

Using the IFRS Taxonomy

Guide to Common Practice Content

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Introduction to this document

1. The IFRS Foundation periodically releases *Proposed IFRS Taxonomy Updates* to expose for public comment changes to the content of the IFRS Taxonomy. The *Guide to Understanding the IFRS® Taxonomy Update* provides readers with an overview of the content of the IFRS Taxonomy and introduces the notion of IFRS Taxonomy common practice content.
2. This guide explains IFRS Taxonomy common practice content in more depth, so that readers can make an informed contribution to the IFRS Taxonomy consultation process for common practice content. Specifically, this guide clarifies:
 - (a) what IFRS Taxonomy common practice content is and why this content is included within the IFRS Taxonomy;
 - (b) the process that is followed to identify potential common practice; and
 - (c) the criteria that are used to select proposed common practice.

What is common practice?

Background

3. The IFRS Taxonomy is a structured classification system of IFRS disclosures. The main purpose of the IFRS Taxonomy is to support the consistent tagging of IFRS information. In so doing, the IFRS Foundation is assisting those preparers and users of IFRS financial statements that prefer to report and receive information in a structured electronic format.
4. Until 2011, the IFRS Taxonomy content only reflected IFRS disclosures explicitly referred to in the IFRS Standards ('the Standards') and the accompanying materials to the Standards, specifically:
 - (a) The IFRS disclosure requirements and Application Guidance (IFRS Bound Volume A); and
 - (b) The Illustrative Examples and Implementation Guidance (IFRS Bound Volume B).

- In 2011 the Trustees of the IFRS Foundation took the decision that the content of the IFRS Taxonomy should be expanded to reflect common practice disclosures.

How do we define common practice?

- IFRS Taxonomy common practice content reflects IFRS disclosures that entities commonly disclose in practice when applying the Standards. The term ‘common’ relates to what is disclosed frequently across jurisdictions and entities. Although disclosed in conformity with the Standards, IFRS Taxonomy common practice content is not explicitly referred to in the Standards or the accompanying materials to the Standards.

Disclaimer

- While common practice is part of the IFRS Taxonomy, this does not imply that common practice disclosures are required by the Standards. The IFRS Taxonomy common practice content is also not intended to provide guidance as to how entities should apply the Standards.

Example—property, plant and equipment

- The following diagram shows the sources from which the IFRS Taxonomy content for classes of property, plant and equipment is derived.

