
IFRS Taxonomy Consultative Group (ITCG) meeting

Date	13 October 2023
Project	IFRS Accounting Taxonomy—IFRS 18
Topic	Proposed Taxonomy Update—Introduction session
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Purpose of this meeting

- Provide an update on the finalisation of IFRS 18 which is based on the work on the Primary Financial Statements (PFS) project
- Discuss overall approach and methodology for the Proposed Taxonomy Update (PTU) reflecting the new requirements

Introduction
session



Agenda
reference 7a)
(this slide deck)

- Discuss proposed modelling for the:
 - digital representation of subtotals and categories in the statement of profit or loss (Topic 1)
 - digital representation of disclosures on specified expenses by nature and management-defined performance measures (MPMs) (Topic 2)

Breakout
session



Agenda
reference 7b)
and Agenda
reference 7c)

Project update



Objective and key proposals of IFRS 18



Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Key proposals

1

Require additional defined subtotals in the statement of profit or loss

Discussed at ITCG meetings in [December 2022](#) and [February 2023](#)

2

Require disclosures about management-defined performance measures

Discussed at ITCG meetings in [June 2019](#), [January 2020](#) and [July 2023](#)

3

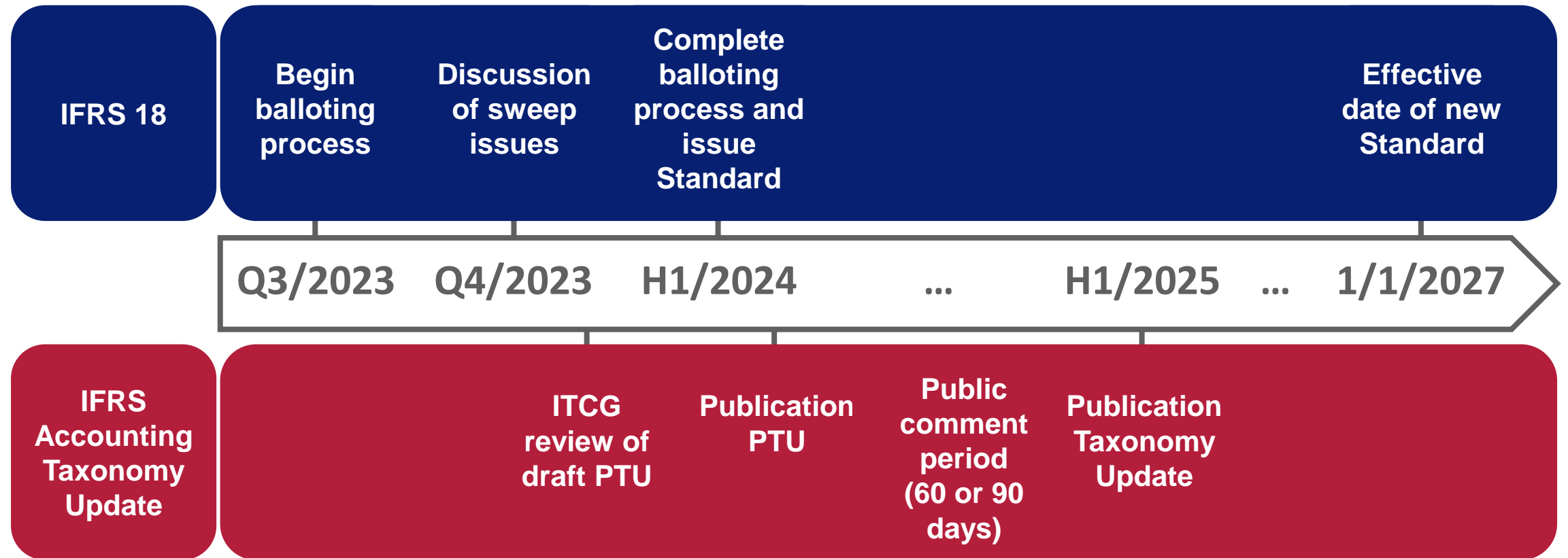
Strengthen requirements for disaggregating information

Discussed at ITCG meeting in [December 2022](#)

Proposed modelling of key proposals we intend to include in the PTU to be discussed at today's meeting

* For more information please also listen to the recording of the [plenary session at the World Standard-setters Conference 2023](#), at which IASB Technical Staff presented the forthcoming IFRS 18 requirements and see the [slides](#) accompanying that presentation

Timeline for finalisation of IFRS 18*



* Timeline may be subject to change

Overall approach and methodology for PTU



Overall approach and methodology for PTU

Analysis of IFRS Accounting Taxonomy elements with IAS 1 reference (consistent approach for all elements, incl. common practice elements):

- for most elements, we will only need to change the reference, but not the label of the element
 - for some elements we will change both the reference and the label to be consistent with the terminology used in IFRS 18
 - a few elements will need to be deprecated because they no longer fit with the requirements in IFRS 18
-
- a few elements have substantially changed in meaning (slide 8)

