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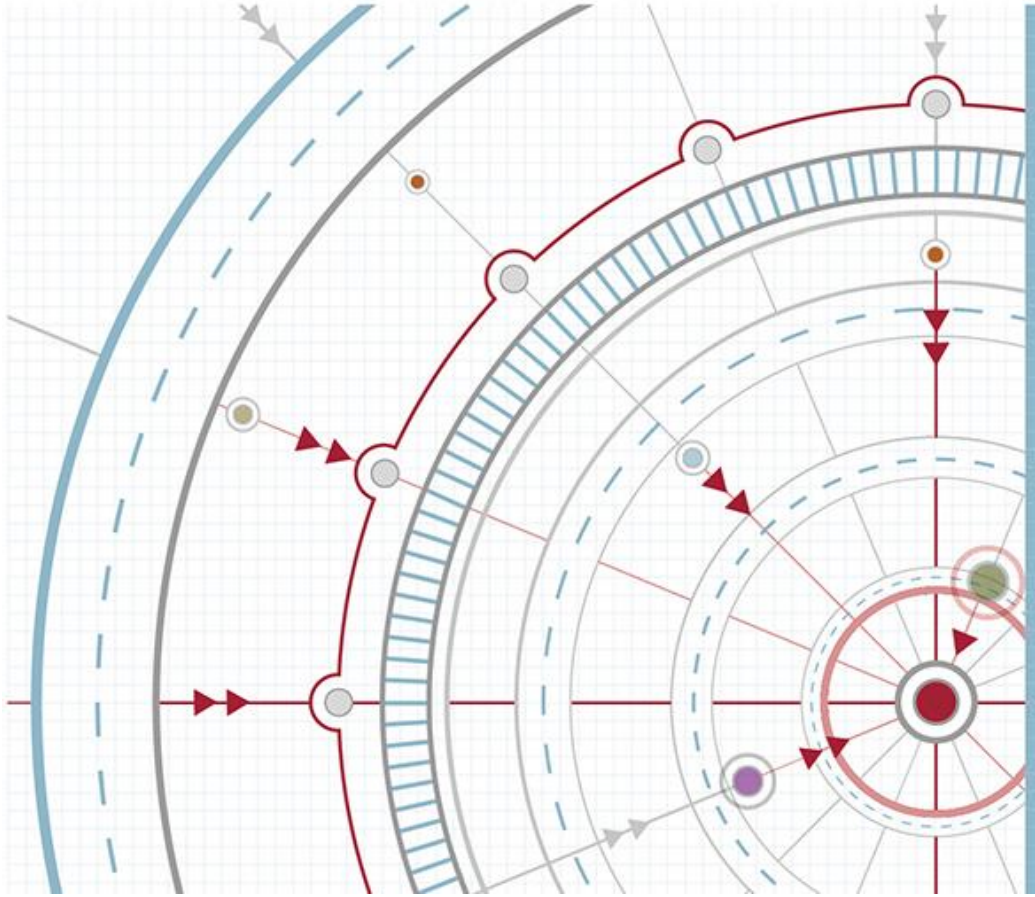
IFRS® Foundation



IFRS® Taxonomy 2018—Proposed Update 1 *Common Practice (IFRS 13* Fair Value Measurement)

A detailed review

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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Overview

For background information on common practice projects and IFRS Taxonomy terminology, please refer to the webcast and slide deck ‘Overview of Proposed IFRS Taxonomy Update—IFRS 13 Common Practice’ on the project page.

Overview of proposals

Overview of proposals

How we present the proposals

- To reflect the disaggregation of disclosures required by IFRS 13, the IFRS Taxonomy includes separate tables and elements for each IFRS 13 disclosure for assets, liabilities and an entity's own equity instruments. For example:

Interest rate, significant unobservable inputs, assets
Interest rate, significant unobservable inputs, liabilities
Interest rate, significant unobservable inputs, entity's own equity instruments

- Most proposals in this presentation are presented for assets, but in each case we are proposing to make similar changes for liabilities and an entity's own equity instruments. However, change 3.2. only applies to liabilities.

❶ Sensitivity of fair value measurement to changes in unobservable inputs

IFRS 13 disclosure requirements

	Applicable to	Disclosure requirement
IFRS 13 para. 93(h)(i)	**All** recurring* level 3** fair value measurements	**Narrative** description of sensitivity of fair value measurement to changes in unobservable inputs
IFRS 13 para. 93(h)(ii)	Recurring* Level 3** fair value measurements— **Financial instruments only****	**Quantitative** sensitivity analysis of fair value measurement to changes in unobservable inputs

* Recurring fair value measurements are those that are required/permitted in the statement of financial position at the end of each reporting period.

** Refer to Appendix A1 for a description of the levels of the IFRS 13 fair value hierarchy.

*** We note that some companies voluntarily provide quantitative analyses for non-financial assets or liabilities (eg for investment properties)

Existing IFRS Taxonomy elements

Narrative sensitivity analysis	
Description of sensitivity of fair value measurement to changes in unobservable inputs, assets	Line item, Text
Quantitative sensitivity analysis	
Increase (decrease) in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	Line item, Monetary
Increase in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	
Decrease in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	
Description of how effect on fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions was calculated, assets	Line item, Text

See Appendix B1 and B2 for examples of tagged disclosures using the current modelling.

Summary of proposed changes—sensitivity analysis

	Analysis of common reporting practice	Proposed change	Slides
1.1.	Entities commonly disclose the sensitivity analysis separately from other disclosures related to fair value measurement.	adding a new table and text block element for the sensitivity analysis	10
1.2.	Entities commonly disclose quantitative and narrative sensitivity analyses disaggregated by input.	adding a new axis and members for unobservable inputs	11–12
1.3.	Entities commonly quantify the change in inputs used to calculate the effect on fair value.	adding line items to reflect such disclosure	13–17
1.4.	When quantitative sensitivity analyses are disaggregated by input, entities commonly disclose whether the change in fair value is due to an increase or decrease in input.	adding line items to reflect such disclosure & deprecating existing line items	18–22
1.5.	Entities commonly distinguish between the effect on fair value recognised in profit or loss and the effect on fair value recognised in other comprehensive income.	adding line items to reflect such disclosure	23–25

- Most of the proposed changes are consistent with similar sensitivity analyses in IAS 19 *Employee Benefits* and IFRS 17 *Insurance Contracts* (any small differences are highlighted on the appropriate slides).

Change 1.1—Separate table and text block for sensitivity analysis

Current modelling

- The existing line items for the sensitivity analysis are included in the ‘Disclosure of fair value measurement of assets’ table, together with other IFRS 13 disclosures.

