
Digital financial reporting: IASB's role and research opportunities

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IASB's role in digital financial reporting

IASB Agenda consultation 2022

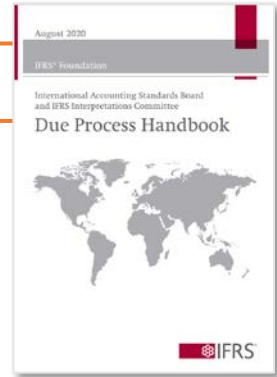
- Possible areas of action
 - Consider implications of increased consumption of digital data
 - Improve IFRS accounting taxonomy
 - Common practice
 - Errors and extensions
- Education materials
- Work with partners in ecosystem
- Work with ISSB
 - consistent approach in taxonomies
 - technological compatibility

• How are financial statements digitalised?

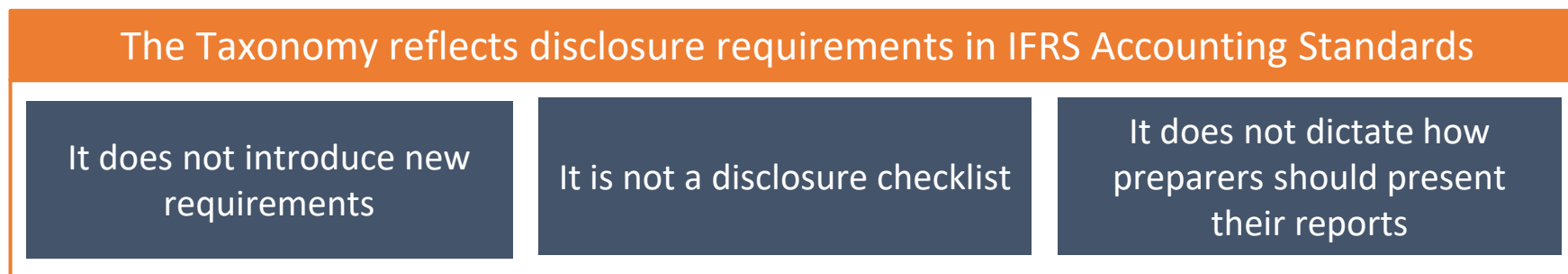
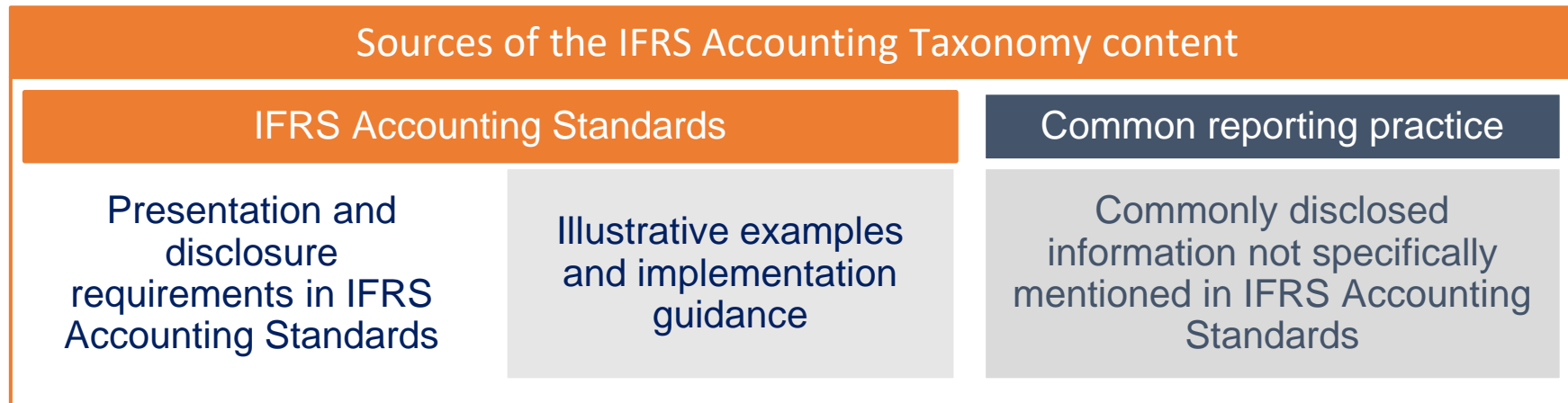


Who	Standard-setter		Companies		Investors
What	Standards	Digital taxonomy [#]	Financial reports	Use tagging software to tag disclosures in financial reports	Digital consumption
Why	Provides requirements for company disclosures in financial reports	Provides tags derived from the Standards to make disclosures machine-readable	Makes paper reports machine-readable		Digital comparison and analysis of financial reports for more efficient investment decision-making

[#] A classification system used to make financial reports machine-readable. Different from, for example, a green taxonomy used to classify environmentally sustainable economic activities

