
IFRS Taxonomy Consultative Group (ITCG) meeting

Date	2 July 2024
Project	IFRS [®] Accounting Taxonomy 2024— <i>IFRS 18</i> Presentation and Disclosure in Financial Statements
Topic	Fieldwork exercise
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Purpose of this meeting

- Provide an overview of:
 - requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*
 - proposed taxonomy modelling
- Provide an overview of the fieldwork exercise during the public consultation period
- Seek advice from ITCG members on the fieldwork exercise

IFRS 18 and proposed taxonomy modelling



IFRS 18 *Presentation and Disclosure in Financial Statements*

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss



New required subtotals in statement of profit or loss, including 'operating profit'



Disclosures about management-defined performance measures (MPMs)



Enhanced guidance on grouping of information (aggregation and disaggregation)

Better information for better decisions

– increases comparability, transparency and usefulness of information



Effective date: 1 January 2027

IFRS[®] Accounting Taxonomy 2024—Proposed Update 1 *IFRS 18*

A [consultation package](#), including a proposed update to the IFRS Accounting Taxonomy (PTU) reflecting the presentation and disclosure requirements in IFRS 18, was published for public comment on 23 May 2024.¹

The IASB is seeking feedback on the proposals in the PTU through comment letters, survey responses and/or the fieldwork exercise.

The deadline for submitting feedback is **3 September 2024**.

Likely effects of IFRS 18 on digital reporting

- ✓ Reduced diversity in reporting practices will in turn reduce diversity in tagged data
- ✓ MPMs more likely to be tagged consistently & extracted more easily
- ✓ New elements will reduce need for company-specific extensions
- ✓ Enhanced comparability across companies
- ✓ Defined subtotals consistently available for all companies

¹ IFRS[®] Accounting Taxonomy 2024—Proposed Update 1 *IFRS 18* consultation page can be accessed via the following link: <https://www.ifrs.org/projects/work-plan/ifrs-accounting-taxonomy-update-primary-financial-statements/ptu-and-comment-letters-ifrs18-pdfs/>

Categories and subtotals in the statement of profit or loss

IFRS 18 introduces:

- New defined categories (operating, investing and financing) to provide a **consistent structure of the statement of profit or loss**
- New **required subtotals** to enable analysis

Taxonomy proposal:

- **Line-item modelling**—where the category information is reflected in the element label (for example, **Revenue, operating**)
- **New elements** for the required subtotals. (for example, **Profit before financing and income taxes**)

Statement of profit or loss

Revenue

Cost of sales

Gross profit

Other operating income

Selling expense

Research and development expenses

General and administrative expenses

Goodwill impairment loss

Other operating expenses

Operating profit

Share of profit or loss of associates and joint ventures

Other investment income

Profit before financing and income taxes

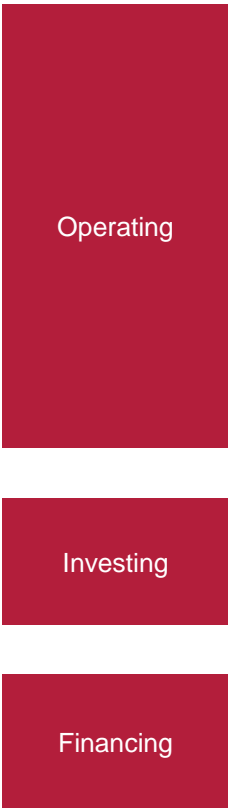
Interest expenses on borrowings and lease liabilities

Interest expenses on pension liabilities and provisions

Profit before income taxes

Income tax expense

PROFIT



Management-defined performance measures (MPMs)

IFRS 18 introduces:

- Requirements to disclose information relating to MPMs in a single note:
 - **reconciliation** of MPM to IFRS-defined subtotal or total
 - **link reconciling item** to line item in the statement of profit or loss
 - explanation of **why** MPM is reported, **how** MPM is calculated, and any **changes** to MPM

	IFRS	Impairment losses	Restructuring expenses	Gains on disposal of PP&E	MPM
Other operating income		-	-	(1,800)	
Research and development expenses		1,600	-	-	
General and administrative expenses		-	3,800	-	
Goodwill impairment loss		4,500	-	-	
Operating profit / Adjusted operating profit	57,000	6,100	3,800	(1,800)	65,100
Income tax expense		-	(589)	297	
Profit from continuing operations / Adjusted profit from continuing operations	32,100	6,100	3,211	(1,503)	39,908
Profit attributable to non-controlling interests		305	161	-	

Taxonomy proposal:

- **Text block element** to capture the whole MPM note, including quantitative and qualitative information and **table text block element** to capture the MPM reconciliation
- Dimensional modelling for the MPM reconciliation using:
 - two axes—‘MPM’ axis and ‘Reconciling items’ axis; and
 - line-item elements from the statement(s) of financial performance to reflect **IFRS-defined subtotals** and the **location for each reconciling item**.