Proposal

- **Create new table and related text block element** and add the existing elements and new elements (see next slides) related to the sensitivity analysis, because:
  - entities commonly present the sensitivity analysis separately from other IFRS 13 disclosures;
  - grouping the elements related to the sensitivity analysis in a separate table would make them easier to find in the IFRS Taxonomy; and
  - creating table text block elements for the sensitivity analysis and related disclosures would permit users of the tagged data to extract the data more easily.
- The table would use the **‘Classes of assets’** and **‘Measurement’ axes**, as well as the new **‘Unobservable inputs’ axis** (see slide 12)

Change 1.2—What is the issue?

Entities commonly report both the narrative and quantitative sensitivity analyses **disaggregated by unobservable input**, eg:

Asset/ liability class	Unobservable input	Increase in fair value due to change in input	Decrease in fair value due to change in input	Description of how effect was calculated
Asset class A	Unobservable input Y	CU3,000	(CU3,000)	'Input Y was changed by +/- 5%'
	Unobservable input Z	CU2,000	(CU2,000)	'Input Z was changed by +/- 10%'
Asset class B	…	…		
Liability class C	…	…		
Liability class D	…	…		

Cannot be tagged using the IFRS Taxonomy without using extensions to reflect the disaggregation by input Y and Z

Change 1.2—Proposal

We propose:

- Adding a new **‘Unobservable inputs’ axis** to tag information disaggregated by unobservable input.
- Using the existing line items on slide 28, as well as the new line items proposed on slide 29 as members for the axis.
  - The existing line items for significant unobservable inputs in the IFRS Taxonomy are intended for tagging the disclosure of the value of significant unobservable inputs used in fair value measurement (IFRS 13.93(d)).

Appendix B3 shows an example of tagging using the proposed ‘Unobservable inputs’ axis for a narrative sensitivity analysis.

Change 1.3—What is the issue? (1)

- Entities commonly **quantify** the change in unobservable inputs, eg:

Asset/ liability class	Unobservable input	Change in unobservable input	Effect on fair value
Asset class A	Unobservable input Y	Increase by 5%	(CU3,000)
		Decrease by 5%	CU3,000
	Unobservable input Z	Increase by 10%	CU2,000
		Decrease by 10%	(CU2,000)
Asset class B	…	…	…
Liability class C	…	…	…
Liability class D	…	…	…

- The IFRS Taxonomy currently only contains the text line item ‘Description of how effect on fair value measurement […] was calculated’ (see slide 8).
- Consequently, we propose to also include numerical line items to reflect such disclosure.
- In addition, we propose to retain the existing text line item to tag narrative descriptions.

Change 1.3—What is the issue? (2)

Our analysis of common reporting practice has shown that a change in unobservable inputs can be expressed in different ways:

		Change in input	
		'**Absolute**' changes (in the same unit as the input)	'**Relative**' changes (in percentages)
Value of input	in a unit *other than* a percentage (eg expected cash flows, in EUR)	**TYPE I—Not common** Eg an increase in expected cash flows of 2 million EUR	**TYPE II—Common** Eg an increase in expected cash flows of 5%
	a percentage (eg discount rate)	**TYPE III—Common** Eg a 2% increase (ie 200 basis points) in an 8% discount rate to a discount rate of 10%	**TYPE IV—Did not identify common practice*** Eg a 2% increase in an 8% discount rate to a discount rate of 8.16% (ie multiplied by 1.02)

* There were no cases where we could identify reported changes as relative change with certainty. However, we note that for some reported changes, we could not identify it as either 'absolute' or 'relative'.

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Change 1.3—Proposed approach

- Add ‘Percent’ type elements to tag the commonly reported types of changes (Type II and Type III).
- Specify in an implementation note (see next slide) that the elements should not be used to tag Type IV changes.

Percentage changes	
Percentage of reasonably possible **increase** in unobservable input, assets	Percent item type
Percentage of reasonably possible **decrease** in unobservable input, assets	Percent item type

	Absolute changes	**Relative** changes
Input *other than* a percentage eg cash flows in EUR	**Create extension**	
Input is a percentage eg discount rate		**Create extension**

⊕ Intuitive label—common percentage changes (Types II and III) are tagged with elements labelled ‘Percentage’.

⊕ By requiring extensions to be created for Type IV changes, there is no potential for users to confuse Type III with Type IV changes.

? No element to tag Type IV changes (but we could not determine whether those are common).

Appendix B4 provides an example of tagging using this approach.

Change 1.3—Proposed approach: possible implementation note

- We propose creating an implementation note* that includes the following information:
  - when to use which element, including examples; and
  - when to create extensions.
- For example, we would add the following implementation note under the proposed approach:

Percentage of reasonably possible increase in unobservable input, assets

Use this element for increases expressed as percentages in inputs not expressed as percentages—for example, a 2% increase in cash flows. Also use this element for increases expressed in percentage points in inputs expressed as percentages—for example, a 2% increase in an 8% discount rate to a discount rate of 10%. Do not use this element for relative changes in inputs expressed as percentages—for example, a 2% increase in an 8% discount rate to a discount rate of 8.16% (ie multiplied by 1.02). In such cases, create extension elements.

* We are currently exploring how to include implementation notes in the IFRS Taxonomy. In the meantime, we plan to include this information in the documentation labels.

Change 1.3—Rejected approach

- Add separate ‘Percent’ type elements for percentage changes (Types II and IV) and percentage point changes (Type III).
- Explain the difference between these elements in implementation notes.

Percentage point changes	
Reasonably possible **increase** in unobservable input expressed **in percentage points**, assets	Percent item type
Reasonably possible **decrease** in unobservable input expressed **in percentage points**, assets	Percent item type

Relative changes	
Reasonably possible **increase** in unobservable input expressed **in percentage**, assets	Percent item type
Reasonably possible **decrease** in unobservable input expressed **in percentage**, assets	Percent item type

	Absolute changes	**Relative** changes
Input *other than* a percentage eg cash flows in EUR	**Create extension**	
Input is a percentage eg discount rate		

? Label may be confusing, common absolute percentage changes (Type III) are tagged using ‘Percentage points change’ element instead of ‘Percentage change’. This could be addressed through implementation notes.

We rejected this approach because it is more complex than the proposed approach.
In addition, we could not find evidence that Type IV changes are commonly disclosed.

Change 1.4—What is the issue?

- When the sensitivity of the fair value measurement is calculated by changing **one** unobservable input at a time, entities commonly disclose whether the change in fair value is due to an increase or decrease in unobservable inputs.
- In other words, they specify the direction of the relationship between the change in input and the change in fair value measurement. For example:
  - A reasonably possible **increase** in unobservable input Y would **decrease** fair value by CU100
  - A reasonably possible **decrease** in unobservable input Y would **increase** fair value by CU500

- The existing line items for tagging the change in fair value measurement (see slide 8) do not capture such information:

Increase (decrease) in fair value measurement due to **change in one or more** unobservable inputs (…), assets	Monetary

Change 1.4—Proposal for sensitivity analyses in which one input is changed at a time

- **We propose:** Adding line items to capture the direction of the relationship between the change in input and change in fair value when the sensitivity is calculated by changing **one** input at a time:

Increase (decrease) in fair value measurement due to reasonably possible **increase** in unobservable input, assets	Monetary
Increase (decrease) in fair value measurement due to reasonably possible **decrease** in unobservable input, assets	Monetary

Appendix B5 compares tagging using existing and proposed elements for such cases.

