Agenda paper 3
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IFRS® Foundation

Tagging implicitly reported concepts

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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.

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Agenda

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Introduction

Terminology

- ‘Paper-based reports’ are financial statements in human-readable formats such as PDF.
- ‘Users of digital reports’ are stakeholders who consume financial statements in a digital format, for example by querying a database.
- By ‘double tagging’ we mean that a single amount or piece of text presented in a paper-based report is assigned more than one tag.

Objective of the session

- discuss whether lack of tagging of implicitly reported concepts hinders digital consumption of financial information; and
- brainstorm potential solutions including possible changes to tagging practices (such as double tagging) and possible changes to how the Board drafts IFRS Standards.

We are in an early brainstorming stage. Whether we perform further work in this area depends on:

- whether we conclude there is a problem to address; and
- whether the Board increases its focus on digital financial reporting in response to feedback on the Agenda Consultation (see Agenda Paper 1).

Background

- As part of the general improvements to the 2020 IFRS Taxonomy, we proposed introducing guidance labels to recommend the use of double tagging in two cases when a reported value represented more than one accounting concept.*
- However, we got feedback that:
  - more work is needed to establish whether double tagging would facilitate digital consumption of financial information; and
  - there are many other disclosures in which a single reported amount may correspond to more than one accounting concept, so a more holistic approach is needed.
- In response, we said we would bring back a discussion to the ITCG about the use of double tagging. Looking into this issue, we think there may be a broader issue around the tagging of implicitly reported concepts.

*See February 2021 ITCG Agenda Paper 1 for further details

Current situation

IFRS Standards → Paper-based financial statements → Tagged financial statements

- Some information required by IFRS Standards may only be implicitly reported in a paper-based report (see examples of equal amounts and unreported totals on slides 8–18).
- Using the context provided by a paper-based report, users can derive such information.

In many jurisdictions that require the use of the IFRS Taxonomy for digital reporting, only information explicitly reported on paper is tagged.

Implicitly reported information is lost for users of digital reports

Key questions

Is there a problem? (slides 8–20)

- Does the lack of tagging of implicitly reported concepts hinder digital data consumption?
- Can users not derive such concepts automatically, using technology?

Slides 8–18 illustrate two types of issues:
➊ equal amounts and ➋ unreported totals

If there is a problem, what are the possible solutions? (slides 21–28)

- Should paper-based reports change to facilitate digital reporting or can digital reporting be improved independently?
- What role should the Board play in developing a solution?

Is there a problem?
➊ Equal amounts

➊ Equal amounts: example

- For example, paragraphs 81A and 81B of IAS 1 require entities to present :
  - Profit or loss
  - Profit or loss attributable to owners of the parent
  - Profit or loss attributable to non-controlling interests (NCI)

  with Profit = Profit attributable to owners of the parent + Profit attributable to NCI.

- When there are no non-controlling interests, most entities only report profit and omit profit attributable to owners of the parent and profit attributable to NCI from their paper-based reports.

For example, instead of reporting:

Loss for the year attributable to:	
Owners of the Company	($43,487,000)
Non-controlling interests	-
Loss for the year detail+ notes	($43,487,000)

Most entities just report:

Loss for the year	($43,487,000)

A user of the paper-based report is likely to understand that the loss attributable to owners of the parent = loss for the year.

❶ Equal amounts: further examples

- Profit + Other Comprehensive Income = Total Comprehensive Income, with OCI = 0
- Profit from continuing operations + Profit from discontinued operations = Profit, with Profit from discontinued operations = 0
- New P&L subtotals proposed in the Primary Financial Statements project, for example: Operating profit = Profit before financing.

