

XBRL <<<<<<<

By Kristine Brands, CMA

Update on the IFRS XBRL Taxonomy—2012

U.S. adoption of International Financial Reporting Standards (IFRS) was back in the news in July when the U.S. Securities & Exchange Commission (SEC) issued a final staff report on the Work Plan to incorporate IFRS into the U.S. financial system. The report suspended the project indefinitely, causing a major setback to the global accounting community's objective to adopt one single set of high-quality accounting standards.

The International Accounting Standards Board (IASB) isn't involved in U.S. IFRS adoption, but it's taking the initiative to develop IFRS XBRL. While the U.S. IFRS adoption effort stalled, the IASB continued to make progress improving the robustness of the IFRS XBRL taxonomy. Improvements to the taxonomy will move IASB closer to the objective of encouraging the reporting of IFRS financial statements in XBRL. This will benefit investors and creditors, facilitating their analysis by giving them access to real-time granular tagged data, reducing data information acquisition costs, and making it easier to compare financial data. This column looks at the activities of the IFRS Foundation's XBRL team during 2012.

IFRS XBRL Taxonomy

The IASB continues to serve its constituents by focusing on the development and improvement of the IFRS XBRL taxonomy. The taxonomy reflects and is updated for new or amended IFRS and is developed according to an agreed-upon due process that has now been applied for more than four years. The 2012 taxonomy has approximately 3,770 computer-readable tags that can be used to tag IFRS-based financial statements using XBRL as the digital language. The content of the taxonomy includes core-mandated IFRS disclosures such as revenue or leases (2,259 tags); IFRS guidance and example concepts like the breakdown of property and equipment into categories such as land, buildings (399 tags); and common industry/practice concepts such as operating profit and sales and marketing expense (694 tags).

IFRS XBRL Adoption

There are many examples of the global adoption of the IFRS XBRL taxonomy, but IFRS-based XBRL filings are mostly for tax and banking/insurance regulation reporting, not for statutory financial reporting of publicly listed companies as in the

SEC's 2009 XBRL reporting mandate. Australia and the Netherlands have implemented Standard Business Reporting for corporate tax and business reporting requirements. Banking/insurance reporting examples include the EBA (European Banking Authority) Financial Reporting framework taxonomy, the Bermuda Monetary Authority Solvency II XBRL Taxonomy, and IFRS for Insurance XBRL Taxonomy. Several countries have adopted the IFRS XBRL taxonomy for IFRS financial reporting for listed companies. They include the UAE, Japan, China, Taiwan, South Africa, and Korea. The goals outlined in the U.S. from the SEC's 2009 mandate haven't been achieved and won't be until a major regulatory authority like the European Commission mandates the use of IFRS XBRL for corporate reporting. The Commission is considering requiring IFRS XBRL reporting for publicly listed companies as early as 2018.

User Challenges

Despite these examples, adoption by users or consumers of XBRL data, such as buy-side and sell-side investment analysts, credit analysts, and, to a lesser

extent, data aggregators, is still lagging. This lack of adoption by data consumers is a common problem and one of the reasons that XBRL adoption has been inhibited. The IASB's IFRS XBRL team places users into two categories: users that currently use electronic data and those that don't. Resistance from non-electronic users is caused by not understanding the advantages of XBRL, difficulty measuring the cost/benefit analysis, the perception that XBRL is difficult to use, and the inability to view and analyze the data in context. The last point is critical because nonelectronic users need tools to transform data into reports and applications that are user-friendly. There's a lack of tools that can take XBRL data and make it accessible to users. An effective tool is iXBRL (Inline XBRL), which takes data and displays it as a Web page of the report based on embedded XBRL tags. Users can analyze the data within its traditional context and, with the right tool, highlight and drop data into spreadsheets. The tool would remember and pre-populate subsequent financial reports.

Electronic data users are comfortable with digital data, but they need to explore the dynamics of XBRL data in their business processes to develop applications for data analysis and business intelligence. They also require long histories and data that's integrated with other content, such as corporate actions, and that can be used for both high-level comparable and deep-dive analysis.

To address user challenges, the XBRL team is launching several initiatives to educate users on how to leverage XBRL's power and to better understand their XBRL business requirements. The initiatives include outreach to users and stakeholders to promote consistent implementation of the IFRS XBRL taxono-

my to facilitate global comparability and interoperability of XBRL data.

XBRL Industry Practice

An ongoing criticism of the IFRS XBRL taxonomy is its lack of industry-specific tags. This causes user-defined extensions (custom tags) to meet reporting needs, which results in a lack of financial statement comparability. To address this problem, the IFRS foundation announced the XBRL Industry Practice project in April 2012 to identify business practices and concepts that apply to specific industries. The first industries selected for this project are financial institutions, insurance, and extractive industries (mining, oil, and gas). The objective is to add XBRL concepts to the taxonomy to address industry-specific reporting needs. Other industries will be added to the project in the future.

Translation Effort

Translating IFRS XBRL to other languages is necessary for facilitating country adoption. More than 10 translations are available now, including Arabic, Chinese (traditional and modified), Korean, Japanese, Dutch, German, and French. The translation package includes the translation files and the illustrated taxonomy. The XBRL team facilitates the process by working with the national standard setter and the appointed translator. The translation effort faces challenges. For example, the recently released IFRS XBRL Arabic taxonomy faced the issue of defining complex accounting concepts in a complex language.

Formula Linkbases

During 2012, the XBRL team began addressing formula linkbases to improve the correctness, consistency, and integrity of calculations in the financial statements. Linkbases provide information about rela-

tionships between elements and enhance information validation. For example, correctness addresses the accuracy of roll-ups and roll-forwards, consistency addresses validation that authorized shares are greater than shares issued, and integrity examines that the parts of an account fit together, such as the components of Property, Plant, and Equipment are consistent with the financial statement disclosure requirements of the account.

The Future

The regulatory push provided by the SEC's 2009 XBRL mandate makes the U.S. a global leader in U.S. GAAP XBRL-based financial reporting. While there are many examples of global IFRS XBRL reporting, IFRS hasn't reached the critical mass achieved by the U.S. to provide the true benefit of digital reporting—financial reporting transparency. Yet the recent projects and progress made by the IFRS foundation to address IFRS XBRL issues is encouraging.

It's just a matter of time before they achieve the strides the U.S. has made. As Rita Ogun-Clijmans, product manager, XBRL Taxonomy of the IASB, says, "IFRS XBRL cannot be stopped anymore. The question is not if but when IFRS XBRL will be adopted. We have the engine, the framework, and the technical building blocks, but now we need to give investors the key to unlock XBRL's potential. With time the right tools will emerge, challenges will be addressed, and investors will start to demand XBRL from regulators and preparers and wonder why it took so long." **SF**

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