- We considered, but rejected, modelling the direction of the relationship as Boolean elements. Because the IFRS Taxonomy currently does not use Boolean elements, we would need to consider this feature for the whole Taxonomy.

Change 1.4—Proposal for sensitivity analyses in which multiple inputs are changed simultaneously (1)

- We have also observed entities commonly calculate the effect on fair value by changing **multiple** inputs simultaneously.
- **We propose:** Adding elements with a label that refers to a ‘change in multiple unobservable inputs’ to clearly distinguish those line items from the line items proposed on slide 19.

Increase in fair value measurement due to **change in multiple** unobservable inputs to reflect reasonably possible alternative assumptions, assets	Monetary
Decrease in fair value measurement due to **change in multiple** unobservable inputs to reflect reasonably possible alternative assumptions, assets	Monetary

- We propose to add separate line items for increase and decrease in fair value because entities commonly disclose favourable and unfavourable scenarios in the sensitivity analysis.

Appendix B6 illustrates this and compares tagging using existing and proposed elements.

Change 1.4—Proposal for sensitivity analyses in which multiple inputs are changed simultaneously (2)

- **We propose** *not* to add an ‘Increase (decrease) in fair value measurement due to change in multiple unobservable inputs […]’ line item, because we see no need for it.
- The staff note that, when the amount of the possible increase in fair value equals the amount of the possible decrease, some entities disclose a single amount, eg ‘Changing the unobservable inputs would increase/decrease fair value by CU100’.
  - Some entities may currently use the existing ‘Increase (decrease) in fair value measurement due to change in one or more unobservable inputs […]’ to tag the ‘CU100’.
  - However, in such cases we think the ‘CU100’ should be tagged twice, with both the ‘increase’ and the ‘decrease’ element (see previous slide). In our view, this approach best supports analysis over time and comparisons between entities.

Change 1.4—Deprecation of existing elements & summary

We propose deprecating the existing monetary elements to make sure entities choose the appropriate, new elements and avoid errors by rolling forward the tagging from previous periods:

Existing elements (will be deprecated)
Increase (decrease) in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets
Increase in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets
Decrease in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets

Proposed new elements
One input is changed at a time
Increase (decrease) in fair value measurement due to reasonably possible increase in unobservable input, assets
Increase (decrease) in fair value measurement due to reasonably possible decrease in unobservable input, assets
Multiple inputs are changed simultaneously
Increase in fair value measurement due to change in multiple unobservable inputs to reflect reasonably possible alternative assumptions, assets
Decrease in fair value measurement due to change in multiple unobservable inputs to reflect reasonably possible alternative assumptions, assets

Change 1.5—What is the issue?

- IFRS 13.93(h)(ii) requires disclosure of the effect of possible changes in inputs on fair value, and does not further specify how this effect should be calculated or disclosed.
- Entities commonly disclose separately the effect of possible changes in inputs on profit or loss and on other comprehensive income (OCI). In our view, such disclosures are consistent with the overall disclosure objective in IFRS 13.91(b).
- Example:

	Profit or loss		OCI	
Asset/ liability class	Possible increase in profit or loss due to change in input(s)	Possible decrease in profit or loss due to change in input(s)	Possible increase in OCI due to change in input(s)	Possible decrease in OCI due to change in input(s)
Asset class A	CU3,000	(CU3,000)	—	—
Asset class B	CU2,000	(CU1,800)	CU800	(CU800)
Liability class C	CU1,000	(CU800)	—	—

- **We propose** to add line items to distinguish between the effect on profit or loss and OCI.

Change 1.5—Before or after tax?

- In addition, we considered whether the line items we add should distinguish between the effect on profit or loss and other comprehensive income before tax and after tax.

IFRS requirements

- IFRS 13 does not specify whether the effect on fair value should be before tax or after tax (nor does IFRS 17 for a similar sensitivity analysis).

Common practice analysis

- In our sample, among the entities that distinguish between the effect on profit or loss and OCI:
  - most do not disclose whether the reported effect is on profit or loss/OCI before tax or after tax;
  - a few disclose that the reported effect is on OCI before tax; and
  - a few disclose that the reported effect is on profit or loss and OCI after tax.
- Our review of reporting practice provides some limited evidence of diversity in practice, but it does not provide sufficient evidence to create separate ‘before tax’ and ‘after tax’ elements in the IFRS Taxonomy, because the frequency criterion for adding common practice content is not met.

Change 1.5—Before or after tax?

Nevertheless, to remove ambiguity, **we propose** adding line items for the increase (decrease) in fair value that distinguish between the effect on profit or loss before tax and after tax and other comprehensive income before tax and after tax.

- For example, we would add the following elements for the first element presented on slide 19:

Increase (decrease) in fair value measurement due to reasonably possible **increase** in unobservable input, recognised in profit or loss, before tax, assets
Increase (decrease) in fair value measurement due to reasonably possible **increase** in unobservable input, recognised in other comprehensive income, before tax, assets
Increase (decrease) in fair value measurement due to reasonably possible **increase** in unobservable input, recognised in profit or loss, after tax, assets
Increase (decrease) in fair value measurement due to reasonably possible **increase** in unobservable input, recognised in other comprehensive income, after tax, assets

- We note that this approach:
  - Makes the IFRS Taxonomy larger (4 new line items for each of the 4 new line items on slide 22).
  - Is inconsistent with modelling in IFRS 17—the IFRS 17 modelling may need to be amended.
  - May result in electronic financial statements providing more information than paper-based financial statements.

Question 1—Sensitivity of fair value measurement

a) Do you agree with the proposed approach for adding numeric line items to quantify the reasonably possible change in unobservable inputs on slide 15? If not, do you prefer the alternative approach set out on slide 17? If you do not agree with either approach, please specify what approach you propose and why.

b) Do you agree with the addition of new line items proposed on slides 19–20? Do you also agree with the deprecation of existing elements proposed on slide 22? If not, please explain why.

c) Do you agree with the other improvements proposed on slides 9–25? If not, please specify what changes you propose and why.

