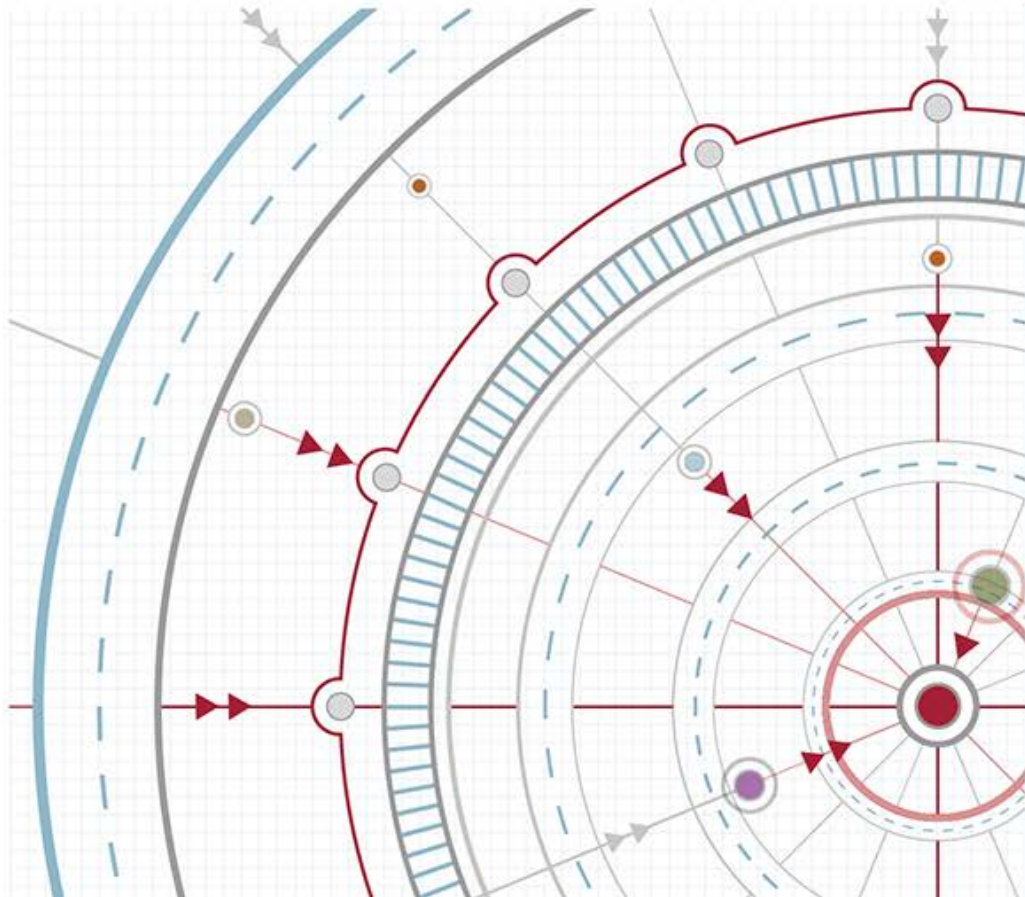


IFRS® Foundation



Disclosure of fact of early application of new or amended IFRS Standards

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Why are we discussing this topic today?

- The Proposed IFRS Taxonomy Update 3—*Interest Rate Benchmark Reform – Phase 2* includes a **proposal to include new taxonomy elements for the disclosure requirement of fact of early application** of the amendments.
- The comment period for the Proposed IFRS Taxonomy Update (PTU) ended on 28 September. We received one comment letter from the Institute of Chartered Accountants of Nigeria and they agree with the proposal.
- A **summary** of ITCG comments received today and public comments **will be presented to the International Accounting Standards Board (Board)** at its October or November public meeting.

- Some new or amended IFRS Standards permit early application and include this disclosure requirement:

C1 An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. Earlier application is permitted. **If an entity applies this IFRS earlier, it shall disclose that fact and apply IFRS 11, IFRS 12, IAS 27 *Separate Financial Statements* and IAS 28 (as amended in 2011) at the same time.**

C1 An entity shall apply IFRS 17 for annual reporting periods beginning on or after 1 January 2021. **If an entity applies IFRS 17 earlier, it shall disclose that fact.** Early application is permitted for entities that apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on or before the date of initial application of IFRS 17.

- The IFRS Taxonomy has no specific elements to reflect the requirement for an entity to disclose the fact of early application of new or amended IFRS Standards.

