Meeting note—IFRS® Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) held a meeting by video conference call on 2 June 2020. This note has been prepared by the staff and summarises the discussions. Related papers and recordings of the meeting are available on the meeting page.

The ITCG members discussed:

- a review of common reporting practice related to primary financial statements (paragraphs 1–45);
- a review of common reporting practice related to IAS 19 *Employee Benefits* (paragraphs 46–59); and
- forthcoming IFRS Taxonomy consultation documents (paragraphs 60–61).

Review of common reporting practice related to primary financial statements

1 The purpose of this session was to discuss the review of common reporting practice related to primary financial statements. The topics for this session were:

- a cover paper containing general findings and minor changes to reflect common reporting practice and address tagging errors (paragraphs 2–9);
- stakeholder feedback (paragraphs 10–21);
- earnings per share (paragraphs 22–33); and
- statement(s) of financial performance (paragraphs 34–45).

Cover paper

2 Most ITCG members agreed with the general findings and the proposed changes to reflect common reporting practice and address tagging errors. No ITCG members expressed disagreement with the proposals.

3 One ITCG member asked whether two proposed elements in the statement of cash flows—‘adjustment for decrease (increase) in contract assets’ and ‘adjustment for increase (decrease) contract liabilities’—replaced any existing elements such as ‘accrued income’ and ‘deferred income’. The staff said they would research this issue.

4 The staff proposed changing the documentation labels for the ‘provisions’ elements to clarify that they should be used to tag provisions including provisions for employee benefits. One ITCG member said that such an approach may not be intuitive to stakeholders. In this members’ view, stakeholders may assume that the ‘provisions’ elements only relate to provisions in the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and not to provisions covered by another standard, for example IAS 19 *Employee Benefits*. The staff replied that the proposed approach is in line with the requirements of IAS 1 *Presentation of Financial Statements* and that the documentation label changes should make the meaning of the elements clearer.

5 One ITCG member agreed with the research findings but asked whether the 2018 data used for common reporting practice analysis could be outdated. The member suggested that 2019 data would provide better information about common reporting practice and tagging errors because foreign private issuers (FPIs) were more familiar with the IFRS Taxonomy in 2019 than they were when they prepared their 2018 filings.

6 One ITCG member said that their research findings on extension line items by industry group were similar to those of the staff. The member asked whether staff were planning to analyse the extensions in other industries such as extractive activities and manufacturing because of their high extension rates. The member also said he expected the higher number of extensions would generate more common reporting practice elements. The staff replied that typically most extensions were subtotals or an aggregation or disaggregation of existing IFRS Taxonomy elements, which could be anchored to existing elements in the IFRS Taxonomy, and each of which would not be commonly enough used to meet the threshold for common reporting practice. Therefore, high extension rates in a particular industry group may not always indicate large numbers of potential common reporting practice elements.

7 One ITCG member suggested that the staff may find more extensions in the notes than in the primary financial statements. The staff agreed and added that their common reporting practice analysis on IAS 19 *Employee Benefits* and earnings per share showed a high number of extensions in the notes.

8 One ITCG member asked whether the staff plans to share its research with preparers to allow them to better apply the IFRS Taxonomy. The staff replied that they do not communicate with preparers directly; however, the outcome of this research is made publicly available through the Proposed IFRS Taxonomy Update (PTU).

9 One ITCG member recommended that the staff report the number of extensions categorised as (a) unnecessary extensions for which an IFRS Taxonomy element exists, (b) potential common practice and (c) truly entity-specific extensions. The member said that making such distinctions can encourage preparers and vendors to reduce incorrect tagging and extension usage where an IFRS Taxonomy element already exists. The staff said they will consider the member's recommendation in a future common reporting practice research.

Stakeholder feedback

Statement of financial position—'profit (or loss) for the period'

10 Most ITCG members agreed with the staff proposal to add four new elements and a new calculation between the proposed line items and the existing line item 'Retained earnings'. No ITCG members expressed disagreement with the proposal.