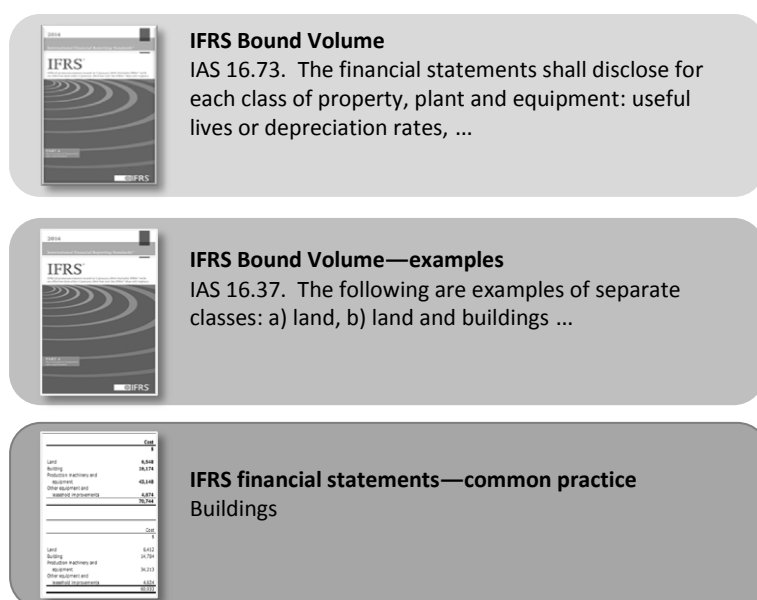


Figure 1 IFRS Taxonomy content sources for property, plant and equipment

9. As illustrated in Figure 1 above, paragraph 37 of IAS 16 *Property, Plant and Equipment* provides some examples of classes of property, plant and equipment e.g. ‘land’ and ‘land and buildings’. A common practice element was added to the IFRS Taxonomy allowing entities to tag the disclosures relating to ‘buildings’ as a separate class of property, plant and equipment, although ‘buildings’ is not mentioned as an example of a separate class within paragraph 37 of IAS 16.

Example—others

10. The following table lists some examples of other common practice elements that have been added as IFRS Taxonomy content:

IFRS Financial statements	Examples of IFRS Taxonomy common practice elements
Statement of comprehensive income and related notes	<ul style="list-style-type: none"> • revenue from sale of natural gas • repairs and maintenance expense • interest expense on deposits from customers
Statement of financial position and related notes	<ul style="list-style-type: none"> • cash and bank balances at central banks • borrowings • restricted cash and cash equivalents • long-term deposits
Statement of cash flows	<ul style="list-style-type: none"> • purchase of biological assets • proceeds from issue of preference shares

The need for common practice elements

11. Including common practice content within the IFRS Taxonomy supports the consistent tagging of IFRS financial statements provided in a structured electronic format. Entities and regulators do not need to add their own taxonomy elements for IFRS disclosures that are commonly disclosed across jurisdictions.
12. This makes it easier for investors and other users of the IFRS Taxonomy to consume the data, as the number of elements that users would have to handle is significantly reduced. It also reduces the costs and time to prepare electronic filings as the creation by entities and regulators of their own elements would have placed an extra burden on them.

Common practice is not exhaustive

- IFRS Taxonomy common practice content is not an exhaustive list of all potential disclosures that entities could report when applying the Standards. IFRS disclosures that are frequently reported only within a particular country or region ('local practices') or that are not commonly reported across entities ('entity specific practices') are not included within the IFRS Taxonomy.
- The figure below illustrates what is included and what is excluded from the IFRS Taxonomy:

