

Agenda paper 4
ITCG meeting, June 2021

IFRS® Foundation

Tagging comparative information reported in accordance with a superseded IFRS Standard

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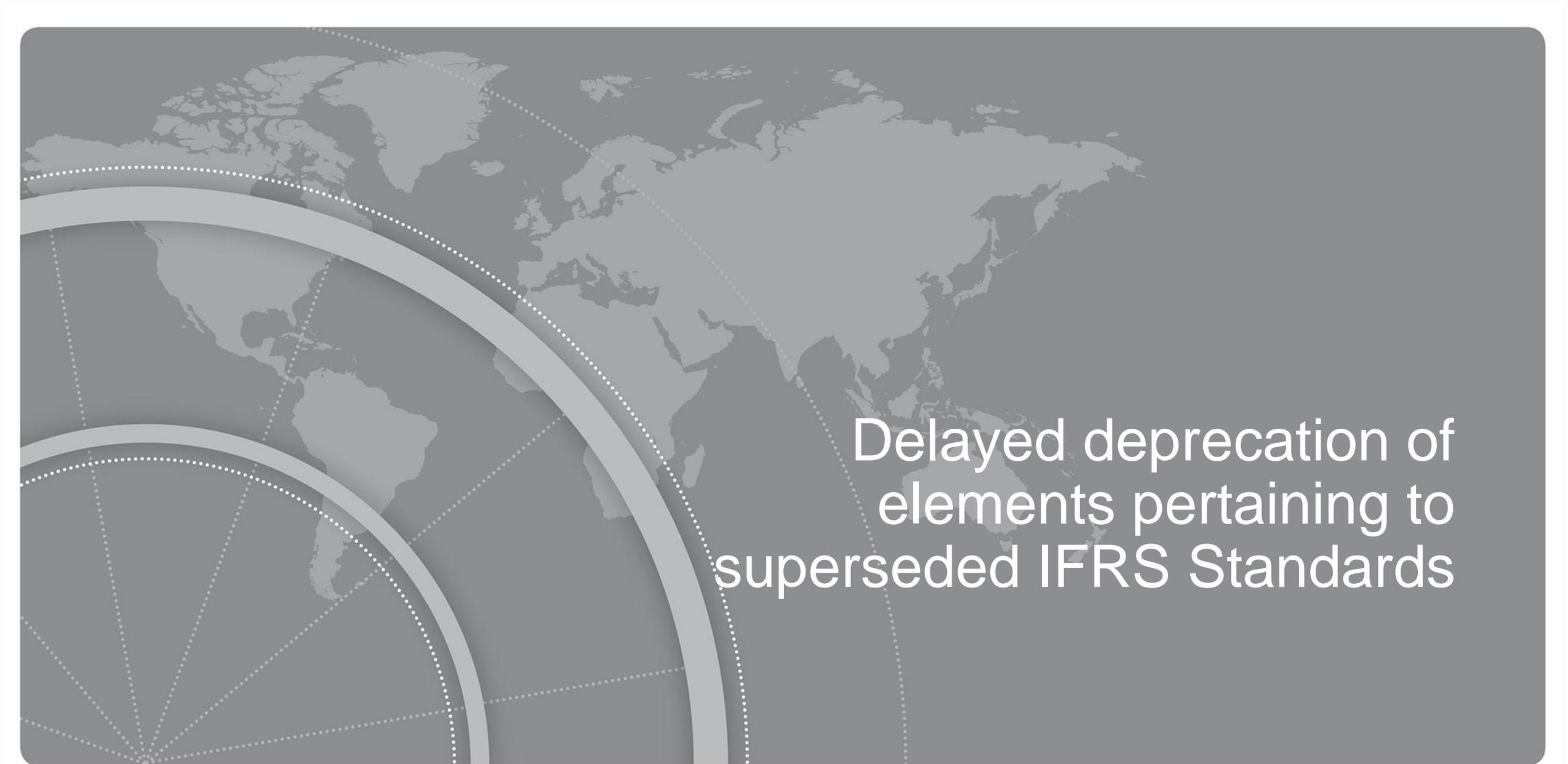
Objective of the session



The staff is seeking ITCG members' views on:

	Topics	Staff proposal	Reference to slides
1	Delayed deprecation of elements pertaining to superseded IFRS Standards	To delay the deprecation of elements of superseded IFRS Standards for three years	Slides 3–14
2	Easy identification of elements of superseded IFRS Standards	To add a new reference note, guidance label and formula for such elements	Slides 15–23
3	Use of expired elements in the current reporting period	N.A.	Slides 24–30