Background – Past ITCG discussions

- This topic was discussed in [Agenda paper 8](#) and summarised in the [meeting summary](#) of the **April 2015 ITCG meeting**. The appendix includes slides from this meeting and an extract from the meeting summary.
- Briefly, the **different views** expressed at the meeting were as follows:

Staff's view	the disclosure requirement of fact of early application is covered by the elements relating to the general requirements of paragraph 28 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. (See Appendix, slides 23-24)
Other views	One ITCG member said that the specific elements for this disclosure requirement may be useful because it would provide more visibility. And one IASB member said that the specific elements for this disclosure requirement may also make it easier for an investor to perform time-series analyses and compare companies.
	Overall, ITCG members agreed with the staff's view that no changes should be made to the IFRS Taxonomy.

Why are we reconsidering this topic?

- During the review of *IFRS Taxonomy 2020 – Proposed Update 3 Interest Rate Benchmark Reform – Phase 2*, **some Board members suggested it might be beneficial** to have a separate element for the requirement to disclose the fact of early application.
- Over the last few months, we have been using the XBRL data in our research. Based on our experience of using the XBRL tagged data, **we think it is time consuming for the users** to identify the fact of early application of a new or amended IFRS Standard using the taxonomy elements depicting the disclosures required under IAS 8.28. See slide 6.

Steps a user of tagged information would need to follow to check for fact of early application

Step	Particulars	Details	Result (example)	
1	Extract all the new or amended IFRS Standards applied during the year	Run a data query using the line item 'Title of initially applied IFRS' and the 'Initially applied IFRSs [axis]'. Since there are no members under this axis within the IFRS Taxonomy, preparers have to create extension members.	Title of initially applied IFRS	Extension members
			Financial Instruments	IFRS 9
			Revenue from Contracts with Customers	International Financial Reporting Standard 15
			Leases	IFRS Sixteen
2	Check the effective dates of all the resulting Standards		IFRS 9: 1 January 2018 IFRS 15: 1 January 2018 IFRS 16: 1 January 2019	
3	Compare those dates with the financial year of the reporting entity.	The Financial year of the reporting entity is 1 January 2018 to 31 December 2018.	Therefore, the user can now conclude that IFRS 9 and IFRS 15 are applied on effective date and IFRS 16 is applied early.	

Accordingly, in the [IFRS Taxonomy 2020 – Proposed Update 3 Interest Rate Benchmark Reform – Phase 2](#), we proposed a new line item and member element to reflect the requirement to disclose the fact of the early application of the amendments. See slide 8.

Proposal

- We propose to add a line item and members to the existing 'Disclosure of initial application of standards or interpretations' table in presentation group [811000] Notes - Accounting policies, changes in accounting estimates and errors.
- New member elements will be added under 'Initially applied IFRSs' axis for **every new IFRS Standard and amendment** which require the disclosure of fact of early application.

Element label	Reference
Disclosure of initial application of standards or interpretations [table]	IAS 8.28
Initially applied IFRSs [axis]	IAS 8.28
Initially applied IFRSs [member]	IAS 8.28
Interest rate benchmark reform phase 2 [member]	IFRS 9.7.1.9, IAS 39.108H, IFRS 4.50, IFRS 16.C1B
...	...
Disclosure of initial application of standards or interpretations [line items]	
Title of initially applied IFRS	IAS 8.28 (a)
Description whether change in accounting policy is made in accordance with transitional provisions of initially applied IFRS	IAS 8.28 (b)
Description of nature of change in accounting policy	IAS 8.28 (c)
Description of transitional provisions of initially applied IFRS	IAS 8.28 (d)
Description of transitional provisions of initially applied IFRS that might have effect on future periods	IAS 8.28 (e)
Description of fact that new or amended IFRS Standard is applied early	IFRS 9.7.1.9, IAS 39.108H, IFRS 4.50, IFRS 16.C1B

Related proposals (1/2)

<p>To apply this change prospectively, that is only for those new or amended IFRS Standards that have an effective date of 1 January 2021 or later.</p>	<p>Since the member elements are related to the early application, elements for new or amended Standards effective before 1 January 2021 would not be used by the preparers because these elements will be added in the annual IFRS Taxonomy 2021.</p>
<p>To add expiry dates to the member elements</p>	<p>Over time, there may be a large number of members which may make it more difficult for a preparer (or user) to find the correct member, creating a risk of error.</p> <p>This risk can be addressed by deprecating members from the annual IFRS Taxonomy at a specified period. Since these members may not be of use after the new or amended Standard becomes effective, we propose to expire these members after two years of the new or amended Standard being effective.</p> <p>It is to be noted that it will be an exception to our existing IFRS Taxonomy policy which requires the IFRS Taxonomy to reflect the IFRS Standards and accompanying materials.</p>

Related proposals (2/2)

To add references of all new or amended IFRS Standards that require the disclosure of fact of early application, to the newly proposed line item

Since there is no generic reference for early application in the IFRS Standards, we propose to **add references of all new or amended IFRS Standards** that require the disclosure of fact of early application to the newly proposed line item 'Description of fact that new or amended IFRS Standard is applied early'.
Once the member will be expired, the corresponding references will also be deleted from this line item.

