

Agenda paper 5
ITCG meeting, July 2022

IFRS® Foundation

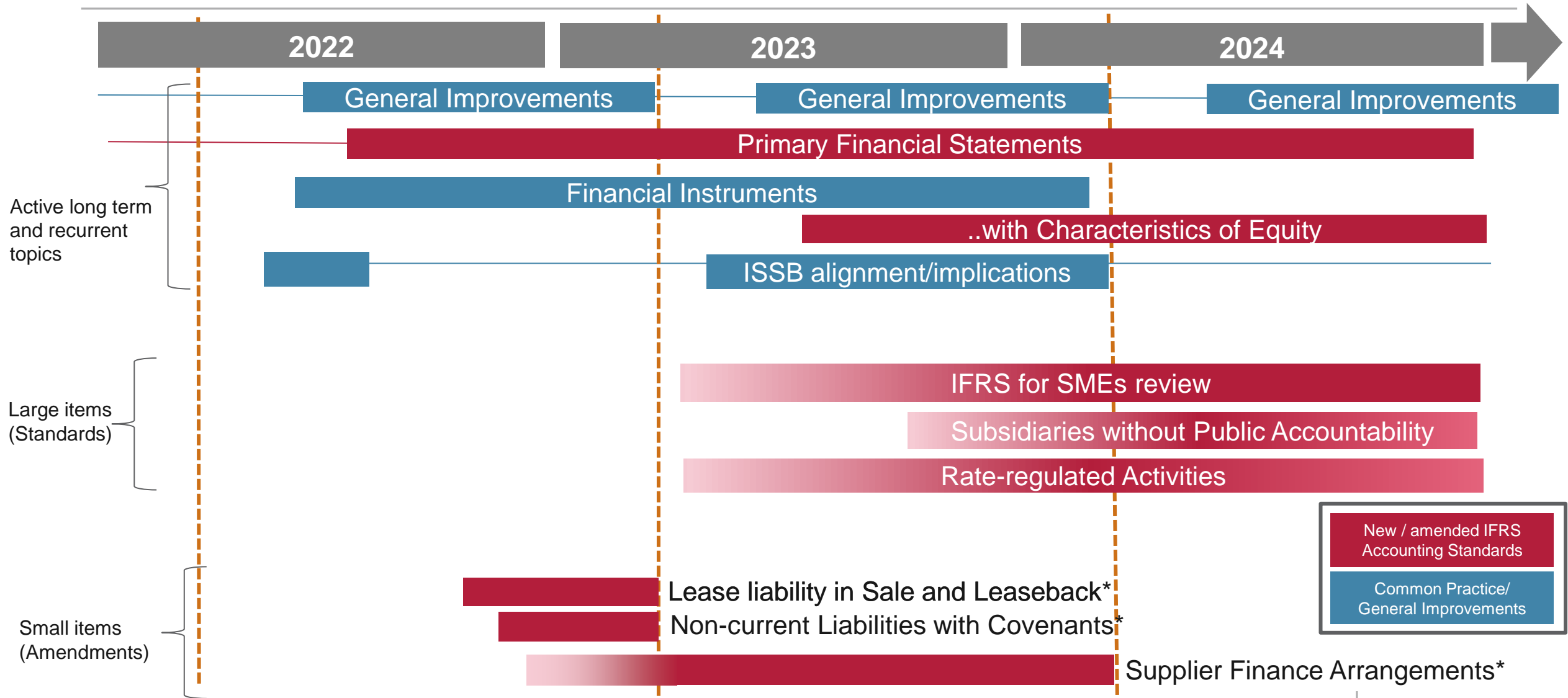
IFRS Accounting Taxonomy Update on Activities

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Agenda


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Pipeline of updates to the IFRS Accounting Taxonomy



Expected periods of taxonomy team work shown
All dates are estimates and subject to change

*May require short comment period or other timeline optimisations



Stakeholder feedback: Elements pertaining to IFRS 16 *Leases*

Vivek Baid

Agenda

We receive feedback from the stakeholders (including preparers, users, regulators, etc) on the use of the IFRS Accounting Taxonomy. The staff reviews the feedback, discusses within the team and put forward the recommendations.

