items]                 <ul style="list-style-type: none"> <li>Equity at beginning of period</li> <li>Changes in equity [abstract]                     <ul style="list-style-type: none"> <li>Equity at end of period</li> </ul> </li> </ul> </li> </ul> </li> </ul>

Currently stated [member] (default)	This member stands for the information currently stated in the financial statements.
Previously stated [member]	This member stands for the information previously stated in the financial statements (ie <b>before retrospective application or retrospective restatement</b> ).

# Retrospective approach—tagging using the existing taxonomy model (example)

XBRL Period	Retrospective application and retrospective restatement [axis]	Taxonomy Line Item	Label used in the report	Total equity CU
2017-12-31	Previously stated [member]	Equity	At 1 January 2018	100
2017-12-31	Increase (decrease) due to changes in accounting policy required by IFRSs [member]	Equity	Impact of change in accounting policy due to adoption of IFRS 9	10
2017-12-31		Equity	Adjusted balance at 1 January 2018	110
2018-01-01 to 2018-12-31		Total Increase (decrease) in equity	Changes during the year	(25)
2018-12-31		Equity	At 31 December 2018	85
2018-12-31		Equity	Balance at 1 January 2019	85
2019-01-01 to 2019-12-31		Total Increase (decrease) in equity	Changes during the year	20
2019-12-31		Equity	At 31 December 2019	105

Please note that the 'Components of equity [axis]' is not shown on this slide as the values in this example relate to total equity which is the default member of this axis.

# Cumulative effect approach — tagging in practice (example)

XBRL Period	Retrospective application and retrospective restatement [axis]	Taxonomy Line Item	Label used by the entity in the report	Total equity CU
2017-12-31		Equity	At 1 January 2018	100
2018-01-01 to 2018-12-31		Total Increase (decrease) in equity	Changes during the year	(25)
2018-12-31		Equity or EXT	At 31 December 2018	75
2018-12-31	Previously stated [member]	Equity	Balance at 1 January 2019	75
2018-12-31	Increase (decrease) due to changes in accounting policy required by IFRSs [member]	Equity	Impact of change in accounting policy due to adoption of IFRS 9	10
2018-12-31		Equity or EXT	Adjusted balance at 1 January 2019	85
2019-01-01 to 2019-12-31		Total Increase (decrease) in equity	Changes during the year	20
2019-12-31		Equity	At 31 December 2019	105

Companies in practice are using the ‘Retrospective application and restatement [axis]’.

However, use of this axis does not work fully as the line item ‘Equity’ would need to be used to tag the values for both the ‘opening balance before adjustments’ (value of 75) or the ‘opening balance after adjustments’ (value of 85). To solve this, companies created an extension line item (or member) for either the ‘opening balance before adjustments’ or the ‘opening balance after adjustments’.

# Analysis—tagging in practice (cumulative effect approach)

- We hold the view that using the 'Retrospective application and restatement adjustment' axis for tagging the cumulative effect adjustments is wrong from an accounting perspective, because:
  - the **accounting meaning (and therefore use) of the members 'previously stated' and 'currently stated' is not clear** when the cumulative effect approach has been applied (for example, is it correct for the previously stated member to be used to tag the value of 75 for equity as at 1 January 2019 on the previous slide); and
  - the axis (and its members) **elements have references** to paragraphs 28(f)(i), 29(c)(i) and 49(b)(i) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This standard provides the presentation and disclosure requirements only **for the retrospective approach** and not the cumulative effect approach.



# Proposal—create an axis for cumulative effect approach

- **Add an axis** to tag the transition adjustments arising when a company applies the cumulative effect approach.

<b>Statement of changes in equity [table]</b>	table
Components of equity [axis]	axis
Equity [member]	member [default]
Retrospective application and retrospective restatement [axis]	axis
Currently stated [member]	member [default]
Previously stated [member]	member
Increase (decrease) due to changes in accounting policy and corrections of prior period errors [member]	member
Increase (decrease) due to changes in accounting policy [member]	member
Increase (decrease) due to changes in accounting policy required by IFRSs [member]	member
Increase (decrease) due to voluntary changes in accounting policy [member]	member
Increase (decrease) due to corrections of prior period errors [member]	member
<b>Cumulative effect at date of initial application [axis]</b>	<b>axis</b>
<b>Before adjustment, cumulative effect at date of initial application [member]</b>	<b>member [default]</b>
<b>After adjustment, cumulative effect at date of initial application [member]</b>	<b>member</b>
<b>Increase (decrease) due to changes in accounting policy required by IFRSs, cumulative effect at date of initial application [member]</b>	<b>member</b>
<b>Statement of changes in equity [line items]</b>	line items
Equity at beginning of period	X instant, credit
Changes in equity [abstract]	

Proposed elements are highlighted in red.