Grouping of information – disclosure of specified expenses by nature

IFRS 18 requires the disclosure of:

- the amounts included in each line item in the operating category of the statement of profit or loss for specified nature expenses

Taxonomy proposal:

- Text block element** to capture all quantitative and qualitative information about specified expenses by nature
- Dimensional modelling** using:
 - one axis with member elements representing the specified expenses by nature; and
 - line-item elements from the operating category of the statement of profit or loss

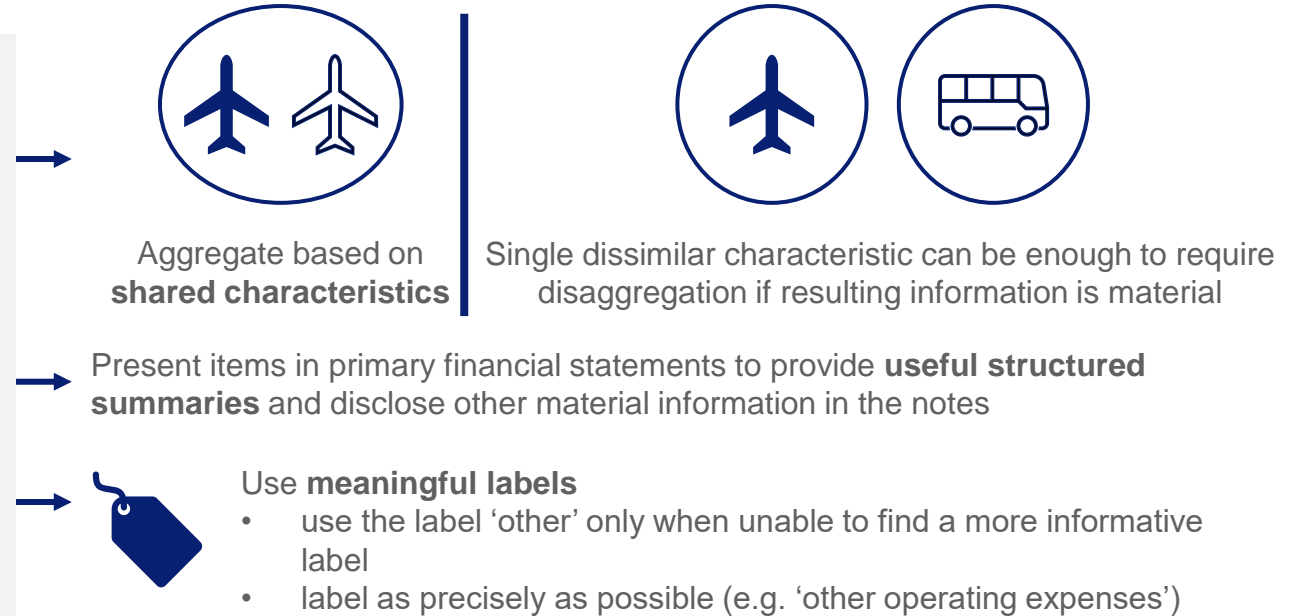
Specified expenses by nature note

(in currency units)	20X2	20X1
Cost of sales	23,710	21,990
Research and development expenses	2,515	2,590
General and administrative expenses	4,975	4,750
Total depreciation	31,200	29,330
Research and development expenses	13,840	12,690
Total amortisation	13,840	12,690
Cost of sales	61,640	57,175
Selling expenses	7,515	7,110
Research and development expenses	6,545	6,750
General and administrative expenses	8,920	5,825
Total employee benefits	84,620	76,860
Research and development expenses	1,600	1,500
Goodwill impairment loss	4,500	–
Total impairment loss	6,100	1,500
Cost of sales	2,775	2,625
Total write-down of inventories	2,775	2,625

Grouping of information – aggregation and disaggregation

IFRS 18 introduces:

- enhanced requirements for grouping of information, including requirements for presenting and disclosing operating expenses
- guidance on whether information should be in the primary financial statements or the notes
- disclosures about items labelled as ‘other’
- principles for linking information in the notes with related line items in primary financial statements.



Taxonomy implication:

- Preparers are encouraged to use the ‘fact-explanatoryFact’ footnoteArc mechanism to connect facts disclosed in the notes with facts presented on the primary financial statements.