Today, we will discuss the feedback received for elements pertaining to IFRS 16 *Leases*.

Right-of-use assets included in same line item as similar owned assets

Slides 7-12

Superfluous element 'Right-of-use assets that do not meet the definition of investment property'

Slides 14-17

A grayscale world map is the background of the slide. Overlaid on the map are several curved, concentric lines that sweep across the globe from the bottom left towards the top right. These lines are composed of a solid outer edge and a dotted inner edge. The text is positioned in the lower right quadrant of the map.

Right-of-use assets included
in same line item as similar
owned assets

What is the issue?

- A stakeholder questioned how to tag Property, plant and equipment (PPE) which includes the Right of use Assets, in the statement of financial position.

	Y 2021 12/31/2021	Y 2020 12/31/2020
Non-current assets		
Goodwill notes	£364,800,000	£184,300,000
Intangible assets notes	£234,200,000	£151,800,000
Property, plant and equipment notes	£73,500,000	£48,500,000
Right-of-use assets notes	£88,200,000	£108,800,000
Investments notes	£3,500,000	£3,400,000
Deferred tax asset notes	£10,400,000	£15,600,000
Total non-current assets notes	£774,600,000	£512,400,000

Line items 'Property, plant and equipment' and 'Right-of-use assets' are **presented separately**

Non-current assets		
Other non-current assets notes	\$54,876,000	\$7,816,000
Research and development incentive receivables - non-current ext notes	\$32,707,000	\$20,626,000
Deferred tax asset notes	\$32,191,000	\$15,038,000
Property, plant and equipment notes	\$15,844,000	\$11,582,000
Intangible assets notes	\$171,684,000	\$167,344,000
Total non-current assets notes	\$307,303,000	\$222,406,000

Right-of-use assets are **not presented separately**, instead included within the line item 'Property, plant and equipment'

Background - IFRS Accounting Standards

Reference to the Standard	Requirement in the Standard
Paragraph 54 of IAS 1 <i>Presentation of Financial Statements</i>	The statement of financial position shall include line items that present the following amounts: (a) property, plant and equipment; (b) .. (m) financial liabilities; ...
Paragraph 47 of IFRS 16 <i>Leases</i>	A <u>lessee</u> shall either present in the statement of financial position, or disclose in the notes: (a) <u>right-of-use assets</u> separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee shall: (i) include right-of-use assets within the same line item as that within which the corresponding <u>underlying assets</u> would be presented if they were owned; and (ii) disclose which line items in the statement of financial position include those right-of-use assets. (b) lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.

Background - IFRS Accounting Taxonomy

We have separate elements for 'Property, plant and equipment' and for 'Right-of-use assets'.

Element label	Documentation label
Property, plant and equipment	The amount of tangible assets that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period.
Right-of-use assets	The amount of assets that represent a lessee's right to use an underlying asset for the lease term. Underlying asset is an asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.

Background – Past ITCG discussion

- This topic was discussed in [Agenda paper 8](#) and summarised in the [meeting summary](#) of the **October 2015 ITCG meeting** when the taxonomy modelling of new IFRS 16 *Leases* was discussed.

- Briefly, two options were discussed at the meeting:

Option 1	Creation of new elements for ‘Right-of-use assets’ and the total ‘Property, plant and equipment and Right-of-use assets’.
Option 2	Creation of a new element for ‘Right-of-use assets’ only without addressing the interrelation to ‘Property, plant and equipment’.

- Members supported Option 2. Members also noted that:
 - it is not best data model but is instead driven by the possibilities offered by the Standard itself; and
 - it could lead to comparability issues because some entities can include ROU in PPE and some can disclose it separately.
- **Reason for the decision:** The staff thought that creating elements like ‘PPE including ROU’ and ‘PPE excluding ROU’ had the **risk of straying into interpretation of the IFRS Accounting Standard**.