❷ Quantitative information about significant unobservable inputs used in fair value measurement

Background

- Paragraph 93(d) of IFRS 13 requires an entity to disclose the value of significant unobservable inputs used in fair value measurement.
- This disclosure is currently modelled using the following line items:

Disclosure of significant unobservable inputs used in fair value measurement of assets [line items]	line items
Interest rate, significant unobservable inputs, assets	X.XX duration
Historical volatility for shares, significant unobservable inputs, assets	X.XX duration
Adjustment to mid-market consensus price, significant unobservable inputs, assets	X.XX duration
Current estimate of future cash outflows to be paid to fulfil obligation, significant unobservable inputs, assets	X duration
Financial forecast of profit or loss for cash-generating unit, significant unobservable inputs, assets	X duration
Financial forecast of cash flows for cash-generating unit, significant unobservable inputs, assets	X duration
Weighted average cost of capital, significant unobservable inputs, assets	X.XX duration
Revenue multiple, significant unobservable inputs, assets	X.XX duration
Constant prepayment rate, significant unobservable inputs, assets	X.XX duration
Probability of default, significant unobservable inputs, assets	X.XX duration

Change 2.1—New elements for inputs

- We propose to add 4 elements reported commonly in practice:

Discount rate, significant unobservable inputs, assets	percent
Rent, significant unobservable inputs, assets	decimal
Capitalisation rate, significant unobservable inputs, assets	percent
Credit spread, significant unobservable inputs, assets	percent

- Because the weighted average cost of capital is a type of discount rate, we propose to present the existing ‘Weighted average cost of capital’ element as a child to the new ‘Discount rate’ element.

Change 2.2—Change to dimensional model (1)

We propose changing the modelling for the disclosure requirement in paragraph 93(d) of IFRS 13 (see slide 28) to a dimensional approach.

Reason	• we found that entities disclose quantitative information for many different inputs. • we therefore expect entities to create many extensions for unobservable inputs. • a dimensional approach makes it easier for users of the tagged data to consume extensions for inputs because they are linked to a known axis.
Additional advantages	• this approach makes it easier for users of the tagged data to consume information together with the sensitivity analysis because both will be disaggregated by the same input members on the same axis. • this approach would result in fewer elements in total.

Change 2.2—Change to dimensional model (2)

Changing to a dimensional approach would mean:

- adding an ‘Unobservable inputs’ axis to the existing table with as members the existing 10 line items (see slide 28) and the four new elements proposed on slide 29;
- adding a new, generic line item to the existing table, ‘Significant unobservable input, assets’ with a ‘Decimal’ element type and deprecating the 10 existing, more specific line items for each category: assets, liabilities and the entity’s own equity instruments.

We note that as a consequence of this approach:

- preparers will bear a re-tagging cost and users will bear a re-mapping cost; and
- preparers will need to choose the unit type, which may lead to errors.

Question 2—Quantitative information about significant unobservable inputs

a) Do you agree with the addition of new line items for significant unobservable inputs as proposed on slide 29? If not, please specify what changes you propose and why.

b) Do you agree with the proposal to change the data model on slide 30? Do you think the advantages of the proposed modelling (see slide 30) outweigh the disadvantages (see slide 31)? If not, please specify what changes you propose and why.

❸ Other proposed improvements

Change 3.1—Valuation techniques—background

- Paragraph 93(d) of IFRS 13 requires an entity to disclose valuation techniques used in fair value measurement. Implementation Guidance and Illustrative Examples include examples of those techniques and show that other disclosures may be disaggregated by valuation technique.
- The following table shows how the IFRS Taxonomy reflects those requirements for assets:

Valuation techniques used in fair value measurement [axis]	axis	IFRS 13.93 d Disclosure
Valuation techniques [member]	member[default]	IFRS 13.93 d Disclosure
Market approach [member]	member	IFRS 13.62 Example
Market comparable companies [member]	member	IFRS 13.B5 Example, IFRS 13.IE63 Example
Market comparable prices [member]	member	IFRS 13.B5 Example, IFRS 13.IE63 Example
Matrix pricing [member]	member	IFRS 13.B7 Example
Consensus pricing [member]	member	IFRS 13.B5 Example, IFRS 13.IE63 Example
Cost approach [member]	member	IFRS 13.62 Example
Income approach [member]	member	IFRS 13.62 Example
Discounted cash flow [member]	member	IFRS 13.B11 a Example, IFRS 13.IE63 Example
Option pricing model [member]	member	IFRS 13.B11 b Example, IFRS 13.IE63 Example
Multi-period excess earnings method [member]	member	IFRS 13.B11 c Example

Change 3.1—Valuation techniques—proposed changes (1)

- We propose to add a new element reported commonly in practice: **'Net Asset Value'**.

Market approach [member]
Cost approach [member]
Income approach [member]
Net asset value [member]

Legend:

- Existing elements
- Proposed elements

- **Reference:** 'Net asset value' is used in paragraph IE63 of the Illustrative Examples to IFRS 13. Consequently we propose to add this element with an 'example' reference.
- **Relationship**: Educational material for IFRS 13 notes that 'Net asset value' can be based on a combination of the 'Market approach', 'Cost approach' and 'Income approach'. We therefore suggest placing the 'Net asset value' member at the same level as these three approaches.

Change 3.1—Valuation techniques—proposed changes (2)

We propose to add a new element reported commonly in practice: **‘Income capitalisation’**.

Income approach [member]
Discounted cash flows [member]
Income capitalisation [member]
(…)

Legend:

- Existing elements
- Proposed elements

Change 3.2—Disaggregation

- IFRS 13 disclosures are required to be disaggregated by class of assets and liabilities (paragraphs 93–94 of IFRS 13).
- This is reflected in the IFRS Taxonomy through the use of three axes:

Classes of assets [axis]
Assets [member]
Trading equity securities [member]
Other equity securities [member]
Debt securities [member]
Hedge fund investments [member]
Derivatives [member]
Investment property [member]
Non-current assets held for sale [member]

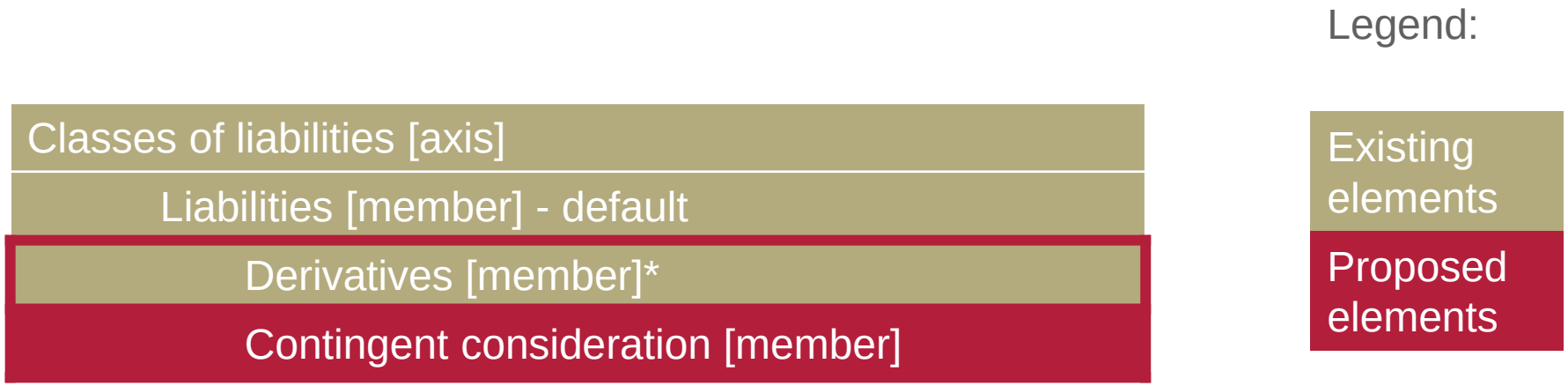
Classes of liabilities [axis]
Liabilities [member]

Classes of entity's own equity instruments [axis]
Entity's own equity instruments [member]

The axes for liabilities and the entity's own equity instruments currently do not have any members other than the default member.