Fieldwork exercise



Objective of fieldwork exercise

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- To assess the likely effects of the proposed modelling—specifically to identify:
 - any potential challenges in tagging of financial statements using the proposed modelling and whether more guidance is needed
 - whether information provided as a result of such tagging facilitates comparability and analysis of information
 - other practical effects of the proposals, such as implementation costs
- To supplement the information that we receive through comment letters

Target participants

- Preparers of digital financial statements
- Tagging agents
- Users of digital data (likely to focus on data aggregators)

Fieldwork exercise design

What is expected of participants during fieldwork exercise?

- Preparers/tagging agents to tag specific examples using proposed modelling → Preparers/tagging agents to work independently on tagging examples
- Users to evaluate whether tagged examples facilitate comparability and analysis of information → Users to share their experience in workshops/roundtables

What will be provided to participants?

- Participants to be provided with:
 - instructions and a questionnaire to accompany the exercise (see slide 15 on fieldwork instructions)
 - specific examples* to tag (companies can also additionally tag their own examples)
 - PTU document and Proposed IFRS 18 Taxonomy files

* Examples will be taken from the Illustrative Examples accompanying IFRS 18 and examples included in the IFRS[®] Accounting Taxonomy 2024—Proposed Update 1 *IFRS 18* Presentation and Disclosure in Financial Statements

Timing of fieldwork exercise and other information

Timing of fieldwork exercise

- Fieldwork exercise is taking place during public consultation period between late May to September 2024 (see slide 18 on timeline)

Other points to note

- Kick-off and debrief meetings held with participants at the beginning and end of the fieldwork exercise
- Results from the exercise will remain private and a summary of the results will be presented to the IASB at a public meeting in an anonymised form

Target of fieldwork participation

- For the fieldwork exercise, we would like to achieve:
 - a good balance between preparers, tagging agents and users of digital data
 - a good mix of participants from different regions/jurisdictions and industries

Focus areas for fieldwork exercise

Proposals

- Line-item modelling approach for the requirement in IFRS 18 to present **income and expenses in categories in the statement of profit or loss**—where the category of an item of income or expenses would be reflected in the element label
- Dimensional modelling approach for the requirement in IFRS 18 to disclose a reconciliation between a **management-defined performance measure (MPM)** and the most directly comparable subtotal or total defined by IFRS Accounting Standards
- Dimensional modelling approach for the requirement in IFRS 18 to disclose the amount of **specified expenses by nature** included in each line item in the operating category of the statement of profit or loss

Fieldwork exercise

- Tagging of line items in the statement of profit or loss
- Tagging of disclosures on MPMs
- Tagging of disclosures on specified expenses by nature

Tagging exercise to be done in conjunction with questionnaire which is intended to capture any challenges encountered by participants while tagging the examples using the proposed modelling

Fieldwork instructions

- We request that fieldwork participants tag **all** the following examples (**and** entity-specific examples, if any) in **one** inline XBRL report package (with related schema files):
 - Statement of profit or loss (multiple examples);
 - Note on management-defined performance measures;
 - Note on specified expenses by nature; and
 - Example where ‘Fact-explanatoryFact’ footnoteArc mechanism is used (i.e., a note where the relationship between an item disclosed in the notes and items presented in the primary financial statements is disclosed).
- Participants will be asked to fill out a questionnaire to provide their feedback on the specific aspects of the tagging. For example, need for extensions, judgments applied, etc.
- To maximise learning from the exercise and ensure a realistic tagging experience we do not intend to provide preparers/ tagging agents with more guidance than:
 - fieldwork instructions; and
 - guidance included in the published PTU.

Tagging of generic examples

Tagging of generic examples

- Companies will have not yet implemented IFRS 18 (financial statements prepared in accordance with IFRS 18 will not yet be available during fieldwork exercise)
- Therefore, the exercise focuses on tagging generic examples provided by us (see also slide 12)
- However, generic examples have the disadvantage that tagging such examples might be more straightforward than tagging entity-specific information (thus, reducing our learnings from the exercise)

Tagging of entity-specific examples

- Some companies already report information similar to that required by IFRS 18, such as:
 - present a statement of profit or loss
 - disclose information on non-GAAP measures (~ MPM requirement)
 - disclose information on expenses by nature (~ specified expenses by nature requirement)
- Therefore, we plan to encourage companies to tag their own examples (instead of generic examples)