Analysis

- If entities use the same element to tag PPE line item regardless of whether it includes or excludes ROU assets, investors would compare information that is **not comparable**.
- We have seen a few XBRL reports and noted the varying practice with respect to tagging of the ROU assets in the statement of financial position and notes.
- We **will further analyse** the financial statements of a sample of entities with respect to the tagging of the right-of-use assets to:
 - see if there is any inconsistency in the tagging practice;
 - see if any improvement is required in the IFRS Accounting Taxonomy; and
 - find common reporting practice elements, if any.



Next steps: We will bring staff proposals to a future ITCG meeting once we finish our analysis.

Question to ITCG members

Question 1

Do you have any comments on our analysis and the proposed next steps as listed on slide 11?





“Right-of-use assets that do not meet the definition of investment property”

IFRS Accounting Taxonomy

- The IFRS Accounting Taxonomy has 2 elements for Right-of-use assets.

Right-of-use assets that do not meet definition of investment property [IFRS 16.47(a)]	The amount of right-of-use assets that do not meet the definition of investment property. [Refer: Right-of-use assets; Investment property]
Right-of-use assets [IFRS 16.53(j)]	The amount of assets that represent a lessee's right to use an underlying asset for the lease term. Underlying asset is an asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.

- In practice, many filers have used the 'Right-of-use assets' elements in the Statement of Financial Position. Possible reason could be the simple label name and matching of element label name with the label used in the financial statements.

What is the issue?

- Paragraph 47 of IFRS 16 prescribes the **presentation requirement** of Right-of-use (ROU) assets in the Statement of Financial Position whereas paragraph 53(j) of IFRS 16 requires the **disclosure of same amount of ROU assets by class of underlying assets**.
- IFRS 16.48 and 16.56 respectively say that the above requirements are each for ROU assets that do not meet the definition of investment property.
- Therefore, **both of these requirements actually relate to the same concepts** - two elements should not have been created.

Proposal

- **Deprecate** element “Right-of-use assets that do not meet definition of investment property” (replacing with “Right-of-use assets’ in presentation).
- Add indication to **documentation label** of “Right-of-use assets” that it excludes right-of-use assets that meet the definition of investment property.
- Add **reference** of IFRS 16.47(a) to the “Right-of-use assets” element.

Right-of-use assets that do not meet definition of investment property [IFRS 16.47(a)]	The amount of right-of-use assets that do not meet the definition of investment property. [Refer: Right-of-use assets; Investment property]
Right-of-use assets References: IFRS <u>16.47(a)</u> , 16.53(j)	The amount of assets that represent a lessee's right to use an underlying asset for the lease term <u>that do not meet the definition of investment property</u> . Underlying asset is an asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.

Questions to ITCG members

Question 1

Do you agree with the proposals listed on slide 16?

Question 2




Do you have any other comments or concerns related to tagging of the Right of use assets?