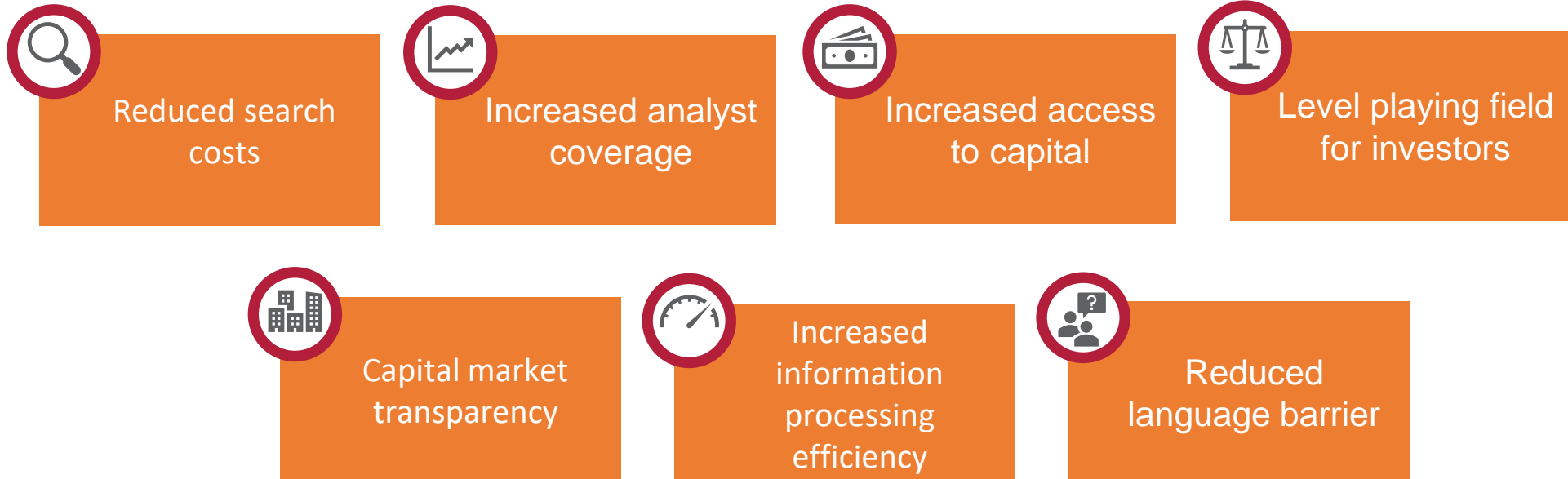


- The IFRS Accounting Taxonomy



• Benefits of digital financial reporting

- Provides opportunities to improve capital market efficiency and reduce firms' cost of capital



Over 90% of global market capitalisation now require some form of digital financial reporting (e.g. US, EU, UK, China, India, Japan)

- However, the current global approach to digital financial reporting is **fragmented** and, in our view, does not realise the full benefits

Opportunities to enhance financial reporting

- Digitalisation offers new opportunities to enhance financial reporting. Possible opportunities include:

The ability for investors to tailor the presentation of financial reports to meet their decision-making needs

Interactive financial reports that allow investors to toggle between different measurement bases

Enhanced ability to reflect relationships between items/disclosures

- Leveraging digital opportunities may require a 'pro-digital' standard-setting approach
- There is a wide spectrum of what a 'pro-digital' approach might entail. Some examples are:
 - Re-thinking the cost/benefit analysis of disclosure requirements
 - Reporting more granular information may no longer be as costly
 - Consuming larger quantities of data may be easier
 - Re-thinking the balance between comparability and entity-specific information
 - Thinking beyond the constraints of a static paper-based format
 - Location of where information is presented/disclosed may be less of an issue

- A pro-digital approach may involve challenges
 - Implications for materiality
 - Ensuring contextual information remains visible
 - Costs for preparers
 - Challenges for less sophisticated investors
 - May require changes to existing regulatory/legislative filing requirements

- Our vision: staff view

Vision

Decision-useful, high-quality, comparable and accessible global digital financial reports

How we get there (staff view)



Achieving this vision will require a coordinated effort by multiple players in the financial reporting ecosystem

¹ IFRS Standards refers to IFRS Accounting Standards and the forthcoming IFRS Sustainability Disclosure Standards

² IFRS digital taxonomies refers to the IFRS Accounting Taxonomy and forthcoming IFRS Sustainability Disclosure Taxonomy

Research opportunities

- Data sources
 - EDGAR IFRS FPI
 - ESMA mandate – ESAP repository
 - New aggregators
- Descriptive/technology
 - Extent of use, tagging practices
 - Interoperability
 - Taxonomy/AI
- Economic impact
 - Sources of benefits
 - Usefulness of information
- Reporting impact
 - Standard setting
 - Regulators, audit, enforcement
 - Connectivity - financial and other information

References

- EAA webinar on digital financial reporting
 - <https://www.ifrs.org/academics/#conferences-and-presentations>
 - https://www.youtube.com/watch?v=MsmAKi-a6_w
- IASB Third Agenda Consultation
 - <https://www.ifrs.org/projects/completed-projects/2022/2020-agenda-consultation/>
- IASB Taxonomy and supporting materials
 - <https://www.ifrs.org/issued-standards/ifrs-taxonomy/>
- XBRL International – tagged financial statements
 - <https://filings.xbrl.org/#>

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