
IFRS Taxonomy Consultative Group (ITCG) meeting

Date **27 February 2023**

Project **IFRS Accounting Taxonomy Update 1
2022 General improvements and common practice**

Topic **Analysis of the feedback received**

Contacts **Vivek Baid (vbaid@ifrs.org)**

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Aim of this session

- Provide the ITCG with a summary of the public feedback received on the Proposed IFRS Taxonomy Update and our response.
 - The slides set out our response to the feedback and have been reviewed by the IFRS Taxonomy Review Panel.
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Background—Proposed IFRS Taxonomy Update 1

- IFRS Accounting Taxonomy 2022—Proposed Update 1 *General Improvements and Common Practice* was published on 16 November 2022.
 - The proposed changes were aimed at improving the quality of tagged data and making the IFRS Accounting Taxonomy easier to use. The proposals included:
 - a change in our policy for deprecation of elements;
 - new common practice elements for: antidilutive instruments; other comprehensive income; property, plant and equipment including right-of use assets; and for reconciliation of the denominator used in calculating basic and diluted earnings per share;
 - deprecation of a duplicate element for right-of-use assets; and
 - replacement of an overly broad text block element with abstract elements and amendment of labels of other text block elements to clarify their intended use.
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Background—Feedback

- The comment period ended on 16 December 2022.
 - We received letters from:
 - Financial Reporting Council (FRC), UK
 - PricewaterhouseCoopers International Limited
 - Myanmar Accountancy Council Office
 - Myanmar Accountancy Council Office replied with no comments on the proposals.
 - In the subsequent slides, we will cover the other two comment letters only.
 - Letters were **generally supportive** of most proposals, with **some suggestions for improvements**.
 - We aim to publish the final IFRS Taxonomy Update at the end of March, together with the annual IFRS Accounting Taxonomy 2023.
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Agenda

Background

Tagging of comparative information

Earnings per share

Other comprehensive income

Right-of-use assets

Text block elements with excessively 'broad' labels

Other feedback received

Tagging comparative
information reported in
accordance with
superseded IFRS
Accounting Standard(s)



Tagging non-restated comparative information

Proposals

- **Delay the depreciation** of elements relating to superseded IFRS Accounting Standard(s) **for 3 years**, to enable the tagging of comparative information presented or disclosed in accordance with the superseded IFRS Accounting Standard(s).
- Add a guidance label, reference note and a formula to enable easy identification of such expired elements retained to tag non-restated comparative information only.
- Provide appropriate guidance in the *Preparer's Guide*.

Feedback

Agreement with proposal but consider:

- a) whether to retain IAS 39 elements for some insurance entities that will apply IFRS 9 for the first time in 2023. Such entities may require these elements to tag the comparative information presented or disclosed in accordance with the IAS 39; and
 - b) adding short wording to the standard label of expired elements, to signify that the elements relate to a superseded IFRS Accounting Standard.
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Staff response

Response

- a) There are some taxonomy elements that are related to IAS 39 requirements which could be used to tag the non-restated comparative information. We will retain those elements in the IFRS Accounting Taxonomy.
 - a) We considered adding a standard suffix to the element labels, such as ‘for non-restated comparative information only’ but rejected that because that would make the label name longer. Furthermore, standard suffix was considered unnecessary if a guidance label is being added. (See paragraph 11(b) of the PTU)
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Earnings per share



Reconciliation of earnings per share denominator

Proposal

Add new line items for the reconciliation of the denominator (*weighted average number of ordinary shares*) used in calculating earnings per share (proposed new elements highlighted in green).

Element label	ET	ER	Reference	Calculation relationship
Weighted average number of ordinary shares used in calculating basic earnings per share	S	D	IAS 33.70(b)	A
Dilutive effect of convertible instruments on <u>weighted average</u> number of ordinary shares	S	CP	IAS 33.70(b)	B
Dilutive effect of share options on <u>weighted average</u> number of ordinary shares	S	CP	IAS 33.70(b)	C
Dilutive effect of contingently issuable shares on weighted average number of ordinary shares	S	E	IAS 33.70(b)	D
Dilutive effect of restricted share units on weighted average number of ordinary shares	S	CP	IAS 33.70(b)	E
Dilutive effect of warrants on weighted average number of ordinary shares	S	CP	IAS 33.70(b)	F
Dilutive effect of other instruments on weighted average number of ordinary shares	S	CP	IAS 33.70(b)	G
Dilutive effect of all instruments on weighted average number of ordinary shares	S	D	IAS 33.70(b)	H = B + C + D + E + F + G
Weighted average number of ordinary shares used in calculating diluted earnings per share	S	D	IAS 33.70(b)	I = A + H

Reconciliation of earnings per share denominator

Feedback

Agreement but consider:

- a) Tags for common instrument classes may also be needed for the reconciliation of the numerators (IAS 33.70(a)). In the Illustrative Example 12 to IAS 33, there are different classes of the instruments mentioned in the reconciliation of the numerators for which no tags are present in the Taxonomy.