Subsidiaries without Public Accountability: Disclosures

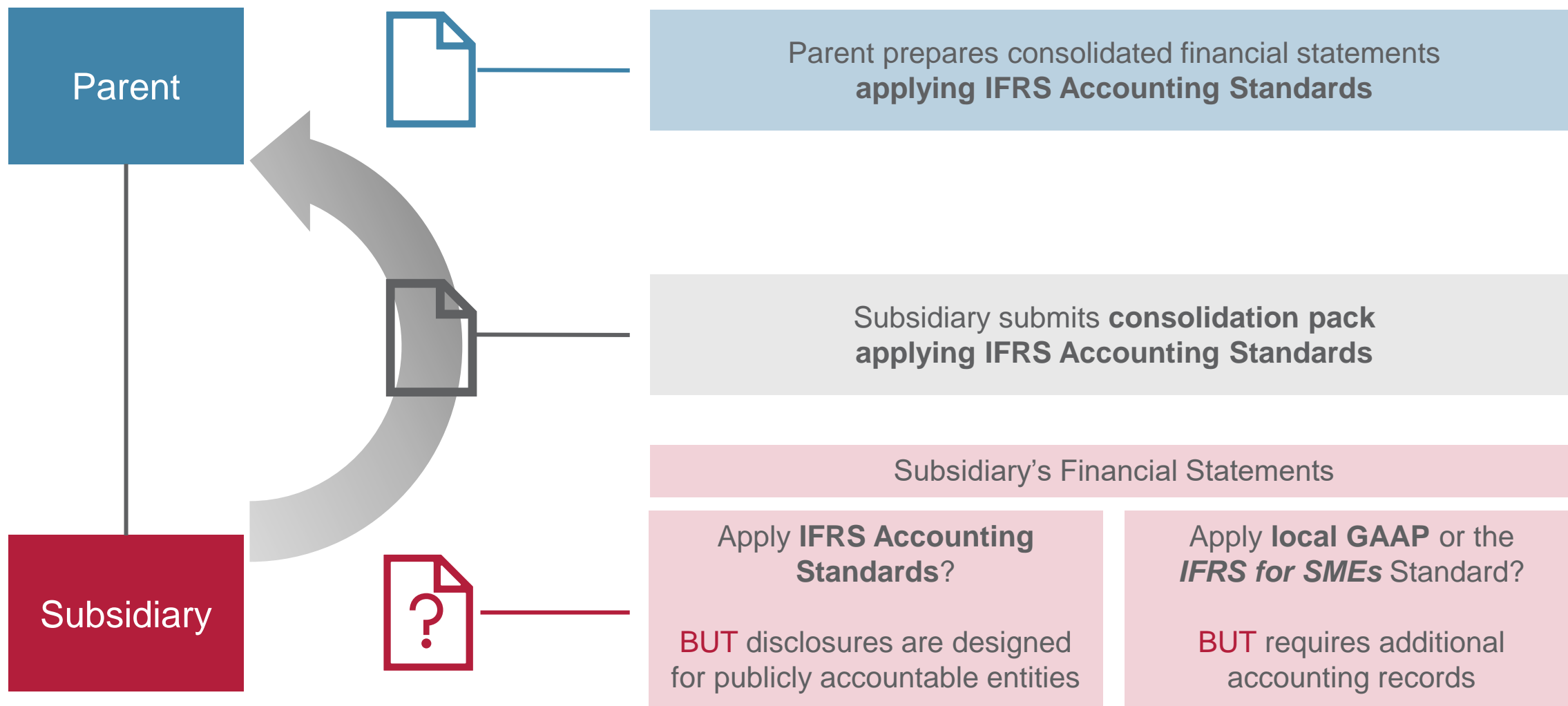
Purpose of this session

	Update on Board's proposals in the project <i>Disclosure Initiative—Subsidiaries without Public Accountability</i>	20-28
	Staff suggestions on how to reflect the project proposals in the IFRS Accounting Taxonomy	30
	ITCG members are asked to share their views on the staff suggestion	32