# Proposal — new axis for cumulative effect approach

- The proposed model is **aligned to the existing model for the retrospective approach**. Doing so makes the model easier to understand (and apply) by preparers and investors.
- These new elements will have a **reference of common practice** because the IFRS Standard do not require for companies to disclose the adjustments resulting from the application of the cumulative effect approach within the statement of changes in equity.

# Illustrated tagging as per proposal

XBRL Period	Retrospective application and retrospective restatement [axis]	Cumulative effect at date of initial application [axis] <b>NEW</b>	Taxonomy Line Item	Label used by the entity in the report	Total equity CU
2017-12-31	Previously stated [member]		Equity	At 1 January 2018	100
2017-12-31	Increase (decrease) due to changes in accounting policy required by IFRSs [member]		Equity	Impact of change in accounting policy due to adoption of IFRS 9	10
2017-12-31			Equity	Adjusted balance at 1 January 2018	110
2018-01-01 to 2018-12-31			Total Increase (decrease) in equity	Changes during the year	(25)
2018-12-31			Equity	At 31 December 2018	85
2018-12-31			Equity	Balance at 1 January 2019	85
2018-12-31		Increase (decrease) due to changes in accounting policy required by IFRSs, cumulative effect at date of initial application [member]	Equity	Impact of change in accounting policy due to adoption of IFRS 16	40
2018-12-31		After adjustment, cumulative effect at date of initial application [member]	Equity	Adjusted balance at 1 January 2019	125
2019-01-01 to 2019-12-31			Total Increase (decrease) in equity	Changes during the year	20
2019-12-31			Equity	At 31 December 2019	145



Company followed retrospective restatement approach for IFRS 9



Company followed the cumulative effect approach for IFRS 16

Option	Description	Why not pursued?
Use of XBRL dates	Differentiating opening equity balance – before and after adjustments by using different dates. For example: (i) Equity balance before adjustments will have date context 2018-12-31; and (ii) Equity balance after adjustments will have date context 2019-01-01	Using different dates would technically convey that the adjustment was made at the end of the day of 1 January which is not the case. Also, some companies use a label that does not include a date, such as ‘equity at the beginning of the financial year’ (for an example, see slide 23).
Use of existing ‘Retrospective application and retrospective restatement [axis]’	Adding of a new line item (or member) for ‘Equity beginning balance after adjustments, cumulative effect at date of initial application’	See slide 14 as to why we do not propose using the existing ‘Retrospective application and retrospective restatement [axis]’

# Disadvantage of proposal—the effect on the formula

## What is the issue?

The IFRS formula linkbase includes the following formula:

‘Opening equity + Total increase (decrease) in equity = Closing equity’

This **formula will not work using the proposed model**:

For example, applying the existing formula to the tagged example on slide 17 will provide the following result: ‘85 + 20 = 145’ generating a warning message stating that the calculation is not valid.

## Proposal

We are currently reviewing whether changes to the existing formula would resolve the issue. We will provide an update to the ITCG after completing our research.



Do you agree with the proposal to add a new axis for the transitioning adjustments arising under the cumulative effect approach? If not, what would you suggest and why?






# Statement of changes in equity

Members to identify specific IFRS Standards

- New (or amended) IFRS Standards **generally do not require an entity to disclose the specific IFRS Standard (or amendment)** to which the adjustment to the opening balance of equity (and its components) relates to. There is one exception which is IFRS 15 *Revenue from Contracts with Customers*.
- Consequently, with the exception of IFRS 15, the IFRS Taxonomy only includes the higher level element ‘Increase (decrease) due to changes in accounting policy required by IFRSs [member]’.