Change 3.2—Additional members

- Our review of reporting practice highlighted that entities commonly report fair value information separately for contingent consideration liabilities recognised in accordance with IFRS 3 *Business Combinations* and derivative liabilities.
- Consequently, we propose adding a new member for ‘Contingent consideration’ and the existing member ‘Derivatives’ to the existing axis:



* This member, which we are proposing to add to the ‘Classes of liabilities’ axis, is an existing member of the ‘Classes of assets’ axis (see previous slide)

Change 3.3—Current IFRS Taxonomy model

- IFRS 13.93(e) requires a reconciliation from the opening balance to the closing balance of recurring Level 3 fair value measurements, which is reflected in the IFRS Taxonomy as follows:

Reconciliation of changes in fair value measurement, assets [abstract]		
Assets at beginning of period	X instant, debit	IAS 1.55 Disclosure, IFRS 13.93 a Disclosure, IFRS 13.93 b Disclosure, IFRS 13.93 e Disclosure, IFRS 8.23 Disclosure, IFRS 8.28 c Disclosure
Changes in fair value measurement, assets [abstract]		
Gains (losses) recognised in profit or loss, fair value measurement, assets	X duration	IFRS 13.93 e (i) Disclosure
Gains (losses) recognised in other comprehensive income, fair value measurement, assets	X duration	IFRS 13.93 e (ii) Disclosure
Purchases, fair value measurement, assets	X duration, debit	IFRS 13.93 e (iii) Disclosure
Sales, fair value measurement, assets	(X) duration, credit	IFRS 13.93 e (iii) Disclosure
Issues, fair value measurement, assets	X duration, debit	IFRS 13.93 e (iii) Disclosure
Settlements, fair value measurement, assets	(X) duration, credit	IFRS 13.93 e (iii) Disclosure
Transfers into Level 3 of fair value hierarchy, assets	X duration, debit	IFRS 13.93 e (iv) Disclosure
Transfers out of Level 3 of fair value hierarchy, assets	(X) duration, credit	IFRS 13.93 e (iv) Disclosure
Total increase (decrease) in fair value measurement, assets	X duration, debit	IFRS 13.93 e Disclosure
Assets at end of period	X instant, debit	IAS 1.55 Disclosure, IFRS 13.93 a Disclosure, IFRS 13.93 b Disclosure, IFRS 13.93 e Disclosure, IFRS 8.23 Disclosure, IFRS 8.28 c Disclosure

Change 3.3—Staff analysis

- IFRS 13 requires the following changes to be disclosed separately:

Total gains or losses for the period recognised in profit or loss	Effects on profit or loss or OCI
Total gains or losses for the period recognised in OCI	
Purchases, sales, issues and settlements (each type disclosed separately)	Balance sheet movements
The amounts of any transfers into or out of Level 3 of the fair value hierarchy	

- We found that the following changes were also commonly disclosed separately:
  - **Disposals**: We propose not to add a new element for disposals. The IFRS Taxonomy includes an element related to sales (see previous slide). We think that entities mostly use ‘disposals’ as a synonym for ‘sales’.
  - **Exchange differences**: we propose to add elements to reflect this. Staff analysis is provided on the next slides.

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Change 3.3—Staff analysis

- Entities commonly disclose a separate line item for the **effect of changes in foreign exchange rates** (using many different labels).
- In most cases, entities **also disclose other gains or losses on profit or loss or OCI** as separate line items (excluding the effect of changes in foreign exchange rates).
  - Is such presentation consistent with requirements in IFRS 13? (see next slides)

	Asset class A	Asset class B
At 1 January 20X0	**CU3,000**	**CU2,000**
Purchases	800	400
Sales	(550)	(200)
Gains/losses recognised in profit or loss	150	80
Gains/losses recognised in OCI	(50)	40
Exchange differences	50	30
At 31 December 20X0	**CU3,400**	**CU2,350**

Change 3.3—IFRS requirements

- IAS 21 distinguishes two types of translation differences:

Translation from… to…	Where are gains/losses recognised?
Foreign currency → Functional currency	Profit or loss or OCI, depending on the circumstances
Functional currency → Presentation currency	OCI

- In most cases in the sample, we were not able to determine which type of effect is reported, nor whether it is recognised in profit or loss or OCI.

Change 3.3—Possible modelling approaches

Proposed approach
Assets at beginning of period
Increase (decrease) in fair value measurement, assets
Gains (losses) recognised in profit or loss, fair value measurement, assets
Gains (losses) recognised in profit or loss on exchange differences, fair value measurement, assets
Gains (losses) recognised in profit or loss other than on exchange differences, fair value measurement, assets
Gains (losses) recognised in other comprehensive income, fair value measurement, assets
Gains (losses) recognised in other comprehensive income on exchange differences, fair value measurement, assets
Gains (losses) recognised in other comprehensive income other than on exchange differences, fair value measurement, assets
Purchases, fair value measurement, assets
Sales, fair value measurement, assets
Issues, fair value measurement, assets
Settlements, fair value measurement, assets
Transfers into Level 3 of fair value hierarchy, assets
Transfers out of Level 3 of fair value hierarchy, assets
Assets at end of period

Rejected approach
Assets at beginning of period
Increase (decrease) in fair value measurement, assets
Gains (losses) recognised in profit or loss, fair value measurement, assets
Gains (losses) recognised in other comprehensive income, fair value measurement, assets
Exchange differences, fair value measurement, assets
Purchases, fair value measurement, assets
Sales, fair value measurement, assets
Issues, fair value measurement, assets
Settlements, fair value measurement, assets
Transfers into Level 3 of fair value hierarchy, assets
Transfers out of Level 3 of fair value hierarchy, assets
Assets at end of period

New elements are highlighted in green.