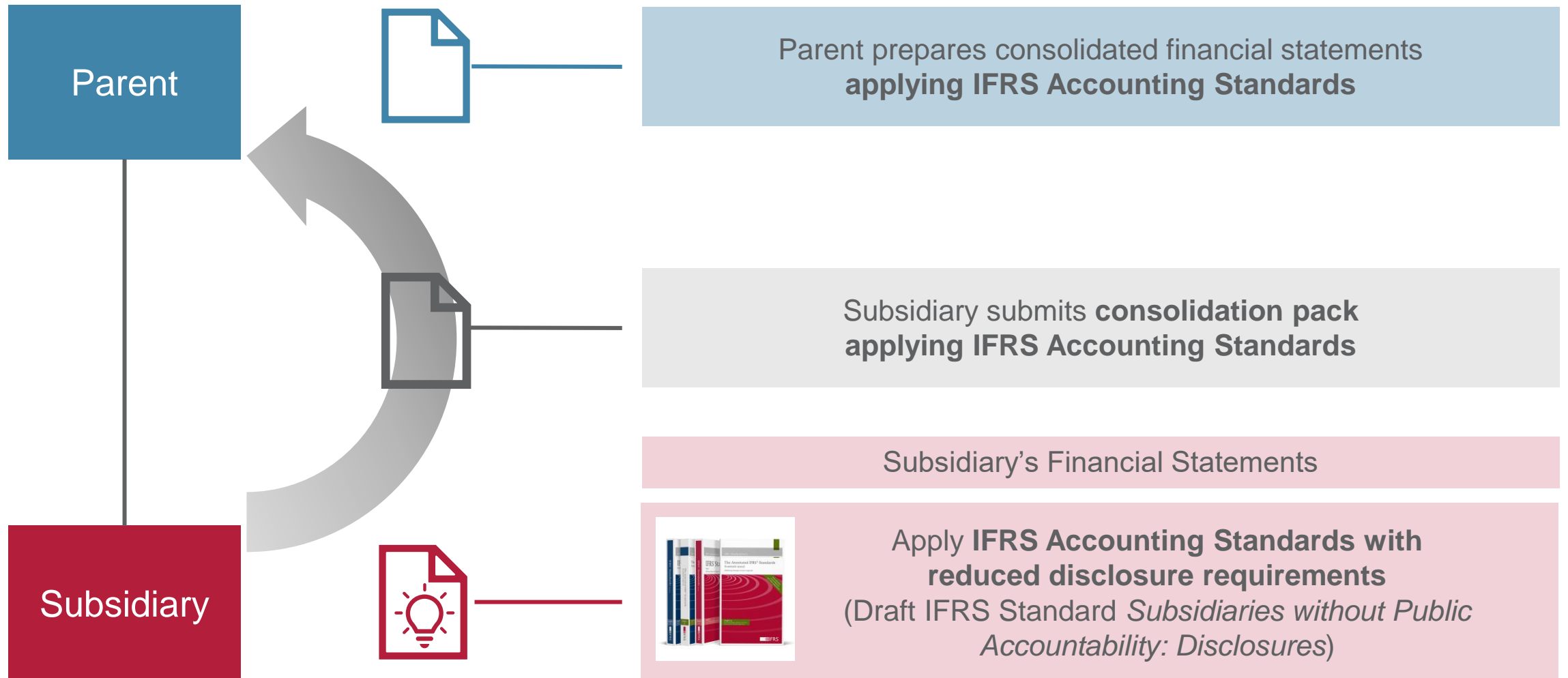
A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are dotted lines forming a grid pattern across the map, representing latitude and longitude.

Project update

Why is the IASB undertaking this project?



Exposure Draft proposals



Benefits of the proposals

Reduced costs for preparers

- single set of accounting policies applied
- one set of accounting records
- reduced work for finance team

Tailored disclosures for users

- disclosures designed for non-publicly accountable entities
- disclosures tailored towards users' needs



A preparer said “we have hundreds of subsidiaries around the world that do not have public accountability, that individually report applying IFRS Standards and prepare general purpose financial statements for local requirements—these subsidiaries can benefit from these proposals”.

Proposed Scope

Scope

Voluntary application in consolidated or individual financial statements available to subsidiaries at the end of the reporting period:

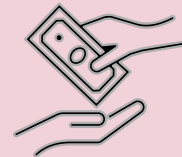
- a) that do **not have public accountability**; and
- b) whose parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.

Who has public accountability?