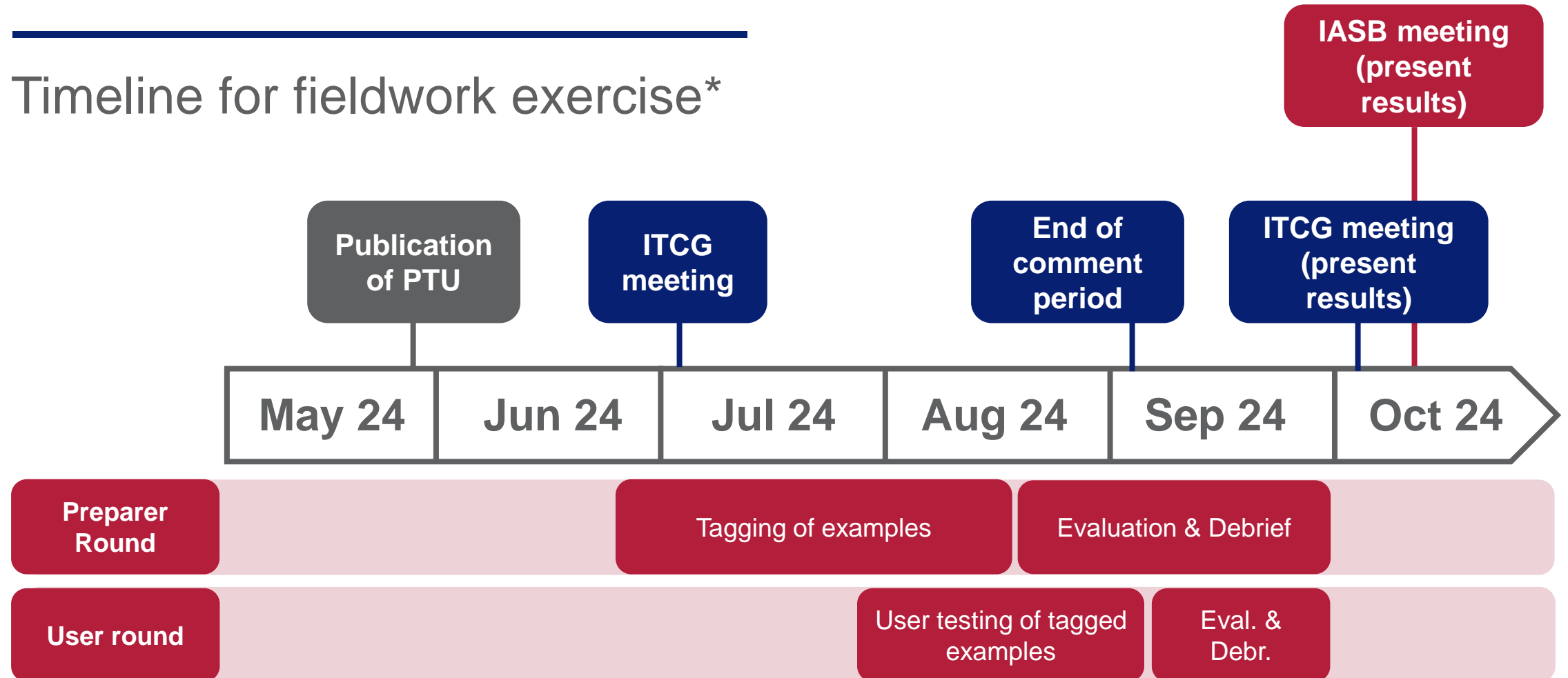
How to involve participants with systems constraints?

- Not all participants will have systems in place to conduct the tagging exercise using their own systems (for example, proposed modelling is not yet reflected in those systems)
- Such participants could instead use Excel to show the elements required for tagging of examples

Possible challenges

- Showcasing tagging of specific elements and some features would be hard to demonstrate in Excel (e.g. tagging of text block elements or calculation linkbase)
- Another Taxonomy viewer might need to be used with an aid to explore the taxonomy and to find suitable elements. However, we will provide the IFRS Taxonomy Illustrated and Versioning information which can also be used to explore the taxonomy to find suitable elements

Timeline for fieldwork exercise*



* Timeline may be subject to change



Questions to ITCG members

Question 1

Preparers/tagging agents

- a) Do you have any advice on the fieldwork exercise, specifically on:
 - fieldwork instructions; and
 - how can we maximise learnings from tagging of generic examples (slides 12–16)?
- b) How could participants that do not have systems in place to tag examples best participate in the fieldwork exercise, specifically should they:
 - simulate tagging examples using Excel; or
 - tag examples using a different method and if so, what method do you suggest (slide 17)?

Question 2

Users

- a) Do you have any advice on how to test the tagged examples with users (for example, should we give users a single inline XBRL file or extracted data in an Excel file)?
- b) Do you think a workshop/roundtable format is the best way to test the tagged examples with users (slide 12)?

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