

# Digital financial reporting

IASB education session 1

AOSSG interim meeting  
September 2022

# Why digital financial reporting is important

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- More and more information is becoming available to investors
- Including sustainability-related financial information



- By digitalising financial reports, information in those reports becomes machine-readable
- Provides a more efficient way to extract, compare and analyse information



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



- Investors are already consuming information through digital means to make investment decisions
- Over 80% of companies listed on global capital markets (based on market capitalisation) are required to prepare some form of digital financial reporting

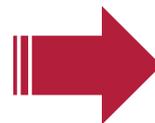
# What is a digital financial report?

A digital financial report is a financial report that is machine-readable

More than a PDF version of a financial report



I want to understand the details of company A's share-based payment arrangements



## Reporting in a PDF format



Company A



Company C



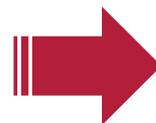
Company B



Company D



I want to download 100 companies' EPS into a spreadsheet to calculate & compare their P/E ratio



## Electronic filings in a structured data format



XBRL

Company AA



XBRL

Company AB



XBRL

Company ZZ

# Digital financial reporting can facilitate faster comparisons between companies

**CALCBENCH** Raw XBRL Data Company Detail

Whole Universe  Choose Companies

Looking at: IFRS SEC

Fact

Numeric Value =

**XBRL Tag** =

Tag Taxonomy =

Unit Of Measure =

Search  Export  Direct To Excel

466 matching facts

Company	XBRL Tag	Value	Unit of Measure
Ferguson plc (FERG)	BasicEarning...	\$6.75	USD/shares
Ferrari N.V. (RACE)	BasicEarning...	€4.50	EUR/shares
Ferroglobe PLC (GSM)	BasicEarning...	(\$0.63)	USD/shares
Flora Growth Corp. (FLGC)	BasicEarning...	(\$0.48)	USD/shares
Foreign Trade Bank Of Latin Am...	BasicEarning...	\$1.62	USD/shares
Formula Systems (1985) Ltd (FO...	BasicEarning...	\$3.57	USD/shares
Forward Pharma A/S (FWP)	BasicEarning...	(\$0.02)	USD/shares
Fresenius Medical Care AG & C...	BasicEarning...	€3.31	EUR/shares

AutoSave  CalcbenchRawXBRLData (24) Bassett, David

File Home Insert Draw Page Layout Formulas Data Review View Help

X1

	A	B	C	D	E	F	G	H	I	V
1	Exported from Calcbench: 8/9/2022 12:51:29 AM EST									
2	**For more features, download the Calcbench Excel Add-in at <a href="http://www.calcbench.com/excel">www.calcbench.com/excel</a>									
3										
4	ticke	CIK	entity_name	filing	sec_fili	docum	XBRLtag	Value	fisca	unit_of_measure
167	FERG	0001832433	Ferguson plc	303618	https://w	20-F	BasicEarningsLossPerShare	6.75	2021	USD/shares
168	RACE	0001648416	Ferrari N.V.	314416	https://w	20-F	BasicEarningsLossPerShare	4.50	2021	EUR/shares
169	GSM	0001639877	Ferroglobe PLC	322901	https://w	20-F	BasicEarningsLossPerShare	-0.63	2021	USD/shares
172	FLGC	0001790169	Flora Growth Corp.	324995	https://w	20-F	BasicEarningsLossPerShare	-0.48	2021	USD/shares
173	BLX	0000890541	Foreign Trade Bank Of Latin Amer	321842	https://w	20-F	BasicEarningsLossPerShare	1.62	2021	USD/shares
176	FWP	0001604924	Forward Pharma A/S	320124	https://w	20-F	BasicEarningsLossPerShare	-0.02	2021	USD/shares
178	FMS	0001333141	Fresenius Medical Care AG & Co. h	313620	https://w	20-F	BasicEarningsLossPerShare	3.31	2021	EUR/shares
179	HTOO	0001819794	Fusion Fuel Green PLC	322710	https://w	20-F	BasicEarningsLossPerShare	1.80	2021	USD/shares
180	GMVD	0001760764	G Medical Innovations Holdings Lt	322027	https://w	20-F	BasicEarningsLossPerShare	-1.30	2021	USD/shares
181	GLPG	0001421876	Galapagos Nv	317774	https://w	20-F	BasicEarningsLossPerShare	-1.58	2021	EUR/shares

Calcbench Raw XBRL Data

# What does a digital financial report look like?

- XBRL provides the computer language that facilitates the digitalisation of financial information
- Inline XBRL (iXBRL) allows filers to prepare a single document that is both **human-readable** and **machine-readable**
  - Provides navigation and search benefits of digital financial reporting
  - Keeps the context of traditional PDF financial reports