Equity or debt instruments
traded in public market

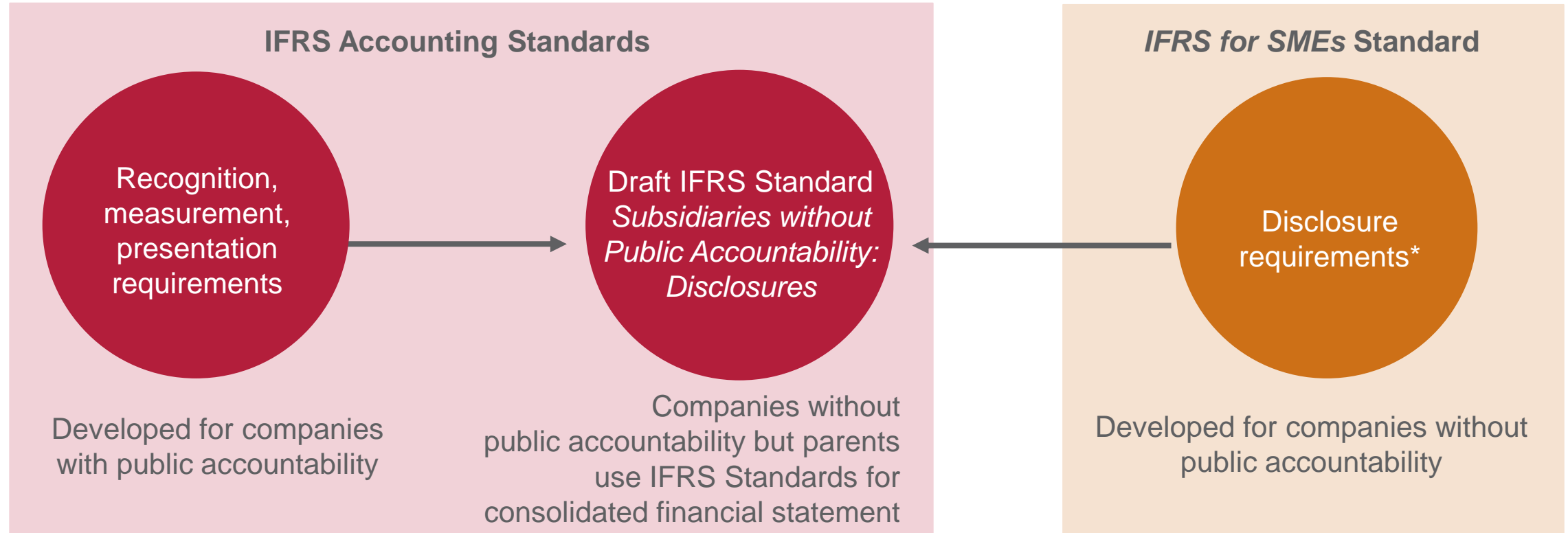
or



Hold assets in a fiduciary capacity
for a broad group of outsiders

Includes most banks and insurance companies

IFRS Accounting Standards and *IFRS for SMEs* Standard



Disclosure requirements in the *IFRS for SMEs* Standard were used as a starting point and tailored to reflect different recognition and measurement requirements in IFRS Accounting Standards.

Disclosure requirements in the *IFRS for SMEs* Standard are substantially reduced from IFRS Accounting Standards.

Illustration—applying the draft IFRS Standard



Requirements for inventories



Go to relevant IFRS Accounting Standard (for example, IAS 2 *Inventories*) for recognition, measurement and presentation requirements



Go to the draft IFRS Accounting Standard (under the sub-heading IAS 2 *Inventories*) for disclosure requirements



Some disclosure requirements in other IFRS Accounting Standards could apply

Structure of the draft IFRS Standard

Main body

Objective

Scope

Electing to apply the draft IFRS Standard

Interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Application of disclosure requirements

Disclosure requirements
(organised by IFRS Standard)

Appendices

A

Reference to disclosure requirements in IFRS Standards replaced by the draft IFRS Standard