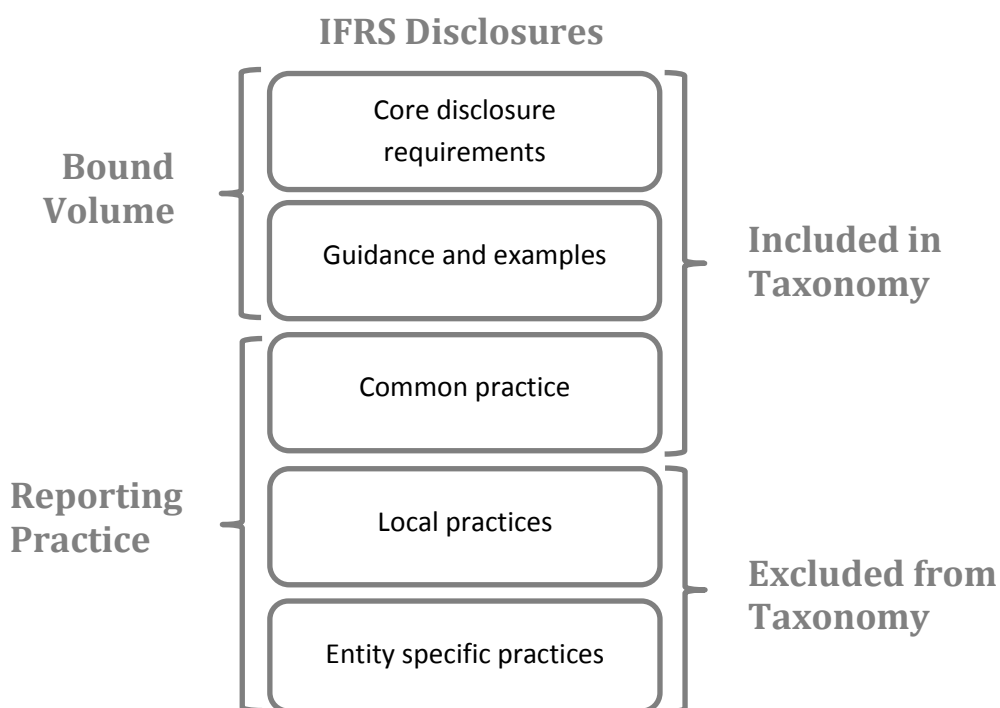


Figure 2 Taxonomy layers to tag IFRS financial statements

General and activity-specific common practice

- The IFRS Taxonomy common practice content includes both general and activity-specific common practice. The following table provides a definition for these common practice elements.

Type	Definition
General	Elements that are commonly reported across all entities, for example, 'Buildings'
Activity-specific ¹	Elements that are more likely to be disclosed by entities engaged in particular business activities. For example, 'Communication and network equipment' is mainly observed as a commonly reported class of property, plant and equipment across entities engaged in telecommunication-related activities

Evolving content

16. IFRS Taxonomy common practice content is constantly evolving. New reporting practices may emerge as a result of new or amended Standards or as a response to a changing economic environment or emerging business models. The IFRS Foundation is committed to keeping the common practice content of the IFRS Taxonomy up to date with developments in IFRS financial reporting practice.

Process used to identify common practice

Overview

17. In order to identify potential common practice elements to be considered for inclusion in the IFRS Taxonomy, empirical analysis is carried out on a sample of IFRS financial statements.
18. The following diagram summarises this process and the subsequent paragraphs describe each step in this process.

¹ These elements may still be used by entities from other sectors if relevant for them.

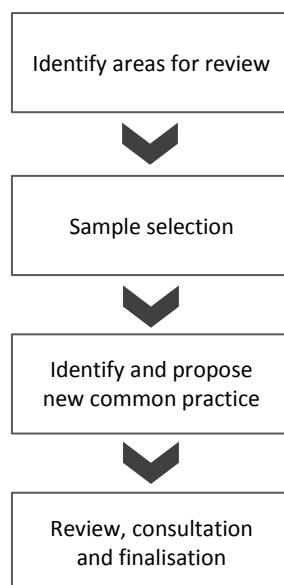


Figure 3 Process followed to identify common practice elements for inclusion in the IFRS Taxonomy

Identify area(s) for review

19. The first step in the process is to identify the possible areas for review. Since 2012, the IFRS Taxonomy team has focused on the IFRS financial statements of entities engaged in particular business activities, for example, transport.
20. The criteria used to select particular business activities for review include, but are not limited to the following:
 - (a) the global size of a particular activity measured by the market value, revenue and the number of IFRS filers engaged in that activity; and
 - (b) investor interest, with priority given to those activities engaged in by the largest number of IFRS filers within stock exchange indices.
21. While future common practice projects may continue to focus on the review of particular activities, the IFRS Taxonomy team may also look at how new Standards have been implemented or respond to specific requests from users of the IFRS Taxonomy.

Sample selection

22. The IFRS Taxonomy team selects a random sample² of entities based on the following criteria:
- (a) the number of entities within a region/country, to ensure a geographical balance;
 - (b) the number of entities within an industry sector, to ensure a balance of activities (when doing a project focusing on the identification of general common practice); and
 - (c) the market value, revenue or any other size-related indicator, to ensure a balance of large and small entities.
23. Where available, illustrative examples of financial statements provided by large accounting firms are also used by the IFRS Taxonomy team to identify potential common practice elements.