Proposal – Advantages and Disadvantages

Advantages	Disadvantages
<p>Preparers do not need to create extension members.</p>	<p>Increases the number of elements in the Taxonomy because new Standards and amendments often require an entity to disclose the fact of early application. But we are proposing to mitigate the increase in number of elements by deprecating these elements after a specified period of time.</p>
<p>Users of tagged information need to spend less time extracting information about fact of early application of the new or amended IFRS Standards.</p>	<p>Deviation from the existing IFRS Taxonomy policy which requires the IFRS Taxonomy to reflect the IFRS Standards and accompanying materials</p>
<p>Fully reflects the requirements of the IFRS Standards.</p>	

	Rejected option	Reason for rejection
1	Creating only one text item for all early applications, without any dimension for new IFRS Standards and IFRS amendments.	Although it would require less resources of the Taxonomy team, users could not easily query on early application of a particular IFRS Standard or IFRS amendment. For instance, users of tagged information may want to know which entities have early applied a specific IFRS Standard, such as IFRS 16 Leases. Using a single text element makes this more difficult to do. Therefore, less beneficial for the users .
2	Creating Boolean* element instead of text element for disclosure of fact of early application	Boolean elements are currently not used in the IFRS Taxonomy . Using new features in the IFRS Taxonomy requires separate analysis and discussions and, hence, is outside of scope of this update. However, the use of Boolean elements may be considered in future.

* Elements which can be tagged with only 'true' or 'false'



- Do you agree with our proposals outlined in slides 8 – 10? If not, what do you suggest and why?
- Do you agree that the benefits of the proposal to the users would outweigh the cost of implementing the change?

Interaction with the proposal agreed in June 2020

Use of 'Initially applied IFRSs' axis in
the statement of changes in equity

Summary of proposal agreed on in June 2020

In [June 2020](#) ITCG meeting, the staff proposed to create new common practice elements to tag the specific IFRS Standards to which the transition adjustment relates. The ITCG members supported the proposal to:

- 1 add members for **new IFRS Standards and major IFRS amendments only**, which permits retrospective transition approach or cumulative catch-up transition approach. Since these are related to the transition adjustments, we had **not proposed to expire those**;
- 2 add these members as **common reporting practice** elements when the new (or amended) IFRS Standards are issued;
- 3 add these members to the 'Initially applied IFRSs' axis **in the presentation group of Statement of changes in equity**; and
- 4 apply this approach **prospectively**, that is only for new (or amended) IFRS Standards effective on (or after) the 1 January 2020.

This proposal will be included in the Proposed IFRS Taxonomy Update 4 *General Improvements and Common Practice Presentation of information in the primary financial statements*.

Today's proposal vis-à-vis June 2020 proposal (1/2)

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June 2020 proposal	Today's proposals
Pertains to the transition related disclosures	Pertains to the initial application of the new or amended Standards
Members will be added only for new IFRS Standards and major IFRS amendments , which permits retrospective transition approach or cumulative catch-up transition approach	Members will be added for new IFRS Standards and every IFRS amendments which permit early application and require the disclosure of fact of early application. We cannot include members only for major IFRS amendments because it's a disclosure requirement.
Will be included only in the presentation group [610000] Statement of changes in equity	Will be included only in the presentation group [811000] Notes - Accounting policies, changes in accounting estimates and errors
Will be referenced as Common Practice	Will be referenced as Disclosure

Member elements in both these proposals will be **added to an existing axis 'Initially applied IFRSs'**, but in different presentation groups.

Today's proposal vis-à-vis June 2020 proposal (2/2)

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- **Some member elements may appear in both the ELRs.** For example, IFRS 17 requires an entity to disclose the fact of early application and also permits a retrospective approach. Therefore, the IFRS 17 member will be included in both the presentation groups [610000] and [811000].
- Also, such members will have **both 'Common practice' and 'Disclosure' references.** We hold the view that the references of an element serve a useful purpose in identification of a correct tag. Therefore, we think that including both references will be useful for preparers and users because both these references are for different requirements.
- **Members in the presentation group [811000] will be removed** from this presentation group after a specified period of time because they are related to early application of new or amended Standards whereas the **members in the presentation group [610000] will remain in the IFRS Taxonomy** because these are related to a transition.



- Do you have any comments on the relationship between June 2020 proposals and today's proposals?