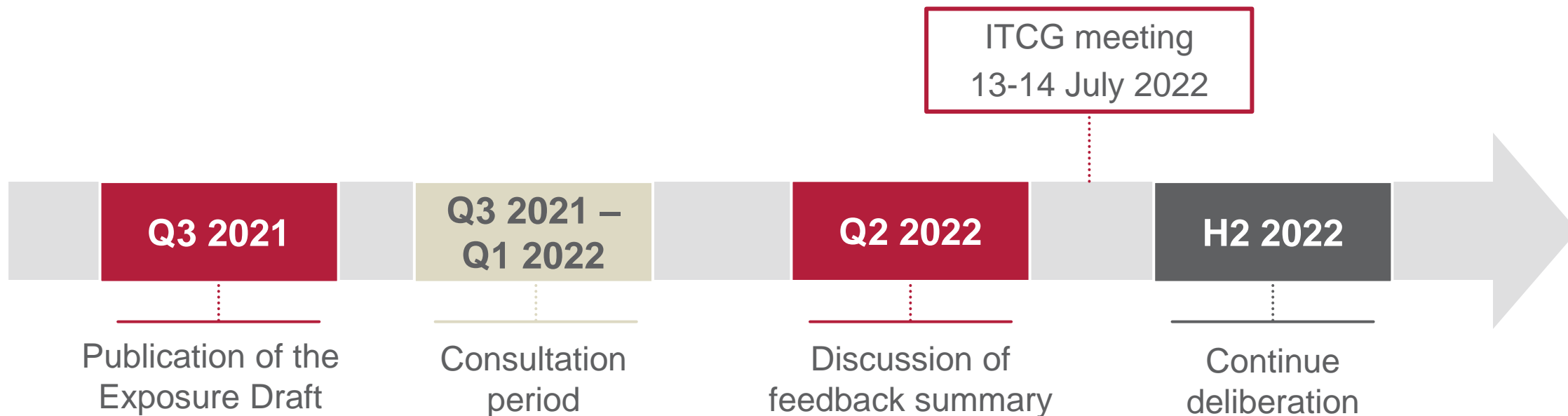
B

Effective date and transition

C

Amendments to other IFRS Standards

Timeline



Update

- In May 2022 the IASB redeliberated main issues relating to the scope of the proposed Standard.
- In June 2022 IASB agreed on the project plan for developing the new Accounting Standard.

Next milestone

IFRS Accounting Standard

A grayscale world map is centered in the background. Overlaid on the map are several curved, concentric lines that sweep across the frame from the bottom left towards the top right. These lines include solid gray bands and dotted white lines. The overall aesthetic is professional and global.

Staff suggestions on how to reflect project proposals in the IFRS Accounting Taxonomy

How can IFRS Accounting Taxonomy best support the project objective?

Project objective:

Reduce cost and simplify preparation of financial statements by reducing disclosure burden

Proposed approach:

separate presentation (ELR) within entry point for “full” IFRS
(consistent with other IFRS Accounting Standards for “full” IFRS)



Separate ELR allows **easier search for elements required** by the new IFRS Accounting Standard (name of each ELR includes the number and name of the IFRS Accounting Standard).



New ELR within “full” IFRS entry point **allows direct access to all elements** for “full” IFRS if company provides more information than required by the new IFRS Accounting Standard (**no need to create entity-specific elements**).



New ELR will include elements that reflect disclosures:

- **different from “full” IFRS** – new elements will be created. We do not suggest using elements from IFRS for SMEs, even if disclosures are the same because measurement basis between those Standards is different.
- **the same as for “full” IFRS** – existing elements in the IFRS Accounting Taxonomy with the additional reference. We do not expect many disclosures that are the same as for “full” IFRS.

A grayscale world map is centered in the background. Overlaid on the map are several curved, semi-transparent bands and dotted lines that create a sense of global connectivity and movement. The text 'Questions to ITCG members' is centered over the map in a white, sans-serif font.

Questions to ITCG members

Questions to ITCG members

Question 1

Do you agree with the approach proposed on slide 30?

Question 2

Do you have any other comments or concerns related to digital reporting of companies within the scope of the project described on slide 24?



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