Identify and propose new common practice

24. The IFRS Taxonomy team reviews the IFRS financial statements of the entities in the sample and identifies disclosures for which no suitable IFRS Taxonomy element can be found. These disclosures are marked as potential common practice elements.
25. The decision on whether to propose a new element for incorporation within the IFRS Taxonomy is dependent on a number of qualitative and quantitative factors. These are described in more detail below in the section ‘Criteria used to select proposed common practice’
26. The IFRS Taxonomy team may engage with external stakeholders during the analysis and identification of common practice content, for example by setting up a specific Taskforce. The objective of this is to get expert views on possible elements for inclusion. In the past, some regulators have conducted their own empirical analysis and shared their results with the IFRS Taxonomy team.

² While the sample is chosen to be representative of the analysed population, it cannot be precluded that use of a different sample could have resulted in identification of a slightly different set of common practice elements.

Review, consultation and finalisation

27. Proposed common practice is subject to internal review and public consultation prior to it being finalised. The IFRS Taxonomy Due Process provides more details about the process followed.³

Criteria used to select proposed common practice

Overview

28. As noted in paragraph 25, the decision on whether to select a particular element for inclusion as common practice in the IFRS Taxonomy depends on a number of qualitative and quantitative factors. The selection criteria are:

Criterion	Description
Consistency with the Standards	Only those elements that are consistent with the requirements of the Standards are added to the IFRS Taxonomy.
Frequency	Only those elements that are frequently reported within the sample set of IFRS financial statements are added to the IFRS Taxonomy.
Distinctiveness	Only those elements that cannot be represented by an existing IFRS Taxonomy element are added to the IFRS Taxonomy.
Completeness	This involves the inclusion of elements representing an aggregate amount and/or a breakdown of an aggregate amount. These elements are added to logically complete the IFRS Taxonomy. These elements need not meet the frequency criterion.
Relevance	Only those elements that provide relevant information to users of the IFRS Taxonomy are added to the IFRS Taxonomy.

³ The IFRS Taxonomy due process is available at: <http://www.ifrs.org/DPOC/Due-Process-Handbook/Pages/Due-Process-Handbooks.aspx>

Consistency with the Standards

29. IFRS Taxonomy common practice content should not conflict with the Standards. Elements that are inconsistent with the Standards are not added to the IFRS Taxonomy.
30. All IFRS Taxonomy common practice elements have element references. These provide a reference to the most relevant paragraph(s) in the Standards⁴. Using element references for IFRS Taxonomy common practice content reaffirms that these elements are consistent with the Standards. They also provide users of the IFRS Taxonomy with additional information to understand the meaning of a common practice element and how it relates to the presentation and disclosure requirements in the Standards.
31. Normally, the IFRS Taxonomy label of a common practice element represents the label that is most frequently used in practice. However, adjustments may be made to ensure that the label is consistent with the language used in the Standards and that the accounting meaning of the element is clear.

Frequency

32. Paragraph 6 of this guide defines IFRS Taxonomy common practice content as IFRS disclosures that are frequently disclosed by entities across various jurisdictions. It follows that the starting point within the selection process is the number of entities within the sample that have reported a particular disclosure. New common practice elements are generally proposed when these elements are reported by at least 10 per cent of entities within the sample.
33. Entities may use different terms to describe the same accounting concept or may present the same accounting concept differently. The economic meaning of the reported concept, rather than the entity-specific naming, is used when determining the frequency of disclosure.

⁴Where there are no directly related disclosure requirements, the common practice elements are referenced to paragraphs requiring disclosure of additional information, such as paragraphs 55, 85 or 112(c) of IAS 1 *Presentation of Financial Statements*.

Distinctiveness

34. Distinctiveness means that there is no repetition, i.e. only one IFRS Taxonomy element should exist for each disclosure. When making the decision whether to add a commonly reported element to the IFRS Taxonomy, the IFRS Taxonomy team consider whether entities could use an existing IFRS Taxonomy element.
35. There are two exceptions to the ‘distinctiveness criterion’:
- (a) Exception 1— a new taxonomy element will not be added if a more general IFRS Taxonomy element exists.
 - (b) Exception 2— non-distinctive elements may be added to accommodate the use of different taxonomy modelling techniques

Exception 1—general and specific disclosures

36. In some cases, entities report a specific disclosure element that is already ‘covered’ by an existing more general IFRS Taxonomy element.