Approach straightforward (no further analysis needed)

Further discussion needed before deciding on approach

Analysis of forthcoming IFRS 18 requirements:

- need for adding categorical elements for cases in which entities are required to disclose specific information among a set of discrete possible outcomes (slides 9–12)

Further discussion needed before deciding on approach

Elements that have substantially changed in meaning

	Concept name	Standard label	Documentation label	References
Propose to deprecate	ProfitLossFromOperatingActivities	Profit (loss) from operating activities	The profit (loss) from operating activities of the entity. [Refer: Profit (loss)]	IAS 1.85 Common practice, IAS 32.IE33 Example
Propose to create	OperatingProfitLoss	Operating profit (loss)	The profit from income and expenses classified in the operating category.	...

- Subtotal ‘operating profit or loss’ will be defined in IFRS 18 (that is, its composition will be clear)
- IFRS Accounting Taxonomy includes common practice element ‘profit (loss) from operating activities’
- Because what is included in ‘profit (loss) from operating activities’ is currently not defined (that is, its composition is entity-specific), we expect the composition of that subtotal to generally be dissimilar to the newly defined subtotal ‘operating profit or loss’
- If we only change the label of the existing element to ‘operating profit (loss)’ there will be no disruption of trend analysis
- However, there is a risk that users will be misled because the composition of the subtotal is likely to have changed (suggesting disrupting the ‘trend’ is a better approach in such circumstances)



We propose to deprecate elements that have substantially changed in meaning and create new elements in their place so that users are not misled (not expected to be many such cases)

Use of categorical elements

At the [July 2023 ITCG meeting](#), ITCG members were supportive of introducing categorical elements into the IFRS Accounting Taxonomy whenever a disclosure requirement is in a logical categorical format



- Consequently, the IFRS Foundation will **propose using categorical elements in the IFRS Accounting Taxonomy as a general improvement**
- Categorical disclosures are usually linked to additional explanations. Because we expect users to search for and analyse such information to understand the context of categorical elements, we propose to create **additional text elements***



IFRS 18 will require some categorical disclosures for which we propose to create categorical elements (see examples on slide 11)

* This proposal of having a text element, in addition to a categorical element, to capture additional explanations for categorical disclosures is consistent with the ISSB's proposals for the draft IFRS Sustainability Disclosure Taxonomy

Use of categorical elements for accounting policy choices

There will be some accounting policy choices in IFRS 18 for which there is no specific requirement to disclose how the accounting policy choice has been exercised in IFRS 18. However, other IFRS Accounting Standards require the disclosure of material accounting policy information



For this reason, we propose to create extensible enumeration (type of categorical) elements for such accounting policy choices in IFRS 18 (see example on slide 12)



We will also consider creating extensible enumeration elements for accounting policy choices in other IFRS Accounting Standards

Examples in IFRS 18 for the use of categorical elements

IFRS 18 draft disclosure requirement

*An shall disclose:
(a) if it provides financing to customers, whether or not it does so as a main business activity; and [...]*

IFRS 18 draft example disclosure

BB Group is a manufacturer that also provides financing to its customers as a main business activity. BB Group does not invest in financial assets that generate a return individually and largely independently of other resources it holds as a main business activity.

Proposed taxonomy elements*

Taxonomy element	Element type
Information on whether an entity providing financing to customers is doing so as main business activity	Text
Entity providing financing to customers does so as main business activity [true/false]	Boolean

Proposed tagging*

Taxonomy element	Example tagging
Information on whether entity providing financing to customers does so as a main business activity	BB Group is a manufacturer that also provides financing to its customers as a main business activity.
Entity providing financing to customers does so as main business activity [true/false]	true

* Users can easily extract the entities which are (or are not) providing financing to customers as a main business activity and perform additional analysis on such entities

Further examples in IFRS 18 for the use of categorical elements (accounting policy choices)

IFRS 18 draft disclosure requirement

If an entity provides financing to customers as a main business activity, it shall make an accounting policy choice to classify in the operating category income and expenses from changes in the carrying amount of liabilities that arise from transactions that involve only the raising of finance (as specified in paragraph 51(a)) either:

- (a) for such liabilities that relate to providing financing to customers; or*
- (b) for all such liabilities.*

Proposed categorical element

Element label	List of options
Changes in carrying amount of liabilities that arise from transactions that involve only the raising of finance classified in operating category [Accounting policy choice]	'For liabilities that relate to providing financing to customers' / 'For all liabilities'

Questions for ITCG members



Questions for ITCG members—Overall approach and methodology for PTU

Question 1

Do you have any advice or comments relating to the outlined overall approach and methodology for modelling the requirements arising from IFRS 18, specifically in relation to:

- a) elements that have substantially changed in meaning (slide 8); and
- b) the use of categorical elements (slide 9–12)?

Question 2

Is there anything else we need to consider for the overall approach and methodology for modelling the requirements arising from IFRS 18?

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