Change 3.3—Comparison of possible modelling approaches

	Advantages	Disadvantages
Preferred approach	• Conceptually most appropriate, because exchange differences are a type of gain (loss) that are recognised in profit or loss/OCI.	• Would not allow tagging of reported exchange differences that are a mix of amounts that are recognised in profit or loss and OCI—see more discussion under alternative approach.
	We support this approach because it is consistent with the requirements in IFRS 13.	
Rejected approach	• Would allow tagging of reported exchange differences that are a mix of amounts that are recognised in profit or loss and OCI. Note: the staff could not determine how many entities in the sample presented such 'mixed' amounts. • Fewer line items than under preferred approach.	• Presentation of such 'mixed' amounts would be inconsistent with the requirements in IFRS 13, because it requires gains (losses) recognised in profit or loss to be separately disclosed from gains (losses) recognised in OCI.
	We do not support this approach because it is inconsistent with IFRS 13.	

Change 3.4—Transfers between levels—background

- Paragraph 93(c) of IFRS 13 requires an entity to disclose transfers between Level 1* and Level 2* and the reason for those transfers.
- In addition, paragraph 93(e)(iv) of IFRS 13 requires an entity to disclose transfers into and out of Level 3, * as part of the reconciliation (see slide 40) and the reason for those transfers.
- The following table shows how the IFRS Taxonomy reflects those requirements for assets:

Transfers out of Level 1 into Level 2 of fair value hierarchy, assets held at end of reporting period	X duration	IFRS 13.93 c Disclosure
Description of reasons for transfers out of Level 1 into Level 2 of fair value hierarchy, assets	text	IFRS 13.93 c Disclosure
Transfers out of Level 2 into Level 1 of fair value hierarchy, assets held at end of reporting period	X duration	IFRS 13.93 c Disclosure
Description of reasons for transfers out of Level 2 into Level 1 of fair value hierarchy, assets	text	IFRS 13.93 c Disclosure

Transfers between Level 1 and Level 2

Transfers into Level 3 of fair value hierarchy, assets	X duration, debit	IFRS 13.93 e (iv) Disclosure
Transfers out of Level 3 of fair value hierarchy, assets	(X) duration, credit	IFRS 13.93 e (iv) Disclosure
Description of reasons for transfers into Level 3 of fair value hierarchy, assets	text	IFRS 13.93 e (iv) Disclosure
Description of reasons for transfers out of Level 3 of fair value hierarchy, assets	text	IFRS 13.93 e (iv) Disclosure

Transfers into and out of Level 3

* See Appendix A1 for a description of the fair value hierarchy

IFRS

Change 3.4—Transfers between levels—proposal

- We propose to add two line items reported commonly in practice:

Statement that there were no transfers between Level 1 and Level 2 of fair value hierarchy, assets	text
Statement that there were no transfers between Level 1, Level 2 and Level 3 of fair value hierarchy, assets	text

- We considered, but rejected:
  - broadening the scope of the existing text elements to tag the reasons for transfers to include statements that there were no transfers between levels. Under this approach, the elements would capture a mix of information resulting from IFRS requirements and information resulting from common reporting practice, which may be confusing.
  - modelling these elements as Boolean elements. Because the IFRS Taxonomy currently does not use Boolean elements, we would need to consider this feature for the whole Taxonomy.

Question 3—Other proposed improvements

a) Do you agree with the proposed modelling approach for the disclosure of exchange differences in the reconciliation from opening to closing balance of fair value measurements on slide 43? If not, do you prefer the alternative approach on slide 43? If you do not agree with either approach, please specify what approach you propose and why.

b) Do you agree we should not add elements for ‘disposals’, as described on slide 40? If not, please specify what changes you propose and why.

c) Do you agree with the other improvements proposed on slides 34–46? If not, please specify what changes you propose and why.

Question 4, 5 and 6—Appropriate use of labels & areas for future common practice analysis

4. Do the labels of the proposed elements faithfully represent their meaning?
5. Do the documentation labels of the proposed elements correctly define these elements?

If not, please specify what changes you would make and why.

- Are there other areas where common practice analysis may be useful?

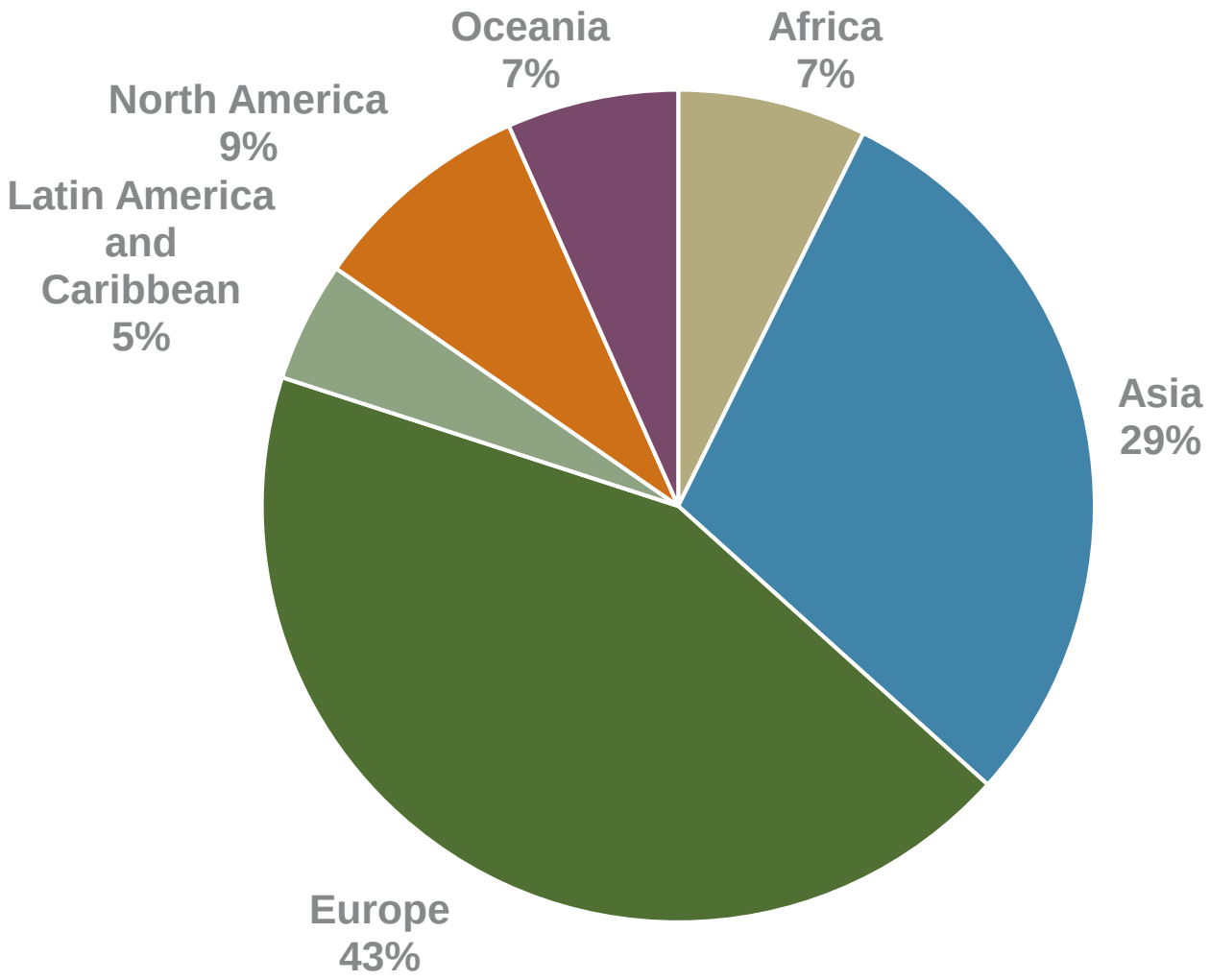
Appendix A—
Fair value hierarchy and sample description