11 One ITCG member queried whether the term 'profit (loss)' could be removed from the proposed new elements because some items from other comprehensive income are also included in retained earnings. Therefore, keeping the term 'profit (loss)' in the label name could create confusion. The staff said they would analyse this issue further. The staff added that they suspect companies commonly report amounts that only relate to profit or loss and not to other comprehensive income.

Statement of changes in equity—equity opening balance adjustments as at date of initial application of new or amended IFRS standards

12 Most ITCG members agreed with the staff proposal to add a new axis for the adjustments arising under the 'cumulative effect' transition approach. No ITCG members expressed disagreement with the proposal.

13 One ITCG member suggested assigning a 'disclosure' reference to the axis, referring to the IAS 1 requirement to provide a reconciliation of components of equity. The staff replied that the IAS 1 requirement does not explicitly refer to adjustments for the cumulative effect of the initial application of new or amended IFRS Standards. As a result, the staff is proposing to assign a 'common practice' reference to the axis, rather than a 'disclosure' reference.

14 Two ITCG members noted that an existing formula does not work well with the proposed model. The staff said that they are planning to discuss proposals for any formula that is not working well with the proposed model at a future ITCG meeting.

Statement of changes in equity—members to identify specific IFRS Standards

15 Most ITCG members agreed with the staff proposals to create new common reporting practice elements to tag the effect of new IFRS Standards and major IFRS amendments on the statement of changes in equity. No ITCG members expressed disagreement with the proposals.

16 The staff explained that the proposed approach to create member elements for new IFRS Standards and major amendments would apply prospectively, that is, only for those new or amended IFRS Standards that are effective on or after 1 January 2020. One ITCG member recommended creating an exception to the proposed approach by creating a member element for IAS 29 *Financial Reporting in Hyperinflationary Economies*. The member reasoned companies in hyperinflationary economies show the effect of initial application of IAS 29 in the statement of changes in equity. The staff replied that only a few companies reported IAS 29 adjustments. However, the staff said they would consider this member's recommendation.

17 One ITCG member asked whether the staff proposal to add new members to identify specific IFRS Standards is similar to the approach used in the US GAAP Taxonomy. The staff replied that applying their proposal, new members would only be added to the statement of changes in equity for new IFRS Standards and major IFRS amendments, whereas the US GAAP Taxonomy has member elements for all their accounting standards and accounting standards updates.

18 One ITCG member said that creating new members under the proposed axes to identify specific IFRS Standards can lead to diversity in practice. The member reasoned that some companies may still use the broader level element 'Increase (decrease) due to changes in accounting policy required by IFRSs' instead of the proposed member elements to tag the adjustments.

19 One ITCG member commented on a difference between the US GAAP Taxonomy and the staff proposal. The US GAAP Taxonomy has a separate axis for new accounting standards and updates, whereas the staff proposal creates member elements under the existing axis for the retrospective approach and the proposed axis for the cumulative effect approach. The member added that this separate axis in the US GAAP Taxonomy could avoid the issue of diversity in practice referred to in paragraph 18.

20 One ITCG member asked how the staff will decide whether an amendment to an IFRS Standard is a major or a minor amendment. The staff replied that the scope of an amendment is clear early in the standard-setting process. Further, the staff would also consult the IFRS Taxonomy Review Panel on the scope of the amendments.

21 One ITCG member asked how to tag comparatives which are reported in accordance with the predecessor IFRS Standard, for example IAS 39 *Financial Instruments: Recognition and Measurement* rather than IFRS 9 *Financial Instruments*. The staff replied that they are currently working on this issue and they plan to present their analysis at a future ITCG meeting.

Earnings per share

Presentation of a single line item

22 Most ITCG members agreed with the staff proposal to use double tagging when a company presents a single line item when basic and diluted earnings per share are the same.

