Meeting note—IFRS® Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) met in the IFRS Foundation's London office on 5 July 2023 (the majority of members attended remotely). This note, prepared by the Foundation staff, summarises the discussions. Related papers and recordings of the meeting are available on the meeting page.

The ITCG members discussed:

- IFRS Accounting Taxonomy—primary financial statements project update and digital representation of management performance measures (paragraphs 1–6);
- IFRS Sustainability Disclosure Taxonomy—general update (paragraphs 7–9);
- IFRS Accounting Taxonomy—general improvements, common practice and technology update (paragraphs 10–27).

IFRS Accounting Taxonomy—Primary Financial Statements project update and digital representation of management performance measures (MPMs)

1 The IASB is finalising its redeliberation on the proposals in the Exposure Draft *General Presentation and Disclosures* (Primary Financial Statements (PFS) Project), which will replace IAS 1 *Presentation of Financial Statements*. At this meeting, ITCG members continued the discussion on the digital representation of the PFS proposals focusing on the proposal for disclosures about MPMs.

2 The staff proposed a modelling approach where the basic form of the reconciliation between an MPM and IFRS specified subtotal as well as related tax and non-controlling interest information, would be modelled as line items, and information about specific reconciling items and attribution of reconciling items to line items presented in the statement of profit or loss, would be modelled as dimensions.

3 One member agreed with this modelling approach and, in particular, with creating member elements with the same labels as line items in the statement of profit or loss (for example, having a 'revenue' member that corresponds to the 'revenue' line item). They also said it would be important that preparers use such member elements correctly.

4 One member suggested an alternative approach that would use the line item instead of a dimension to convey the attribution of reconciling items to line items in the statement of financial performance, and use dimensions to represent MPMs and reconciling line items as well as information about tax and non-controlling interest. In their view, the suggested approach would be simpler because:

a. it uses one fewer dimension and therefore would make data consumption easier; and

b. the line items used could be more easily linked to (indeed, would be the same as) the primary items in the statement of financial performance.

5 A few members suggested that staff should test both the approach suggested by staff and the alternative approach suggested by the ITCG member with key stakeholders (such as users, regulators, and vendors) before issuing the Proposed IFRS Accounting Taxonomy Update. Specifically, engaging with stakeholders would be important because:

a. the ease of use and consumption of extension elements by users via data providers varies;

b. some regulators would currently not use dimensions in the same way as suggested by staff (or prohibit the use of extensions) and it would be important to understand regulators' position on this; and

c. some regulators have similar requirements for non-GAAP measures.

6 Some members also suggested to assess whether typed dimensions could be used (instead of explicit dimensions) to avoid the need for the creation of extensions.

IFRS Sustainability Disclosure Taxonomy—general update

7 IFRS Foundation technical staff provided an update on the timeline of the IFRS Sustainability Disclosure Taxonomy and the ISSB's upcoming public consultation on the Proposed IFRS Sustainability Disclosure Taxonomy. Staff also provided ITCG members with a preview of the key aspects of the ISSB's proposal.

8 Some members highlighted the importance of interoperability for the IFRS Sustainability Disclosure Taxonomy and encouraged technical staff to engage with other standard-setters, including EFRAG. The Co-Chair of the ITCG emphasised the importance of recognising that interoperability between taxonomies relies in the first instance on interoperability of the underlying standards.

9 One member suggested testing the Proposed IFRS Sustainability Disclosure Taxonomy based on reports produced by preparers who are in the process of implementing the IFRS Sustainability Disclosure Standards.

IFRS Accounting Taxonomy—general improvements, common practice and technology update

General improvements

10 The purpose of the session was to discuss the staff proposals on:

a. introduction of categorical elements in the IFRS Accounting Taxonomy;

b. new elements for reconciliation of property, plant and equipment when it includes right-of-use assets; and

c. new element for fair value of investment property when the investment property is measured using the cost model.

Introduction of categorical elements

11 Most of the members agreed with the staff proposal to introduce categorical elements (Boolean elements and extensible enumerations) in the IFRS Accounting Taxonomy, in addition to the existing narrative elements. A few members said that structured categorical data is very helpful to make quantitative analysis and were of the view that the staff proposal will help end-users to work with data and to do further downstream analysis with the related narrative information.

12 A few members said that regulators have a key role in the effective use of categorical elements in the Taxonomy. If the categorical elements are not mandatory, entities may not use them, and the resulting data will be much less reliable. One member shared the experience of Japan FSA's EDINET taxonomy where they use Boolean elements. This member said that there are some Boolean elements which are mandatory in their reporting system and the categorical data captured through the mandatory Boolean elements was useful.

13 One member noted that the ISSB is also planning to include categorical elements in the IFRS Sustainability Disclosure Taxonomy. In their view, having similar modelling in both the Accounting and Sustainability taxonomies will reduce reporting burden and enhance data usage.