Example

37. The following shows details of commonly reported disclosures that have not been added to the IFRS Taxonomy, as well as showing the general element that can be used instead.

26	Although the elements listed below were identified as commonly reported, they were not proposed for addition to the IFRS Taxonomy. They are specifications of more general IFRS Taxonomy elements that are already available or proposed: <ul style="list-style-type: none">(a) ‘Revenue from air traffic’—a more general element is proposed (‘Revenue from rendering of transport services’)(b) ‘Aircraft fuel expense’—a more general element is proposed (‘Fuel expense’)(c) ‘Aircraft repairs and maintenance expense’—a more general element is available (‘Repairs and maintenance expense’)(d) ‘Proceeds from sales of ships’—a more general element is available (‘Proceeds from sales of property, plant and equipment’)
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Figure 4 Paragraph 26, Proposed IFRS Taxonomy Update—Common Practice (transport and pharmaceuticals)

38. Generally, no new IFRS Taxonomy common practice element is added if it is found that the specific disclosure is the only disclosure entities provide relating to the existing more general IFRS Taxonomy element.

39. This approach reflects the view that tagging a specific disclosure with the more general IFRS Taxonomy element is beneficial to users of electronic IFRS financial statements. Such users will only need to use a single element tag to retrieve and process the information while still being able to view and access the entity-specific labels⁵.

Exception 2—equivalent items

40. The IFRS Taxonomy can use either line items or a combination of line items and members to depict IFRS disclosures⁶. Sometimes, a disclosure can be modelled within the IFRS Taxonomy as both a line item and a member, depending on the location of this disclosure within the IFRS financial statements.
41. A new IFRS Taxonomy line item may be added for a commonly reported disclosure despite the existence of an equivalent IFRS Taxonomy member and vice versa.
42. The IFRS Taxonomy includes these duplicates to meet the requirements of some users of the IFRS Taxonomy. For example, classes of property plant and equipment can be represented by line items in the primary financial statements and by members in a table to show a breakdown or reconciliation in the notes.

Completeness

43. Occasionally, the IFRS Taxonomy common practice content may include elements that do not meet the frequency criterion. These elements may relate to the inclusion of a component element of a breakdown or alternatively provide the aggregate of a breakdown.

⁵ This assumes that the electronic filing system is using inline XBRL or entities can create taxonomy extensions to declare their specific labels.

⁶ These terms are described in detail in the *Guide to Understanding the IFRS Taxonomy Update*

Example

44. The following example applies to IFRS Taxonomy common practice elements applicable to entities engaged in media-related activities.

IFRS Taxonomy common practice element	Frequently reported
Revenue from sale of publications	Yes
Circulation revenue (aggregate)	Yes
Subscription circulation revenue	Yes
Non-subscription circulation revenue	No
Revenue from sale of books	No

45. Entities engaged in media publication-related activities differ in the way in which they disclose their revenues within the primary financial statements or notes to the primary financial statements. Some may provide a total figure, while others may disaggregate the information. Other entities may only be engaged in one particular activity such as, the sale of books.
46. The elements ‘Non-subscription circulation revenue’ and ‘Revenue from sale of books’ were not identified as frequently reported. However, they have been included as a logical breakdown of ‘Circulation revenue’ and to complete the breakdown of ‘Revenue from sale of publications’, respectively.

Relevance

47. Stakeholders are asked for their views to determine the importance they place on tagging of specific disclosures. This mainly takes place during public consultation. As stated in paragraph 26, the IFRS Taxonomy team may also engage with external stakeholders during the process to identify and propose common practice content.