- This is a follow-up discussion of [Agenda Paper 1](#) of the July 2020 ITCG meeting
- Questions for the ITCG are on slides 14, 23 and 30



Delayed deprecation of
elements pertaining to
superseded IFRS Standards

Transition approaches

- A new, or amended, IFRS Standard may allow one or more of these approaches at transition:

	Transition approach	Effect on comparative information
1	Prospective approach	The new (or amended) IFRS Standard is applied from the year of adoption onwards. Under this approach, comparative information is not restated as per new or amended IFRS Standard.
2	Cumulative catch-up approach	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. Comparative information is not restated as per new or amended IFRS Standard.
3	Retrospective approach	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. Comparative information is restated as per new or amended IFRS Standard

Background

- Under the prospective transition approach and the cumulative catch-up transition approach, entities are **not required to restate comparative financial information**. These approaches are permitted by some new (or amended) IFRS Standards.
 - For example, at the date of initial application of IFRS 16 *Leases* (1 January 2019), companies had the option to use the cumulative catch-up approach for transition.
 - When entities select this option, **prior period amounts are recognised and measured in accordance with requirements of IAS 17 *Leases*** (the superseded IFRS Standard) as illustrated in the example on slide 6. The preparer would need to tag the disclosures of IAS 17 with the taxonomy elements of IAS 17.

Example

Using the cumulative catch-up for transition from IAS 17 to IFRS 16 in the year 2019

Future undiscounted lease commitments under the premises leases are as follows:	IFRS 16	IAS 17
	2019	2018
	£'000	£'000
Within one year	1,073	986
In two to five years	3,132	3,206
More than five years	3,008	4,011
	7,213	8,203
Effect of discounting	(771)	–
Lease liability at 31 December 2019	6,442	–
Current	898	–
Non-current	5,544	–

IFRS Taxonomy policy

The IFRS Taxonomy **policy is to deprecate elements related to a superseded IFRS Standard** from the annual taxonomy in the year the new (or amended) IFRS Standard becomes effective.

- For example, the disclosure elements relating to IAS 17 were included in the 2018 IFRS Taxonomy ‘IFRS Full Standards entry point’ but were moved to the ‘Deprecated entry point’ in the 2019 IFRS Taxonomy as IFRS 16 became effective on the 1st of January 2019.
- Thus in the 2019 IFRS Taxonomy, the IAS 17 **elements needed for tagging comparative information were in the ‘Deprecated entry point’.**

2018 IFRS Taxonomy Illustrated

Disclosure of finance lease and operating lease by lessee [line items]	line items	
Minimum finance lease payments payable	X instant, credit	Expiry date 2019-01-01 IAS 17.31 b Disclosure
Minimum finance lease payments payable, at present value	X instant, credit	Expiry date 2019-01-01 IAS 17.31 b Disclosure
Future finance charge on finance lease	X instant, credit	Expiry date 2019-01-01 IAS 17.31 b Disclosure
Minimum lease payments payable under non-cancellable operating lease	X instant, credit	Expiry date 2019-01-01 IAS 17.35 a Disclosure

What is the issue?

We observed that **companies use different approaches to tagging the non-restated comparative information.** Companies:

- use elements of the superseded Standard (from the deprecated entry point, or a previous IFRS Taxonomy version);
- create extensions; or
- use elements of the new (or amended) IFRS Standard.

Background – ITCG discussions

In its July 2020 meeting, the ITCG considered these options:

	Option	Description
1	Guidance	Provide guidance to preparers in <i>Using the IFRS Taxonomy – A preparer's guide</i> . That guidance would state that preparers should use a previous version of the IFRS Taxonomy to tag non-restated comparative information.
2	Change policy	Delay deprecation. Retain the elements of a superseded IFRS Standard in the IFRS Taxonomy for three years after the new IFRS Standard becomes effective.

Background—ITCG discussions

- The staff proposed Option 1 to provide the guidance in the preparer’s guide on the use of a previous version of the IFRS Taxonomy to tag the non-restated comparative information.
- Most **ITCG members** disagreed with the staff proposal and instead **agreed with** Option 2 to **delay the depreciation** of elements of superseded IFRS Standards from the IFRS Taxonomy.
- The staff agreed to return to the discussion and introduce further analysis of the proposal to delay depreciation.