In general, this issue arises whenever:

- An accounting relationship exists : Concept A + Concept B = Concept C
- Concept B = 0 or not material
- The entity only explicitly reports either Concept A or Concept C on paper

❶ Equal amounts: tagging

Applying the current tagging process explained on slide 6 to the example on slide 9:

the most common tagging pattern in practice is:*

Tag	Value
Profit (loss) [IFRS]	43,487
Profit (loss), attributable to non-controlling interests [IFRS]	Not used
Profit (loss), attributable to owners of parent [IFRS]	Not used

entities rarely use the most complete and unambiguous tagging pattern:*

Tag	Value
Profit (loss) [IFRS]	43,487
Profit (loss), attributable to non-controlling interests [IFRS]	0
Profit (loss), attributable to owners of parent [IFRS]	43,487

How difficult is it for a computer to automatically derive the complete tagging pattern?

* See detailed findings in Appendix A.

❶ Equal amounts: is there a problem?

A computer could automatically derive the complete reporting pattern if:

The IFRS Taxonomy specified that:
Profit = Profit attributable to owners of the parent + Profit attributable to NCI

- ✗ This relationship is not specified in the IFRS Taxonomy.
  - We could review IFRS Taxonomy calculations to add more relationships.
  - However, we cannot add all possible entity-specific relationships.
  - In addition, IFRS Taxonomy calculations are currently not intended to have a strict accounting meaning.

And if it can assume that, when the tag for 'Profit attributable to NCI' is not used, its value is immaterial or zero.

- ✓ This assumption generally holds true for Profit attributable to NCI (see slide 32).
- ✗ However, it does not hold true in general. A tag may not be used although the underlying concept is material when:
  - an extension was used instead; or
  - the reported value is located in a part of the financial statements that is not required to be tagged.

Is there a problem?
❷ Unreported totals

❷ Unreported totals: example

- Investors may want to analyse and compare entities' total employee benefits expense.
- IAS 1 requires entities to report employee benefits expense, either in the statement of profit or loss or in the notes. However, it does not explicitly require the *total* amount to be reported, resulting in different interpretations in practice.
- For example, this entity reports the components of employee benefits expense but does not report the total explicitly:

28 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting) the following:

	2019 RMB million
Employee salaries and welfare costs	20,125
Housing benefits	1,189
Contribution to the defined contribution pension plan	2,905
Depreciation and amortisation	4,379
Foreign exchange losses/(gains)	67
Remuneration in respect of audit services provided by auditors	60

Sum of these three items = total employee benefits expense

Some would argue the entity has implicitly reported total employee benefits because the components are presented together and a user of the paper-based report could easily add these up. Others argue the entity should explicitly report the total.

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❷ Unreported totals: further examples

- Other examples of accounting concepts for which entities may report the components but not the total are:
  - Depreciation (required by IAS 1.102 and IAS 1.104)
  - Revenue (required by IAS 1.82(a))
  - Operating expenses (not required)
  - Impairment losses on financial assets (required by IAS 1.82(ba))

In general, this issue arises whenever:
- An accounting relationship exists: Concept A + Concept B = Concept C
- The entity only reports Concept A and Concept B

❷ Unreported totals: tagging

In the example on slide 14, the entity reported:

Tag	Value
Employee salaries and welfare costs [Extension]	20,125
Housing benefits [Extension]	1,189
Post-employment benefit expense, defined contribution plans [IFRS]	2,905
Employee benefits expense [IFRS]	**Not used**

The most complete and unambiguous tagging pattern would be:

Tag	Value
Employee salaries and welfare costs [Extension]	20,125
Housing benefits [Extension]	1,189
Post-employment benefit expense, defined contribution plans [IFRS]	2,905
Employee benefits expense [IFRS]	**24,219**

How difficult is it for a computer to automatically derive the complete tagging pattern?

See detailed findings in Appendix A.

❷ Unreported totals: is there a problem?

The IFRS Taxonomy specifies the following calculations:

	Short-term employee benefits expense
+	Post-employment benefit expense
+	Termination benefits expense
+	Other long-term employee benefits
+	Expense from share-based payment transactions with employees
+	Other employee expense
=	**Total employee benefits expense**

	Post-employment benefit expense, defined contribution plans
+	Post-employment benefit expense in profit or loss, defined benefit plans
=	**Post-employment benefit expense**

❷ Unreported totals: is there a problem?