14 One member also advised staff to explore the possibility of improving data quality through associating categorical elements with other taxonomy elements. For instance, if the response to a specific categorical element were 'true', then appropriate validation could suggest to preparers to see if they also need to use the related elements in their tagged financial statements. In the member's view, this would be useful from data quality perspective and could help effective data consumption.

15 The staff also discussed an additional topic about categorical elements representing fundamental information that is obvious, but implicit, in a human-readable report, but which are either not available or complex to derive in data. Since these are not facts that are required to be disclosed explicitly, members have different views:

a. One member advised not to overuse them;

b. One member said that with the help of machine learning, the implicit information could be derived as long as the information is captured in the textblock element, and so specific elements were not needed; and

c. One member suggested that guidance would be needed about the use of these elements.

Reconciliation of Property, plant and equipment when it includes Right-of-use assets

16 The staff discussed two options for creating elements for tagging of the reconciliation of Property, plant and equipment when it includes right-of-use assets and proposed Option 1 to create separate tables for reconciliation of 'Right-of-use assets' and 'Property, plant and equipment including right-of-use assets'.

17 A few members commented and expressed their support for Option 1 as proposed by the staff. One member agreed that there is a variety in the disclosure patterns of reconciliations and the proposed Option 1 would be useful. Another member noted that Option 2 'Using the same table of reconciliation of Property, plant and equipment' would impact almost all the entities even if they do not combine 'Right-of-use assets' in the 'Property, plant and equipment' line item.

Element for fair value of investment property

18 No member disagreed with the staff proposal to create a new element for the disclosure requirement of fair value of the investment property when an entity applied the cost model.

Financial instruments common practice review

19 The staff provided an update on the common practice review of financial instruments. The staff recommended to proceed with the review of the primary financial statements first and to include an analysis of the statement of cash flows. The staff also discussed the possible modelling approach for the primary financial statements and recommended using a line-item modelling approach combined with requesting preparers provide concept-dimensional-equivalent links (as proposed by FASB in [ITC - Proposed Meta Model Relationships](https://fasb.org/document/blob?fileName=XBRL%20-%20ITC%20-%20Proposed%20Meta%20Model%20Relationships.pdf)) to explain extensions not covered by common practice elements.[1]

[1] See https://fasb.org/document/blob?fileName=XBRL%20-%20ITC%20-%20Proposed%20Meta%20Model%20Relationships.pdf

20 The staff asked ITCG members for feedback on the scope of the common practice review, the inclusion of the statement of cash flows and the possible modelling approach for the primary financial statements.

21 In response to the first question on the scope of the common practice review:

a. One member agreed with the scope of the review, and raised the point that several typical companies using IFRS may have operations that relate to the provision of financing, while not specifically considered a bank (for example—automotive companies that provide financing), and encouraged staff to take into consideration the potential difference in presentation of financial instruments between financial and non-financial institutions.

b. One member commented that Korean financial institutions are now tagging note disclosures, that extensions in the note disclosures were an area of concern and that this data set would be useful to consider in the future analysis of note disclosures.

22 In response to the second question on the inclusion of the statement of cash flows in the common practice review:

a. One member commented that cash flows from investing and financing activities may be more useful to investors than cash flows from operating activities and therefore it is better to focus on investing and financing activities.

b. One member suggested that staff review the work of XBRL Italy in respect of the analysis of the statement of cash flows, if they had not done so already.

23 In response to the third question on the possible modelling approach:

a. One member commented that the staff should take care when creating common practice elements relating to where the cash flow may be categorised in the statement of cash flows because financial and non-financial institutions may present the same cash flow in different sections of the statement of cash flows.

b. Specifically in response to the use of the concept-dimensional-equivalent link to explain extensions, one member commented that the intention of this link, as proposed by FASB, was not to explain extension elements in terms of base taxonomy elements but rather to explain the equivalent of a base taxonomy concept to a dimensional equivalent (a combination of another base taxonomy concept and a base taxonomy axis and member) and commented that this proposed use may be confusing for preparers and users.

Technology update

24 IFRS technical staff shared some technological and general updates that are intended to be incorporated in the IFRS Accounting Taxonomy 2024 including adopting Calculations 1.1, a proposal to change, clarify and regularise the naming of default members, and improvements in the labelling of the members of the ‘Continuing and discontinued operations’ axis.

25 The staff thanked those members of the ITCG who had provided early feedback, in response to which the proposals, and hence the presented slides, had been improved and revised.

26 Two options were considered regarding default members: either replacing current default members with members named after the axis with the suffix ‘Domain’, which would follow existing practice in other taxonomies, or (more extremely) replacing all default members with one single element (labelled simply ‘Default [member]’).

27 Members raised no objections to the (revised) proposed technical changes, and raised no further technical topics that should be considered for the 2024 Accounting Taxonomy.