Staff proposals

- **Not to deprecate** the elements of a superseded IFRS Standard when the new (or amended) IFRS Standard permits or requires a prospective transition approach or a cumulative catch-up transition approach.
- **Retain** such elements **for three years** after the new (or amended) IFRS Standard becomes effective. We propose the three-year retention because:
 - some jurisdictions require disclosure of two years of comparative information; and
 - some entities may have a reporting period of more than 12 months in certain cases.
- Apply the new policy to delay the deprecation on a **prospective basis**, that is only for elements pertaining to the new (or amended) IFRS Standards with an expiry date on (or after) 1 January 2022.

Advantages of staff proposal

- **It would be consistent with the requirements of IFRS Standards** which permit entities to disclose comparative information using superseded IFRS Standards.
- **It would make it easier for preparers** to tag the non-restated comparative information using only one version of the IFRS Taxonomy and prevent the creation of unnecessary extensions.

Disadvantages of staff proposal

- **Risk of continued tagging with expired elements.** Deprecation of an element prompts an entity to change its tag because its tag will no longer be available in the IFRS Taxonomy. Therefore, if the tags are not deprecated, companies may continue to use the elements of the superseded IFRS Standard (even for the current reporting period). See slides 15–23.
- **Risk that companies will use elements that reflect superseded disclosure requirements.** Some companies may continue to voluntarily provide disclosures based on superseded requirements and may use such elements in the current reporting period. See slides 24–30.

Questions to ITCG



1. Do you agree with the staff proposals listed on slide 11? If not, what would you suggest we do and why?
2. Do you have any other comments or concerns related to delaying the deprecation?



Easy identification of
elements of superseded
IFRS Standards

Introduction

- In the staff proposal, there is a **risk of continued old tagging**. Deprecation of the element prompts the company to change their tag because the old tag will no longer be available in the IFRS Taxonomy. Therefore, with delayed deprecation, there is a risk that companies may **continue to use the elements of the superseded Standard**.
- The staff is of the view that this **risk can be mitigated to some extent**, by assigning appropriate identifiers to such elements.

Staff proposal

- Therefore, to enable easy identification of elements of superseded IFRS Standards, the staff proposes the following:

	Proposals	Reference to slides
1	Reference note clearly stating that the element is an expired element	Slides 18–19
2	Guidance label clearly stating that the element should only be used to tag non-restated comparative information	Slide 20
3	Formula to discourage the use of the expired elements in current reporting period	Slide 21

Reference notes- Background

The IFRS Taxonomy contains reference notes that show the effective and expiry dates of elements.

2021 IFRS Taxonomy Illustrated

Deferred acquisition costs arising from insurance contracts	X _{instant, debit}	Expiry date 2023-01-01 IFRS 4.37 b Example, Expiry date 2023-01-01 IFRS 4.37 e Disclosure, Expiry date 2023-01-01 IFRS 4.IG23 a Example, Expiry date 2023-01-01 IFRS 4.IG39 a Example
Intangible assets relating to insurance contracts acquired in business combinations or portfolio transfers	X _{instant, debit}	Expiry date 2023-01-01 IFRS 4.37 b Example, Expiry date 2023-01-01 IFRS 4.IG23 b Example
Assets under reinsurance ceded	X _{instant, debit}	Expiry date 2023-01-01 IAS 1.55 Example, Expiry date 2023-01-01 IFRS 4.37 b Example, Expiry date 2023-01-01 IFRS 4.IG20 c Example
Insurance contracts liability (asset) at beginning of period	X _{instant, credit}	Effective 2023-01-01 IFRS 17.99 b Disclosure
Insurance contracts that are assets at beginning of period	X _{instant, debit}	Effective 2023-01-01 IFRS 17.99 b Disclosure
Insurance contracts that are liabilities at beginning of period	X _{instant, credit}	Effective 2023-01-01 IFRS 17.99 b Disclosure

Reference notes—Proposal

- The staff **propose to add reference notes to the elements** of superseded IFRS Standards to show the date they expired. For example, ‘Expired 2022-01-01’.
- The staff also plan to explain in the preparer’s guide that elements with this ‘Expired’ reference note should be used to tag non-restated comparative information only.
- So references would follow a life cycle as per the following example:

Stage	Reference notes	
	Elements of the superseded IFRS Standard	Elements of the new IFRS Standard
Publication of new IFRS Standard	'Effective 2017-01-01'	-
After effective date of new Standard until publication of successor Standard	No reference note	-
Publication of successor Standard	'Expiry date 2023-01-01'	'Effective 2023-01-01'
After effective date of successor IFRS Standard	'Expired 2023-01-01' Elements are retained in the annual IFRS Taxonomy	No reference note
Three years after effective date	Elements are deprecated	

Guidance label—Proposal

- The IFRS Taxonomy uses guidance labels to explain the correct use of elements to help preparers avoid making tagging errors, thereby helping to improve the quality of tagged data.
- The staff propose to add the following guidance label to all the elements of superseded IFRS Standards.