Response

We reviewed the common practice for Earnings per share disclosures in the year 2020 and made the necessary changes in the reconciliation of the numerators then. At that time, we did not observe such elements as commonly reported practice in the reconciliation of the numerators.

New table for antidilutive instruments

Proposal

Add a new table with two new line items for the disclosure of the instruments that are antidilutive for the period presented (proposed new elements highlighted in green).

Line items

Element label	ET	ER	Reference
Number of potential ordinary shares that are antidilutive in the period presented	S	CP	IAS 33.70(c)
Number of instruments that are antidilutive in the period presented	DEC	D	IAS 33.70(c)

Axis and members

Element label	ER	Reference
Types of antidilutive instruments (A)	D	IAS 33.70(c)
Types of antidilutive instruments (DM)	D	IAS 33.70(c)
Antidilutive instruments (M)	D	IAS 33.70(c)
Convertible instruments (M)	CP	IAS 33.70(c)
Share options (M)	CP	IAS 33.70(c)
Contingently issuable shares (M)	E	IAS 33.70(c)
Restricted share units (M)	CP	IAS 33.70(c)
Warrants (M)	CP	IAS 33.70(c)

Reconciliation of earnings per share denominator

Feedback

Agreement but consider:

- a) that an 'other instruments' member could be added to the table for disclosures relating to antidilutive instruments, mirroring the tag created for the reconciliation of the denominators.

Response

We agree with the suggestion to include 'Other antidilutive instruments' member to the table, which would be consistent with practice elsewhere in the taxonomy.

Other comprehensive income



Other comprehensive income

Proposals

- Deprecate 3 elements and replace those with 6 new elements to enable the separate tagging of the items that will (and will not) be reclassified subsequently to profit or loss (proposed new elements highlighted in green).

Element label	ET	ER	Reference
Other individually immaterial components of other comprehensive income, net of tax	M	CP	IAS 1.85
Other individually immaterial components of other comprehensive income, before tax	M	CP	IAS 1.85
Income tax relating to other individually immaterial components of other comprehensive income	M	CP	IAS 1.85
Other individually immaterial components of other comprehensive income that will not be reclassified to profit or loss, net of tax	M	CP	IAS 1.85
Other individually immaterial components of other comprehensive income that will be reclassified to profit or loss, net of tax	M	CP	IAS 1.85
Other individually immaterial components of other comprehensive income that will not be reclassified to profit or loss, before tax	M	CP	IAS 1.85
Other individually immaterial components of other comprehensive income that will be reclassified to profit or loss, before tax	M	CP	IAS 1.85
Income tax relating to other individually immaterial components of other comprehensive income that will not be reclassified to profit or loss	M	CP	IAS 1.85
Income tax relating to other individually immaterial components of other comprehensive income that will be reclassified to profit or loss	M	CP	IAS 1.85

Feedback and Staff response

Feedback

- Standard labels of the proposed elements could be shortened by deleting the words ‘individually immaterial’ to help with readability. The IFRS Accounting Taxonomy contains other tags for aggregations of individually immaterial items such as ‘Other expenses’ and ‘Other non-current financial assets’ with similar, shorter labels. Longer description can be included in the documentation label.

Response

We agree that shorter labels help with readability. Therefore, we agree to delete the words ‘individually immaterial’ from the standard labels of these 6 proposed elements.

Right-of-use assets



Right-of-use assets

Proposals

- Deprecate the duplicative element ‘Right-of-use assets that do not meet definition of investment property’ and combine its reference and documentation label onto the element ‘Right-of-use assets’; and
- create a common practice element for property, plant and equipment including right-of-use assets.