23 One ITCG member expressed concerns about whether preparers would apply double tagging. This member noted the staff proposal to add a new guidance label explaining that double tagging is required, but questioned whether the staff had any evidence to what extent companies consider these labels. The member also added that not all tagging software may support double tagging. The staff responded that:

a. guidance labels have only been recently added in the IFRS Taxonomy; therefore, the staff does not have evidence on how much they are used in practice. However, many preparers and vendors are aware of the '*Using the IFRS Taxonomy—A preparer's guide*' which explains that a preparer needs to consider the IFRS Taxonomy to understand the accounting meaning of an element.

b. the Foundation's common reporting practice guidance for IFRS 13 *Fair Value Measurement* recommended double tagging, and stakeholders have not raised concerns. The staff said that double tagging is not only useful to companies for reporting EPS, but also for many other disclosure requirements such as the average number of shares used for calculating basic and diluted earnings per share and the new proposed subtotals in the Board's Primary Financial Statements project. The staff added that it would be difficult for the IFRS Taxonomy to include line items for all presentation scenarios and doing so would make the taxonomy more complex to use.

c. they will insert a question within the Proposed IFRS Taxonomy Update asking for feedback on any potential software problems that may exist.

24 One ITCG member asked whether double tagging could be an issue for inline XBRL. The staff responded it was not aware of any issue, but would follow up with the member and, if required, bring the topic back at a future ITCG meeting.

Different types of profit-participating equity instruments—different classes of ordinary shares

25 ITCG members agreed with the staff proposals to amend the existing 'Earnings per share' table and place this amended table in the 'Notes—Earnings per share' presentation group only. No ITCG members expressed disagreement with the proposal.

Different types of profit-participating equity instruments—profit-participating equity instruments other than ordinary shares

26 ITCG members agreed with the staff proposal to add new common reporting practice line items for disclosures relating to earnings per share for 'profit-participating equity instruments other than ordinary shares'. No ITCG members expressed disagreement with the proposal.

27 One ITCG member suggested that tagged disclosure examples should be provided to help stakeholders understand how the proposed elements should be used. The member added that this suggestion could be applied to other complex staff proposals. The staff agreed and said that they will consider using examples in the PTU.

Reconciliation of numerators—numerators used in calculating basic and diluted earnings per share

28 One ITCG member asked whether any extension line items created could be anchored to any of the newly proposed line items. The staff affirmed that such anchoring is indeed possible and the anchor used should be the IFRS Taxonomy element that is closest in accounting meaning to the extension line item.

29 One ITCG member remarked that two approaches are possible for creating extensions. Instead of using an extension line item, a company could also use an extension axis and extension members. The staff stated that the approach being used will depend on regulatory filing requirements. The staff added that, in their view, both approaches are acceptable because they both link the extensions to the proposed new line items.

Depositary receipts

30 Most ITCG members agreed with the staff proposal to add a new table and new common reporting practice elements for the disclosures relating to depository receipts. No ITCG members expressed disagreement with the proposal.

General comments

31 One ITCG member asked how the anchoring mechanism is considered in developing the IFRS Taxonomy. The staff replied that, in deciding whether to add new common reporting practice, they consider whether observed extensions can be meaningfully anchored. Where extensions are anchored to inappropriate elements, anchoring could be potentially misleading, reducing the relevance of tagged data. Relevance is one criterion for selecting new common reporting practice elements. Additionally, elements that cannot currently be appropriately anchored, or that would provide more appropriate anchoring points for other extensions may be considered for that reason.

32 An ITCG member questioned the usefulness of anchoring. In this member's opinion, improvements in tagged data will result from better accounting definitions of IFRS Taxonomy elements rather than through anchoring. The staff commented that anchoring is required because the IFRS Taxonomy cannot reflect all entity-specific disclosures. Additionally, anchoring provides a user with a broad understanding of the accounting meaning of an element. An ITCG member expressed agreement with the staff's view.

33 An ITCG member suggested the staff to have a separate discussion on anchoring, in particular, as it relates to the anchoring of extensions that combine two or more IFRS Taxonomy elements. One ITCG member agreed that such a discussion could be useful, but suggested the group hold this discussion when examples from preparers' ESEF reports are available.