[901000] Axis - Retrospective application and retrospective restatement		
Retrospective application and retrospective restatement [axis]	axis	IAS 1.106 b Disclosure, IAS 8.28 f (i) Disclosure, IAS 8.29 c (i) Disclosure, IAS 8.49 b (i) Disclosure
Currently stated [member]	member [default]	IAS 1.106 b Disclosure, IAS 1.20 d Common practice, IAS 8.28 f (i) Disclosure, IAS 8.29 c (i) Disclosure, IAS 8.49 b (i) Disclosure, Effective 2021-01-01 IFRS 17.113 b Disclosure
Previously stated [member]	member	IAS 1.106 b Disclosure, IAS 8.28 f (i) Disclosure, IAS 8.29 c (i) Disclosure, IAS 8.49 b (i) Disclosure
Increase (decrease) due to changes in accounting policy and corrections of prior period errors [member]	member	IAS 1.106 b Disclosure, IAS 8.28 f (i) Disclosure, IAS 8.29 c (i) Disclosure, IAS 8.49 b (i) Disclosure
Increase (decrease) due to changes in accounting policy [member]	member	IAS 8.28 f (i) Disclosure, IAS 8.29 c (i) Disclosure
 Increase (decrease) due to changes in accounting policy required by IFRSs [member]	member	IAS 8.28 f (i) Disclosure, IAS 8.28 g Disclosure
Increase (decrease) due to application of IFRS 15 [member]	member	IFRS 15.C8 a Disclosure
Increase (decrease) due to voluntary changes in accounting policy [member]	member	IAS 8.29 c (i) Disclosure, IAS 8.29 d Disclosure

# What is the issue?

- Companies commonly disclose the specific IFRS Standard to which the adjustment relates. For example:

Balance at January 1, 2018
Adjustment of opening balance for the application of IAS 29 (Note 33)
Total equity at the beginning of the financial year
Profit for the year
Other comprehensive income:
- Items that may be reclassified subsequently to profit or loss:

<b>Balance on December 31, 2017</b>
Adoption of IFRS 9 (Note 47)
<b>Balance on January 1<sup>ST</sup>, 2018</b>
Net income
Financial assets at fair value through other comprehensive income
Foreign currency translation adjustment

<b>Balances as of December 31, 2017</b>
Impact of adopting IFRS 9
Restated balances as of January 1, 2018
Capitalization of retained earnings
Retention (release) earnings

- Some companies use the higher level IFRS Taxonomy member element and others create an extension member (or line item).

# Analysis—do we add new elements?

- We considered adding IFRS Taxonomy members for **each new IFRS Standard and each new amendment.**

Advantages	Disadvantages
No need to create extensions	IFRS Taxonomy resources to set up and maintain
Users can ascertain the new (or amended) IFRS Standard to which the ‘cumulative effect’ or ‘restatement adjustment’ pertains to.	Over time, there may be a large number of members which may make it more difficult for a preparer (or user) to find the correct member. Scope for error.  This risk can be addressed by deleting members from the annual IFRS Taxonomy at a specified period (two years) after the date of initial application. However, applying such a policy would require additional maintenance resources.

# Analysis—timing of adding new elements?

- The proposed elements would need an element reference of ‘**common reporting practice**’
- The **default IFRS Taxonomy policy** is to only add common practice elements when **in practice** companies commonly disclose this information when applying the IFRS Standards. Normally such research is only undertaken when some time has elapsed after a Standard has become effective.
- However, the proposed elements indicating a specific IFRS Standard would need to be available within the annual IFRS Taxonomy before the new (or amended) IFRS Standard becomes effective (or is early adopted) because **these elements would only be relevant during the transitioning period**.
- Adding these elements before observing any reporting practice would deviate from default IFRS Taxonomy policy. Such elements would be **anticipated (rather than observed) common practice**.

- |  |   |
|--|---|
| <p>1 To add new members for <b>new IFRS Standards and major IFRS amendments only</b>. The proposed members would be added to both the ‘Retrospective application and retrospective restatement [axis]’ and ‘Cumulative effect at date of initial application [axis]’).</p> | <p>This proposal strikes the right balance between the benefits for users and preparers and the costs of maintaining the IFRS Taxonomy.</p>   |
| <p>2 To add these members as <b>common reporting practice elements when the new (or amended) IFRS Standards are issued</b></p>   | <p>Considering the limited timespan of the proposed members, this is a justified standalone exception to the default IFRS Taxonomy policy of not adding anticipated common reporting practice.</p>                            |
| <p>3 To apply this approach <b>prospectively</b>, that is only for new (or amended) IFRS Standards effective on (or after) the 1 January 2020.</p>   | <p>Since these members are related to transition, member elements for Standards effective before 1 January 2020 would not be used by the preparers because these elements will be added in the annual IFRS Taxonomy 2021.</p> |





Do you agree with the proposals to create new common practice elements for new IFRS Standards and major IFRS amendments only? If not, what would you suggest and why?

# Get involved

Find out more: [www.ifrs.org](http://www.ifrs.org)

Follow us:  @IFRSFoundation

 IFRS Foundation  
International Accounting Standards Board

 IFRS Foundation

 IFRS Foundation

Join our team: [go.ifrs.org/careers](http://go.ifrs.org/careers)