A1. Fair value hierarchy

IFRS 13 categorises into three levels the inputs to valuation techniques used to measure fair value for assets or liabilities:

Level 1 inputs	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
Level 3 inputs	Unobservable inputs.

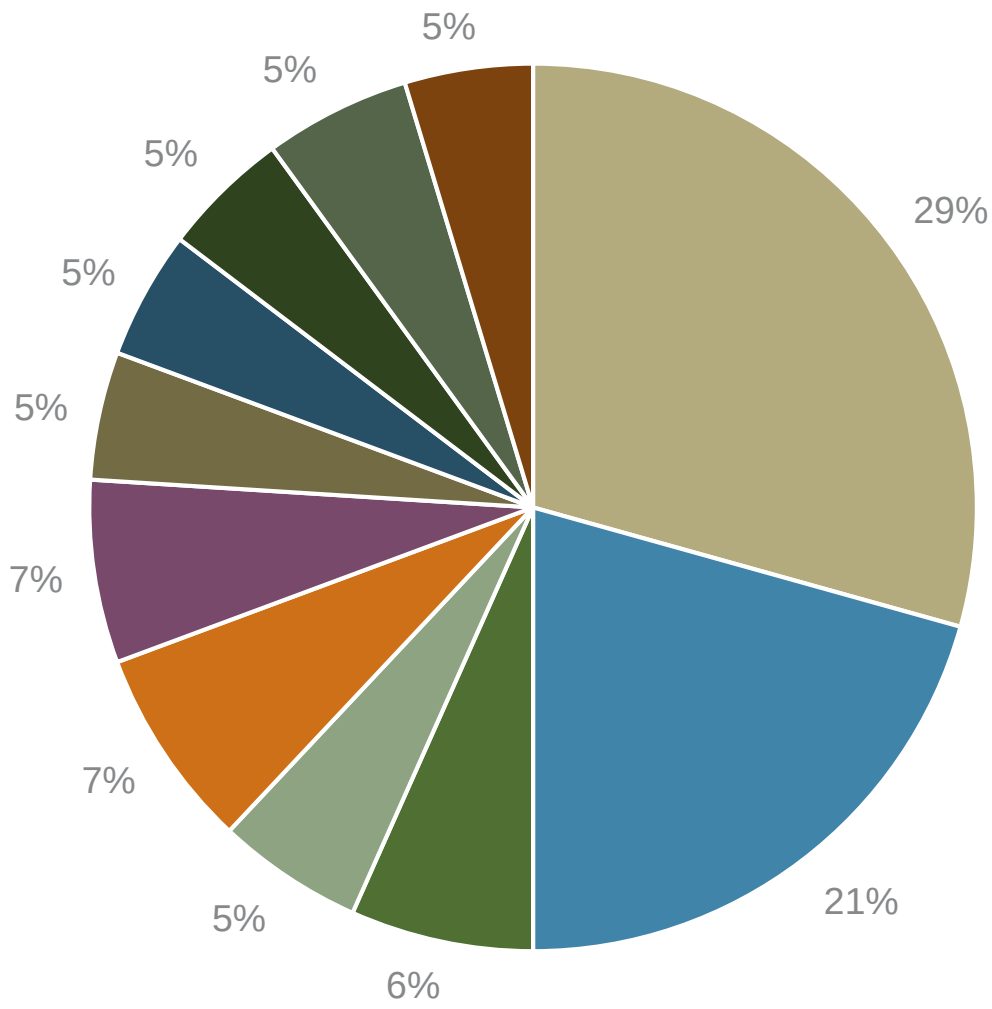
A2. Sample—Geographical distribution



150 entities

Listed entities applying IFRS Standards

A3. Sample—Industry distribution



150 entities

Listed entities applying IFRS Standards

- Banks
- Real Estate
- Consumer Discretionary
- Consumer Staples
- Energy
- Healthcare
- Industrials
- Information Technology
- Materials
- Telecommunication Services
- Utilities

Appendix B—Tagged examples of sensitivity analysis

B1. Example of tagging using current modelling for quantitative sensitivity analysis

Asset/ liability class	Increase in fair value due to changes in input(s)	Decrease in fair value due to changes in input(s)	Description of how effect was calculated
Asset class A	CU3,000	(CU3,000)	'Discount rate was changed by +/- 5%'
Asset class B	…		
Liability class C	…		
Liability class D	…		

Increase in fair value measurement due to change in one or more unobservable inputs […], assets

Decrease in fair value measurement due to change in one or more unobservable inputs […], assets

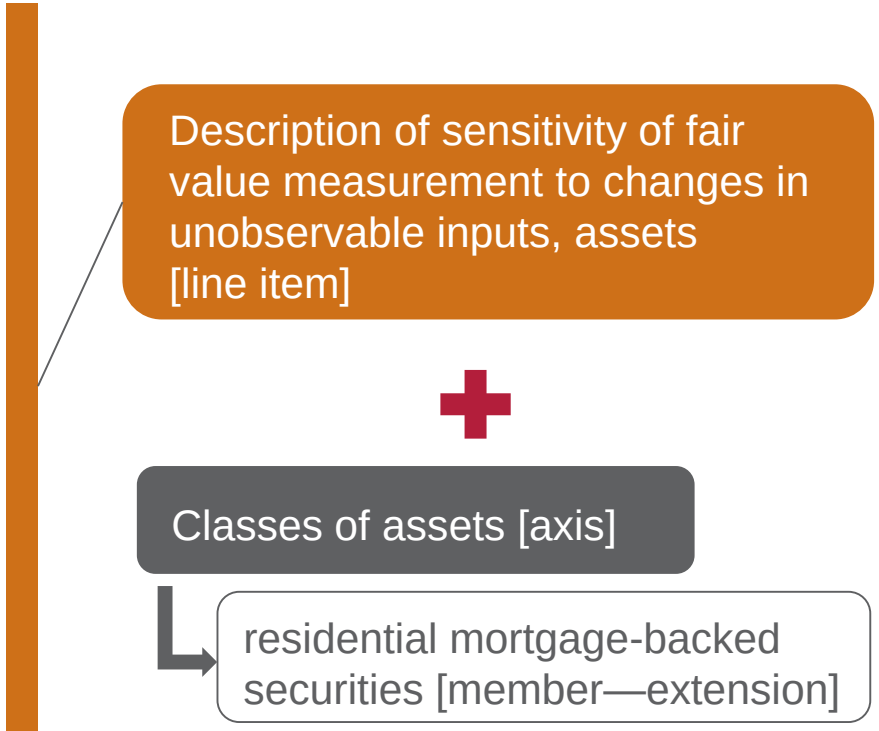
Description of how effect on fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions was calculated, assets