Element label	ET	ER	Reference
Assets [abstract]			
Non-current assets [abstract]			
Property, plant and equipment including right-of-use assets	M	CP	IAS 1.54(a), IAS 16.73(e), IFRS 16.47(a)
Property, plant and equipment	M	D	IAS 1.54(a), IAS 16.73(e)
Right-of-use assets	M	D	IFRS 16.53(j), IFRS 16.47(a)
Investment property	M	D	IAS 1.54(b), IAS 40.76, IAS 40.79(d)

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. <u>Note that right-of-use assets are not included.</u> [Contrast: Property, plant and equipment and right-of-use assets]
Property, plant and equipment including right-of-use assets	The amount of property, plant and equipment including right-of-use assets whose underlying assets would be presented as property, plant and equipment if they were owned. [Refer: Property, plant and equipment; Right-of-use assets]

Feedback and Staff response

Feedback

- The new tag should also be given a ‘Disclosure’ reference, as both presentation methods are permitted by IFRS 16. Having one element with a ‘Disclosure’ reference and the other with a ‘Common Practice’ reference might imply that the Standard requires one approach over the other;
- Add ‘that do not meet the definition of an investment property’ to the standard label of the element ‘Right-of-use assets’ in addition to the proposed addition of this text to the documentation label.

Response

- We agree that the IFRS 16 *Leases* permit both the presentation methods. Both presentation methods also apply to intangible assets. We did not observe the reporting of Intangible assets including the ROU assets as a commonly reported practice in our sample of financial statements. So, having an element for ‘Intangible assets including the ROU assets’ would be unnecessary. Therefore, the new element ‘Property, plant and equipment including right-of-use assets’ was proposed as a common practice element.
- We have noticed that almost all the entities have reported the Right of use assets as ‘Right-of-use assets’ only. They have not used the label ‘Right-of-use assets that do not meet the definition of an investment property’ in their financial statements. So, having the consistent labels will be helpful for the preparers to identify correct elements for tagging.

Text block elements with
excessively ‘broad’ labels



Text block elements with excessively ‘broad’ labels

Proposals

- replace a text block element used as parent of two groupings in the taxonomy with two abstract elements; and
- clarify labels of other text block elements to indicate more clearly that they should be used to tag the disclosure of the specific relevant information required under a particular Standard (typically disclosed in a single note), rather than a big chunk of (or all) the financial statements.

Element label	ET	ER	Reference
Disclosure of notes and other explanatory information [text block]	TB	D	IAS 1.10(e)
Notes and other explanatory information [abstract]			
Disclosure of accounting judgements and estimates [text block]	TB	CP	IAS 1.10(e)
Disclosure of accrued expenses and other liabilities [text block]	TB	CP	IAS 1.10(e)
...			

Element label	ET	ER	Reference
Disclosure of notes and other explanatory information [text block]	TB	D	IAS 1.10(e)
Disclosure of corporate information and statement of IFRS compliance [abstract]			
Name of reporting entity or other means of identification	T	D	IAS 1.51(a)
Domicile of entity	T	D	IAS 1.138(a)
...			

Element label	Documentation label	Reference
Disclosure of <u>information about</u> interim financial reporting [text block]	The entire disclosure for <u>of information about</u> interim financial reporting.	IAS 34 'Content of an interim financial report'
Disclosure of <u>information about</u> hyperinflationary reporting [text block]	The entire disclosure for <u>of information about</u> financial reporting in hyperinflationary economies.	IAS 29 'Disclosures'
Disclosure of <u>information about</u> separate financial statements [text block]	The entire disclosure for <u>of information about</u> separate financial statements.	IAS 27 'Disclosure', IFRS 12 'Objective'

Feedback and Staff response

Feedback

- monitor the implementation of the Text Block elements for the European Single Electronic Format (ESEF) Regulatory Technical Standard during 2023;
- review the list of text block tags in presentation group [800500] to ensure their scope is clear and identify the hierarchical relationships between the text block tags;
- specify in the Regulators' Guide an approach for regulators to implement text block tagging in a way that is expected to result in useful tagged information.

Response

We are aware that there are some organisations which are reviewing the ESEF filings. We will continue to work with them to see if there is any need for improvement or guidance relating to the text block tagging.

Other feedback received



Suggestions for improvement

- Continue to dedicate resources to common practice analysis and engage with regulators and others to identify improvements to the taxonomy based on its use. In particular, data tagged applying the European Single Electronic Format should be analysed to inform further improvements to the taxonomy.
- Recommendation to investigate common practice in the following areas:
 - a) The presentation of liabilities and cash flows related to deferred and contingent consideration; and
 - b) The presentation of changes in equity relating to the settlement of share-based payments.

Response

We agree that common practice analysis is helpful for preparers and regulators. We are currently undertaking a review of common reporting practice relating to financial instruments. Refer Agenda Paper 6 for our initial findings for the same.

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