- **Without anchoring**, a computer would not be able to understand how the extensions fit into the calculation of employee benefits expense.
- Even **with anchoring**, a computer would not necessarily be able to derive the correct answer.

Suppose the two extensions for ‘employee salaries and welfare costs’ and ‘housing benefits’ were both anchored to ‘short-term employee benefits expense’. A computer would not know whether the two extensions were siblings and needed to be added up (21,314) to arrive at total short-term employee benefits expense or whether ‘housing benefits’ is a child of ‘employee salaries and welfare costs’ (20,125).

	Without anchoring	With anchoring
Short-term employee benefits expense	0?	20,125 or 21,314?
+ Post-employment benefit expense	2,905	2,905
+ Termination benefits expense	0	0
+ Other long-term employee benefits	0	0
+ Expense from share-based payment transactions with employees	0	0
+ Other employee expense	0	0
= Total employee benefits expense	2,905 ✗	23,030 × or 24,219 ✓?

Is there a problem—staff conclusion

- In some cases, users would be able to automatically derive untagged concepts using IFRS Taxonomy calculation relationships and anchoring. However, arguably, any additional step required by users to analyse data is undesirable—users would need to spend time and resources or rely on intermediaries to make the data usable.
- In other cases, it is not possible to automatically derive untagged concepts due to:
  - use of extensions; and
  - calculations in the IFRS Taxonomy being incomplete.
- In some jurisdictions, some sections of the financial statements are not tagged in detail, making it even more difficult to automatically derive untagged concepts.

In summary, we think there is a problem—the lack of tagging of implicitly reported concepts hinders digital consumption of financial information. Rather than putting the burden on users to make data usable, we think we need to consider changes to how financial statements are tagged (see next section).

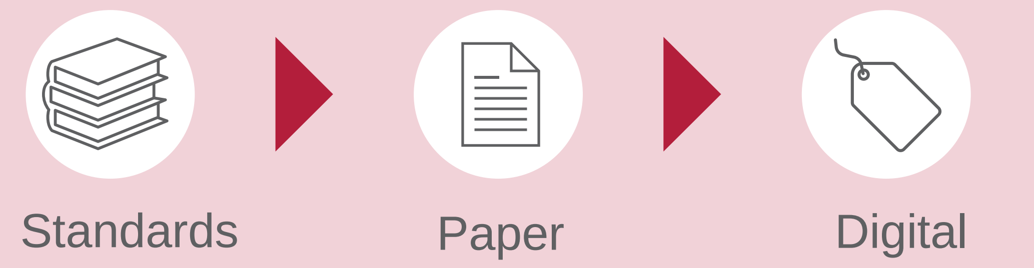
Questions for ITCG members—Is there a problem?

1. For ITCG members who are involved in tagging:
   a. do you tag implicitly reported concepts?
   b. do you use ‘double tagging’?
2. Do you think there is a problem? That is, do you think that:
   a. users cannot always automatically derive untagged implicitly reported concepts using technology?
   b. this hinders users’ digital consumption of financial information?
3. Can you provide examples of cases in which the lack of tagging of implicitly reported concepts hinders digital consumption of financial information?

Possible solutions

Possible approaches

A. Change paper-based reports to achieve better digital reporting



The Board could require concepts like totals or subtotals to be explicitly reported in paper-based reports. Applying the current process, such an approach would indirectly make such items more likely to be tagged (depending on local filing rules).

B. Improve digital reporting independently from paper-based reports

Companies could be required to tag particular concepts required by IFRS Standards, regardless of whether they report them explicitly or implicitly on paper.

Possible approaches

Applying these two approaches to the examples on slides 9 and 14:

Loss attributable to owners of the company	**(43,487,000)**
Loss attributable to NCI	**-**
Loss for the year	(43,487,000)

Employee salaries and welfare costs	20,125
Housing benefits	1,189
Post-employment benefit expense, defined contribution plans	2,905
Employee benefits expense	**24,219**

A. Change paper-based reports to achieve better digital reporting	Entities would not be allowed to omit the amounts in highlighted in red in their paper-based report. Reporting such amounts explicitly would make them more likely to be tagged (depending on local filing rules).
B. Improve digital reporting independently from paper-based reports	Entities could omit the amounts highlighted in red in their paper-based report for simplicity, but they would be required to tag them.