+ Classes of assets [axis]

Asset class A [member]

B2. Example of tagging using current modelling for narrative sensitivity analysis (IFRS 13 IE66)

The significant unobservable inputs used in the fair value measurement of the entity's residential mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.



A narrative sensitivity analysis is required for all recurring Level 3 fair value measurements.

B3. Example of tagging using proposed unobservable inputs axis & existing line item for narrative analysis

Valuation technique	Significant unobservable inputs	$m	Range of estimates (weighted -average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Discounted cash flow	Rates of property appreciation - 6%	482.0	4%-8%	Significant increases in these inputs would result in higher fair values.
	Discount rates - 7.75%	482.0	5.75%-9.75%	Significant increases in these inputs would result in lower fair values.

Description of sensitivity of fair value measurement to changes in unobservable inputs, assets [line item]

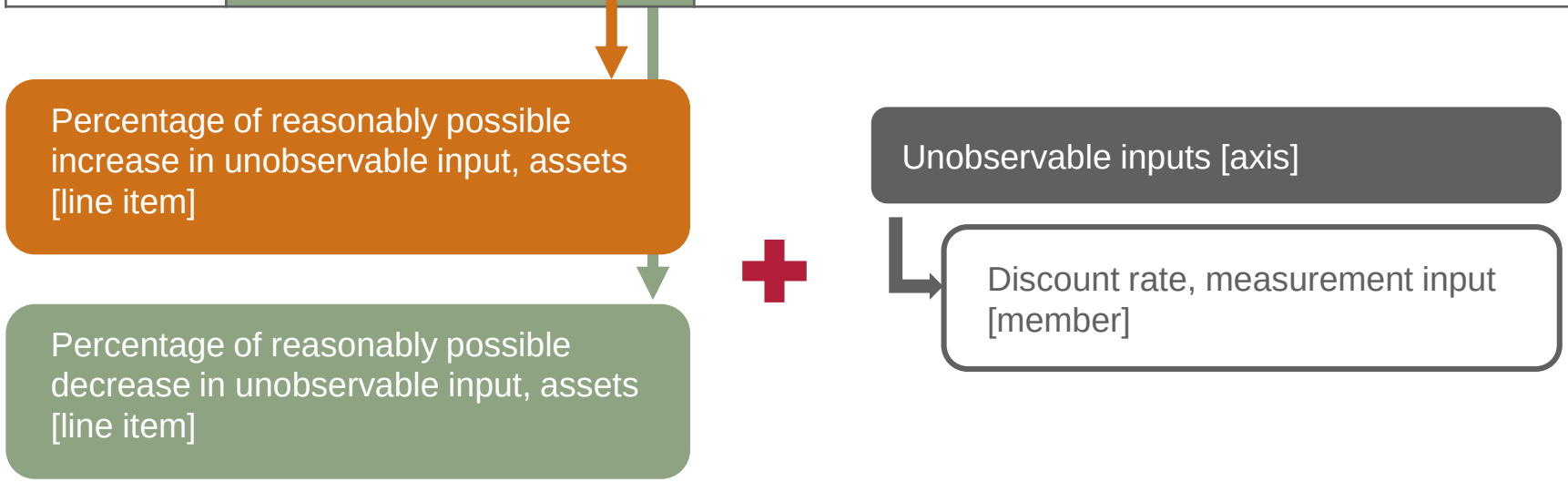
+

Unobservable inputs [axis]

Rates of property appreciation [member—extension]

B4. Example of use of proposed numeric elements for tagging change in unobservable inputs (Approach A)

Extract from the notes—Sensitivity of fair value of forestry assets			Effect on fair value In thousands CU
Effect of	**€1 per tonne increase**	in selling price	35,000
Effect of	**€1 per tonne decrease**	in selling price	(36,000)
Effect of	**1% increase**	in tonnes of produce per hectare	7,000
Effect of	**1% decrease**	in tonnes of produce per hectare	(7,700)
Effect of	**1% increase***	in discount rate	(3,000)
Effect of	**1% decrease***	in discount rate	3,500



The change in produce per hectare would be tagged in a similar way, using a different member for the unobservable inputs axis.

Extension elements would have to be created to tag the change in selling price.

* An increase from 10% to 11% and a decrease from 10% to 9%.

B5. Example of tagging of change in fair value when one input is changed at a time, using existing and proposed line items

Asset/ liability class	Unobservable input	Change in unobservable input	Effect on fair value
Asset class A	Discount rate	Increase by 5%	(CU3,000)
		Decrease by 5%	CU2,800
	Expected cash flows	Increase by 1%	CU2,100
		Decrease by 1%	(CU2,000)
Asset class B	…	…	…
Liability class C	…	…	…

Tagging using existing line items

Increase in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	2,800
Decrease in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	3,000
→ Direction of relationship not clear	

Tagging using proposed line items

Increase (decrease) in fair value measurement due to reasonably possible increase in unobservable input, assets	-3,000
Increase (decrease) in fair value measurement due to reasonably possible decrease in unobservable input, assets	2,800
→ Direction of relationship clear	

B6. Example of tagging of change in fair value when multiple inputs are changed simultaneously, using existing and proposed line items

Asset/ liability class	Change in unobservable input	Effect on fair value
Asset class A	Unfavourable change in multiple inputs (eg a simultaneous increase in discount rate and decrease in expected cash flows)	(CU3,000)
	Favourable change in multiple inputs (eg a simultaneous decrease in discount rate and increase in expected cash flows)	CU2,800
Asset class B	…	
Liability class C	…	

Tagging using existing line items

Increase in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	2,800
Decrease in fair value measurement due to change in one or more unobservable inputs to reflect reasonably possible alternative assumptions, assets	3,000

Tagging using proposed line items

Increase in fair value measurement due to change in multiple unobservable inputs to reflect reasonably possible alternative assumptions, assets	2,800
Decrease in fair value measurement due to change in multiple unobservable inputs to reflect reasonably possible alternative assumptions, assets	3,000

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