This element should be used to tag non-restated comparative information only.

Formula—Proposal

- We also propose to create a formula to further discourage the use of expired elements in tagging of financial information in the current reporting period.
- The proposed formula would raise a **warning if any ‘expired’ element is used**.
- For instance, Formula Linkbase 2022 would have a formula with the following effect:

Raise a warning if any element with the word ‘Expired’ in the reference note is used for facts relating to dates on or after 1 January 2022.

Rejected options

	Option	Reason for rejection
1	New IFRS Taxonomy presentation group for all elements of superseded IFRS Standards	Moving such elements into a new presentation group could lead to loss of presentation relationships with the other existing elements. We believe that such relationships are important for preparers to understand the meaning and context of the taxonomy element.
2	Adding a standard suffix to the element labels like 'for non-restated comparative information only'	Such a suffix would make the label name of the elements long. We think that it may not be needed if there will already be a guidance label.
3	Use of custom reference role for transitional elements	<ul style="list-style-type: none">• Such a role constitutes a change to the architecture of the IFRS Taxonomy. Our objective is to keep the architecture stable where possible.• This reference type is not recognised by XBRL International.

Questions to ITCG



3. Do you agree with the staff proposal to add a reference note and guidance label to the elements of superseded IFRS Standards, for easy identification? If not, what would you suggest we do and why?
4. Do you agree that the proposed formula will discourage the use of expired elements in the current reporting period?



Use of expired elements in current reporting period

What is the issue?

- In our proposal, there is a **risk companies will use expired elements in the current reporting period**. When an amendment to an IFRS Standard deletes a disclosure requirement, some companies may continue to provide the old disclosures voluntarily. Such companies might:
 - use the ‘expired’ elements to tag such voluntary disclosures in the current reporting period even though the ‘expired’ elements are meant to tag non-restated comparative information only; or
 - create extensions.

Example—amendment to an IFRS Standard

Example

- An amendment to an IFRS Standard with an effective date of 1 January 2023 deletes a disclosure requirement.
- Consequently, the taxonomy element for that disclosure requirement will be marked as ‘expired’ in the IFRS Taxonomy 2023.
- The expired element will stay in the IFRS Taxonomy until 2026 and will be deprecated from the IFRS Taxonomy 2026. Retaining the expired element in the IFRS Taxonomy would enable the tagging of non-restated comparative information reported in accordance with the superseded IFRS Standard.

Example—amendment to an IFRS Standard

Issue

- Some companies may still report deleted disclosure requirements voluntarily in their financial statements for the year 2023.

Some preparers may **use the 'expired' taxonomy element** to tag such voluntary disclosure in the current reporting period.

Some preparers may not use 'expired' taxonomy elements and may **create extensions** to tag such voluntary disclosures.

Retaining the expired elements could possibly lead to diversity in tagging practice.

Possible approaches

Approach A—allow the **use of the ‘expired’ elements** when a company provides superseded disclosures voluntarily. Such disclosures will be tagged with meaningful and well-known tags which would be beneficial for the users of the digital financial reports.

Approach B—create **extensions** to tag such voluntary disclosures in the current reporting period because ‘expired’ elements are meant to tag non-restated comparative information only.

Necessary guidance for the selected approach will be provided **in the *Preparer’s Guide***.

Comparison of possible approaches

	Advantages	Disadvantages
Approach A— Use of ‘expired’ elements	<ul style="list-style-type: none">• Would provide meaningful information to the users of digital financial reports.• Fewer extensions.	<ul style="list-style-type: none">• Will be contrary to the proposed policy that expired elements be used to tag non-restated comparative information only.
Approach B— use of extensions	<ul style="list-style-type: none">• Tagging using the IFRS Taxonomy will be in line with the requirements of the IFRS Standards.	<ul style="list-style-type: none">• More extensions.

Questions to ITCG



5. Which approach do you suggest and why?
6. Do you agree with the staff proposal to add necessary guidance in the Preparer's Guide? If not, what would you suggest we do and why?

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