A. Change paper-based reports to achieve better digital reporting

The Board could require (some) totals and subtotals to always be explicitly reported in paper-based reports, thereby making them more likely to be tagged.

Questions to consider applying this approach:

- Would such totals and subtotals clutter paper-based reports or would they provide additional clarity?
- How would such a requirement be introduced in IFRS Standards:
  - on a disclosure-by-disclosure basis; or
  - as a general requirement, for example in IAS 1?
- Should the Board explore requiring double labelling in paper-based reports for required amounts that are equal, to encourage double tagging (see examples in Appendix C)?

B. Improve digital reports independently from paper-based reports

Companies could be required to tag particular concepts required by IFRS Standards, regardless of whether they report them explicitly or implicitly on paper. Applying this approach, we envisage that a digital report would not contain more information than a paper-based report —a digital report would just capture what is reported explicitly and implicitly on paper.*

Questions to consider applying this approach

- Should this specified set of concepts required to be tagged be:
    - all concepts required to be presented or disclosed by IFRS Standards (that is, all tags with a 'Disclosure' element reference)? or
    - a subset of key concepts required by IFRS Standards that users often want to extract and compare?
- If it is a subset of key concepts, how should this subset be determined?

*Whether digital reports should contain more granular information than paper-based reports is a separate question that is not explored in this paper.

B. Improve digital reports independently from paper-based reports

Questions to consider applying this approach (continued)

- Who should set the requirement for particular concepts to be tagged?
  - Filing rules are set by filing system owners.
  - Should the Board or the IFRS Foundation recommend specific filing requirements, for example in our *Regulator's guide*?
- What if required amounts are immaterial? Should they be tagged as zero?
- Would there be a potential for conflict with the Targeted Standards-level Review proposals (see Agenda Paper 2)?

B. Improve digital reports independently from paper-based reports

Questions to consider applying this approach (continued)

What XBRL mechanism would be most suitable for tagging implicitly reported concepts?
For example, should a specified set of tags be required to be:

- Assigned a value—meaning that hidden tags and double tagging would need to be used for concepts implicitly reported in paper-based reports.
  - Are hidden tags and double tagging commonly supported by tagging software?
  - Can double tagging be displayed in inline viewers?
- Or used as a parent in a calculation relationship?
  - In the example on slide 16, an entity could specify a calculation:
    Employee benefits expense [unreported] = Employee salaries and welfare costs [Reported, extension] + Housing benefits [Reported, extension] + Post-employment benefit expense, defined contribution plans [Reported, IFRS]
  - However, the current calculation specification does not work with unreported concepts?

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Questions for ITCG members—Possible solutions

Brainstorming questions

4. Do you have any comments on the two approaches set out on slide 22 and the considerations set out on slides 24–27?
5. Should we consider possible solutions other than those set out on slide 22?
6. Are there any questions we would need to consider other than those set out on slides 24–27?

Note that the Board may only pursue the approaches discussed in this paper or other approaches if it increases its focus on digital financial reporting in response to feedback on the Agenda Consultation (see Agenda Paper 1)

Appendix A

Research findings —implicitly reported concepts

A. Research findings—implicitly reported concepts

In a sample of 461 foreign private issuers applying IFRS Standards, we analysed the use of some tags for which the value is expected to be material for most companies, but which are likely to be implicitly reported on paper:

% of foreign private issuers using the tag for:	
❶ **Equal amounts** (see slides 8–12):	
(a) Profit (loss) attributable to owners of parent	59%
(b) Comprehensive income	92%
(c) Profit (loss) from continuing operations	28%
❷ **Unreported totals** (see slides 13–18):	
(a) Employee benefits expense	65%
(b) Revenue	76%
(c) Depreciation expense	37%
For reference: Profit or loss	97%