Statement(s) of financial performance

Profit or loss—employee benefits expense and share-based payments expense

34 Most ITCG members agreed with the staff proposal to amend the presentation and calculation relationships of the 'Employee benefits expense' element to include share-based payment expenses and add an implementation note to clarify when the element should be used. No ITCG members expressed disagreement with the proposal.

35 One ITCG member said that some companies may currently use the 'Employee benefits expense' element incorrectly because they assume the scope of the element corresponds to the scope of IAS 19 *Employee Benefits,* which excludes share-based payments. The staff acknowledged some companies might be confused because the definition of 'employee benefits' is broader than the scope of IAS 19. However, the proposed changes would make it clearer that employee benefits expenses include share-based payment expenses.

Profit or loss—share-based payment expense

36 Most ITCG members agreed with the staff proposal to simplify the standard labels for elements relating to share-based payment expenses and to clarify the relationships between the elements, including by adding a new common reporting practice element for 'Expense from share-based payment transactions with parties other than employees'. No ITCG members expressed disagreement with the proposal.

37 One ITCG member strongly supported the proposal because it introduces a hierarchy within the set of elements related to share-based payment expenses, which clarifies the meaning of the elements.

38 One ITCG member asked the staff whether it found any evidence that lengthy standard labels caused tagging errors. The staff acknowledged they do not have any direct evidence from preparers but plan to seek feedback on this point in the PTU.

Profit or loss—unwinding of a discount

39 Most ITCG members agreed with the staff's proposed approach (Approach A) to amend the element labels and retain the existing element. No ITCG members expressed disagreement with the proposal.

40 Two ITCG members said they supported the staff's proposed approach because, in their view, the proposed label changes clarified the meaning of the element but did not change its meaning. They argued that deprecating the element and creating a new element (Approach B) would not be appropriate.

41 In response to a question from an ITCG member, the staff clarified that companies that currently use the element to tag the unwinding of a discount on provisions:

a. *excluding* provisions for employee benefits could continue to use the element with the new labels.

b. *including* provisions for employee benefits would need to stop using the element and create an extension instead. The staff said that in their sample, they did not identify such practice, but it is possible such practice exists among companies applying IFRS Standards. The staff said they had yet to consider how such extensions would be anchored.

42 The ITCG member also asked whether 'other provisions' in the standard label means 'provisions other than provisions for employee benefits'. The member suggested that 'other provisions' could be misunderstood to mean 'miscellaneous provisions'. The staff confirmed that, throughout the IFRS Taxonomy, 'other provisions' is used with the meaning of total provisions excluding provisions for employee benefits. This approach reflects a requirement in IAS 1. However, the staff acknowledged that this approach may not be intuitive to all stakeholders. Therefore, the staff proposes to include the full description in the documentation label to clarify the meaning of the element. The staff proposes to use the shorter term 'other provisions' in the standard label to keep the standard label concise.

Other comprehensive income—currency translation gains or losses

43 Most ITCG members agreed with the staff proposals to add new line items for translation gains or losses other than translation of foreign operations and to change the labels of existing line items. No ITCG members expressed disagreement with the proposal.

Other comprehensive income—OCI before and after reclassification adjustments

44 Most ITCG members agreed with the staff proposal to add implementation notes specifying that when reclassification adjustments are zero and an entity reports a single amount (which is both before and after reclassification adjustments), it should double tag the amount using both the 'before' and 'after' elements. No ITCG members expressed disagreement with the proposal.

45 ITCG members agreed with the staff proposal to discuss a general policy for double tagging at a future TCG meeting.

Review of common reporting practice related to IAS 19 *Employee Benefits*

46 At the January 2020 ITCG meeting, members discussed some common reporting practice on disclosures about defined benefit plans. The purpose of this session was to discuss remaining common reporting practice research on employee benefit disclosures.