- We will include the members for the new or amended IFRS Standards that require the disclosure of fact of early application and have an effective date of 1st January 2021 or later, **in the 2021 Annual IFRS Taxonomy**.
- For all future new or amended IFRS Standards that require an entity to disclose the fact of early application, we will include member elements in the annual IFRS Taxonomy as a maintenance type change, **without any separate consultation**.
 - some narrow scope IFRS amendments that require the disclosure of the fact of early application but have no other impact on the IFRS Taxonomy, and without this policy, we would have to ballot and issue a Proposed IFRS Taxonomy Update to add only a single member element.
- We will **discuss with the Board Advisors** (the IFRS Taxonomy Review Panel) before adding these member elements for new or amended IFRS Standards in the annual IFRS Taxonomy.

Appendix

Slides and meeting summary from
April 2015 ITCG meeting

Early application – disclosure of fact

- Most new IASB publications (new IFRSs and amendments to existing IFRSs) include in the 'Effective date and transition' the following requirement (highlighted):

C1 An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. Earlier application is permitted. **If an entity applies this IFRS earlier, it shall disclose that fact and apply IFRS 11, IFRS 12, IAS 27 *Separate Financial Statements* and IAS 28 (as amended in 2011) at the same time.**

- In the IFRS Taxonomy, the above disclosure requirement has so far remained intentionally untagged.
- We have received a comment that it might be beneficial to have separate 'early application' elements for each occurrence

Early application – example disclosure

IFRS 10, 11 and 12

IFRS 10, IFRS 11 and IFRS 12 will become effective in the European Union from the 2014 financial year. However, early adoption is permitted. The Linde Group has early adopted IFRS 10, IFRS 11 and IFRS 12 from 1 January 2013 in accordance with the rules on application set out by the IASB. The new standards are to be applied retrospectively.

As a result of applying IFRS 10, The Linde Group has adjusted its accounting policies to reflect the revised definition of “control”.

As a result of the application of IFRS 11, The Linde Group has revised its accounting policies in respect of the obligation to include certain joint arrangements on a line-by-line basis. Linde accounts on a line-by-line basis in accordance with the rules set out in IFRS 11 for four joint arrangements in the United Arab Emirates and in China where the sole object is to supply one or several shareholders. In the absence of any special rights attaching to individual assets and liabilities, the assets and liabilities are accounted for on the basis of the share of equity held by The Linde Group.

Early application

We believe such disclosure is initially covered by the general requirements of:

IAS 8.28

- 28** When initial application of an IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
- (a) the title of the IFRS;
 - (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
 - (c) the nature of the change in accounting policy;
 - (d) when applicable, a description of the transitional provisions;



Early application

After initial application, we believe the disclosure should be part of the **accounting policies disclosure**, as required by IAS 1:

117 An entity shall disclose in the summary of significant accounting policies:

- (a) the measurement basis (or bases) used in preparing the financial statements, and**
- (b) the other accounting policies used that are relevant to an understanding of the financial statements.**

The IFRS Taxonomy includes **text block elements** for each significant accounting policy applied by an entity.

Early application

QUESTIONS:

Do you think the current representation is sufficient for the disclosure of the fact of early application of an IFRS or an amendment to an IFRS? Or should we consider **separate text elements**?

If you prefer separate elements, should those elements:

- have any **effective date**?
- have any **expiry date** (eg. application date of a Standard)?

Early application—disclosure of fact

The staff told the ITCG that, in most cases, IFRS requires entities to disclose the fact that they have applied a Standard or an amendment to a Standard before its effective date. The IFRS Taxonomy does not include specific elements to reflect disclosures for each such occurrence; however, it has been suggested that having separate early application elements for each Standard may be useful. The staff expressed the view that the IFRS Taxonomy already handles this sufficiently, explaining that this disclosure in the year of initial early application is covered by the existing taxonomy table 'Disclosure of initial applications of Standards or Interpretations' and in future years will be covered by the text blocks that exist for accounting policy disclosures.

A member of the ITCG expressed the view that separate application elements for each Standard may be useful because it will provide more visibility. A member of the IASB expressed the view that separate application elements may also make it easier for an investor to perform time-series analyses and compare companies. The staff commented that some regulators do not require an entity to tag text items except for text blocks relating to accounting policies. Consequently, the existing IFRS Taxonomy solution ensured that the information is captured in some way after the year of initial early application. The staff also stated that investors could extrapolate the information provided by entities in the year of initial early application within their analysis. Another member stated that this may be a case in which the staff may want to consider the use of the EE specification.

Overall, members of the ITCG agreed that no changes should be made to the IFRS Taxonomy at this time.

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