❶(a) Profit attributable to owners of the parent

		Tagging patterns			Number of companies as a % of 461 FPIs
		Profit or loss	Profit attributable to NCI	Profit attributable to owners of parent	
Complete tagging patterns	I	Tagged	Tagged as non-zero	Tagged	**46%**
	II	Tagged	Tagged as zero	Tagged	2%
Incomplete tagging patterns	III	Tagged	Not tagged	Not tagged	**37%**
	IV	Tagged	Not tagged	Tagged	9%
	V	Tagged	Tagged	Not tagged	3%
	VI	Not tagged	Not tagged	Tagged	2%
	VII	Not tagged	Not tagged	Not tagged	1%

❶(a) Profit attributable to owners of the parent

- In 19 out of 20 cases verified of pattern III, profit attributable to NCI was immaterial. In other words, making the assumption that profit attributable to NCI is immaterial when it is not tagged is correct in most cases (see slide 12).
- In most cases when companies used pattern II (NCI tagged as zero), they explicitly reported all numbers on paper, usually because profit attributable to NCI was not zero in a comparative period, for example:

	Notes	For the year ended December 31,		
		2020	2019(*)	2018(*)
Net income attributable to:				
Owners of the Company		54,217	54,015	51,677
Non-controlling interest		—	—	(81)
Net income for the year		**54,217**	**54,015**	**51,596**

❷(a) Total employee benefits

Out of 20 cases verified in which the tag 'employee benefits expense' was not used:		
The components of employee benefits expense were reported, but not the total	10	50%
Total employee benefits expense was explicitly reported but tagged incorrectly	7	35%
Total employee benefits expense was not reported, nor its components	3	15%

Appendix B

Research findings —current use of double tagging

B. Current use of double tagging

- We identified 90 IFRS filers that submitted iXBRL SEC filings.
- 49 of those companies (54%) used double tagging at least once in their filing.
- Most common uses of double tagging:
  - Increase = decrease in inputs in sensitivity analysis (18 filers) (see example on next slide)
  - Issued shares = outstanding shares (10 filers)
  - Basic EPS = Diluted EPS (3 filers)
- We did not investigate the completeness of double tagging—that is, we did not analyse whether companies applied double tagging in all cases where a single amount or piece of text included in their paper-based report represented more than one accounting concept.

B. Current use of double tagging—Example

obligations. At 31 December 2020, if the discount rate used had been decreased or increased by 50 basis points, there would have been an increase or decrease in the present value of the obligations of 5.59% and -5.10%, respectively.These changes would be offset in part by increases or decreases in the fair value of the assets.

The highlighted amount is tagged as both:

- Percentage of reasonably possible decrease in actuarial assumption
- Percentage of reasonably possible increase in actuarial assumption

Appendix C

Examples of double labelling in paper-based reports

Examples of double labelling in paper-based reports

IAS 33 already requires double labelling for earnings per share

	2019
Interest income	108,538
Other income	4,951,167
Intellectual property expenses	(322,097)
General and administration expenses	(4,308,352)
Research and development expenses	(12,983,185)
Other operating expenses	(132,965)
Other gains and losses	349,064
Loss before income tax expense	(12,337,830)
Income tax expense	
Loss for the year	(12,337,830)
Other comprehensive loss	
Total comprehensive loss for the year	(12,337,830)
Loss per share (basic and diluted - cents per share)	(2.00)

Basic EPS

Diluted EPS

Exposure Draft *General Presentation and Disclosures:* illustrative examples

	20X2
Insurance revenue	138,200
Insurance service expenses	(107,000)
Insurance service result	31,200
Interest revenue calculated using the effective interest method	21,500
Other investment revenue	95,500
Credit impairment losses	(9,000)
Insurance finance expenses	(85,900)
Net financial result	22,100
Other expenses[a]	(3,100)
Operating profit	50,200
Share of profit or loss of integral associates and joint ventures	(3,200)
Operating profit and income and expenses from integral associates and joint ventures	47,000
Share of profit or loss of non-integral associates and joint ventures	(2,200)
Profit before financing and income tax / Profit before tax	44,800
Income tax expense	(11,200)
PROFIT FOR THE YEAR	33,600

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