Proposed changes to the IFRS Taxonomy relating to defined benefits plans

Fair value of plan assets (follow up from previous ITCG meeting)

47 Most ITCG members agreed with the staff proposal to retain the IFRS Taxonomy line item modelling approach for the fair value of plan assets and to add a new class of plan asset for qualifying insurance policies. No ITCG members expressed disagreement with the proposal.

48 One ITCG member asked which approach should be used for tagging entity-specific items in the disaggregation of fair value of plan assets:

a. using an IFRS Taxonomy line item in combination with one or more axes; or

b. creating extension line items for those entity-specific assets and linking them to the closest asset class for which the IFRS Taxonomy has an element, using calculation or anchoring relationships, for example.

49 The staff said both options are reasonable because they provide sufficient context for understanding the disaggregation. Moreover, deciding between these two options is a matter of judgment, depending on whether an appropriate axis exists in the IFRS Taxonomy, whether appropriate members already exist, and the requirements and practices in the relevant reporting regime.

Maturity profile of the defined benefit obligation (follow up from previous ITCG meeting)

50 Most ITCG members agreed with the staff proposal to add elements to the 'Disclosure of defined benefit plans' table. No ITCG members expressed disagreement with the proposal.

51 One ITCG member agreed with the staff proposal but suggested that the maturity axis should include a reference to IAS 19.

52 One ITCG member said the US GAAP Taxonomy equivalent of this disclosure is more prescriptive and uses line items instead of axes. The member suggested the staff research how the US GAAP Taxonomy models this disclosure. In response to this comment, one ITCG member said that the US GAAP disclosure requirement is more rigidly defined, requiring expected future benefits payments to be disclosed for each of the next five years as well as an aggregate figure covering years five to ten. Therefore, this disclosure requirement is modelled using specific line items under the US GAAP Taxonomy.

Proposed changes to the IFRS Taxonomy relating to other plans

Separate heading for defined contribution plans

53 Most ITCG members agreed with the staff proposal to create a new text block element for defined contribution plans. No ITCG members expressed disagreement with the proposal.

Total post-employment benefit expense

54 Most ITCG members agreed with the staff proposal to add new elements relating to post-employment benefit expense. No ITCG members expressed disagreement with the proposal.

55 One ITCG member asked how many companies used the total post-employment benefit expense as an extension. The staff replied that it will follow up on the exact number, but added at least 10% of the research sample use it as an extension.

Other common reporting practices not resulting in proposed changes to the IFRS Taxonomy

56 Most ITCG members agreed with the staff proposal to make no changes to the IFRS taxonomy for other common reporting practices. No ITCG members expressed disagreement with the staff proposal.

57 One ITCG member asked whether the reason for not including expected future cash flows (contributions) as an element is because it is not an explicit disclosure requirement in IFRS Standards. The staff replied that they are not proposing to add such a common practice element now because it may become redundant when the Board completes its Targeted Standards-level Review of Disclosures (TSLR) project.

58 One ITCG member asked how the common reporting practice analysis informs the TSLR project and whether the staff have received any feedback from the Board on its usefulness. The staff said that previously, the Board proposed disclosure requirements before considering how they would work in an electronic format. However, at present, the Board considers the implications for electronic reporting earlier in its deliberations about Standards, providing an opportunity to incorporate electronic reporting implications into its proposals.

59 One ITCG member suggested that regulators and auditors encourage companies to provide information regarding their basis for recognising surpluses as assets in the statement of financial position and currently, there is no disclosure requirement to provide this information. The member suggested the staff consider this area for research.

Forthcoming IFRS Taxonomy documents for public consultation

60 One ITCG member said that regulators should endorse updates to the IFRS Taxonomy as soon as they become publicly available. Different ITCG members from regulatory bodies said that they start processes to endorse annual IFRS Taxonomy releases as soon as they become available. However, each jurisdiction has its own processes and bodies for endorsing an annual IFRS Taxonomy release.

61 One ITCG member asked whether staff plan to discuss technology changes to XBRL resulting from work of XBRL International. The staff replied that they plan to discuss this in detail during the July ITCG meeting.