## Example



## GLEIF annual report

<https://www.gleif.org/en/about/governance/annual-report>

# Digital financial reporting can help reduce language barriers

Human-readable electronic document

Embedded tags



Fact Properties



## Concept

- (ifrs-full) Revenue

*The income arising in the course of an entity's ordinary activities. Income is increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims.*

## Dimensions

<b>Date</b>	1 Mar 2021 to 31 Mar 2022
<b>Fact Value</b>	PLN 496,029,000
<b>Accuracy</b>	-3 (thousands)
<b>Change</b>	28.4% increase on 1 Apr 2020 to 31 Mar 2021
<b>Entity</b>	[LEI] 259400981621M85NA449
<b>Concept</b>	ifrs-full:Revenue
<b>Taxonomy</b>	IFRS 2020

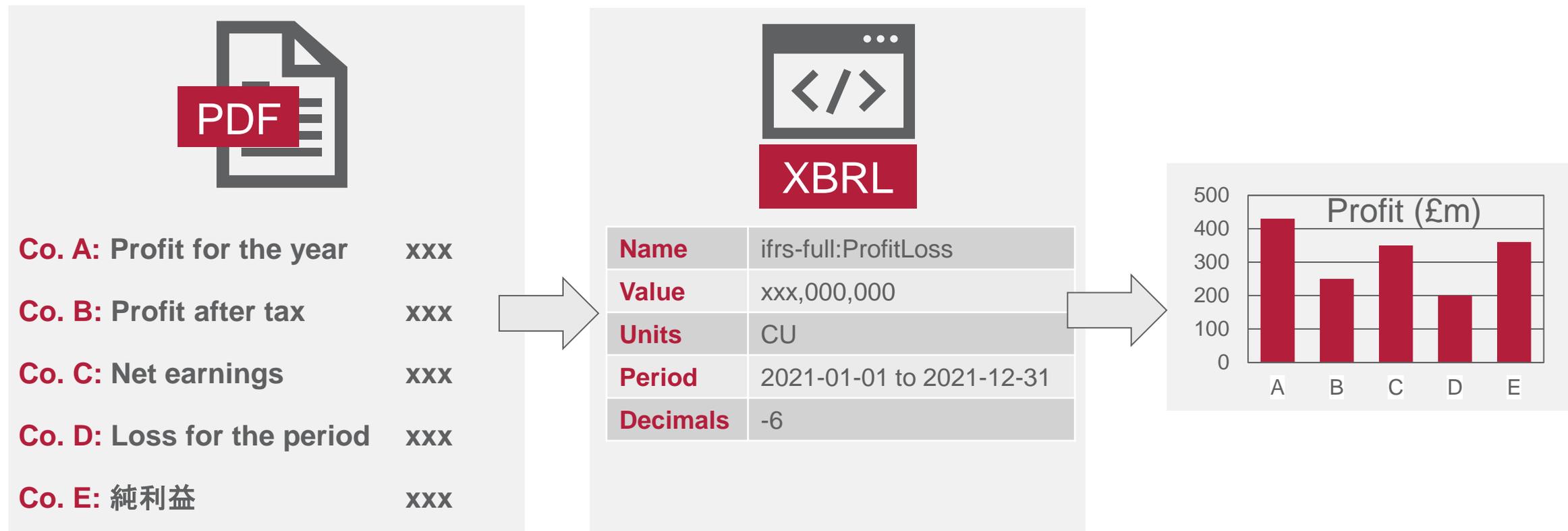
SKONSOLIDOWANE SPRAWOZDANIE FINANSOWE GRUPY KAPITAŁOWEJ „MERCOR” S.A.  
NA DZIEŃ I ZA OKRES 12 MIESIĘCY ZAKOŃCZONY 31 MARCA 2022 ROKU



## SKONSOLIDOWANE SPRAWOZDANIE Z CAŁKOWITYCH DOCHODÓW

	NOTA	Za okres 01/04/2021- 31/03/2022 w tys. PLN	Za okres 01/04/2020- 31/03/2021 w tys. PLN
Przychody ze sprzedaży	3	496 029	386 186
Koszt własny sprzedaży	4	379 218	280 973
<b>Zysk brutto na sprzedaży</b>		<b>116 811</b>	<b>105 213</b>
Pozostałe przychody operacyjne	5	3 631	2 197
Koszty sprzedaży	4	43 662	37 204

# The need for a digital taxonomy

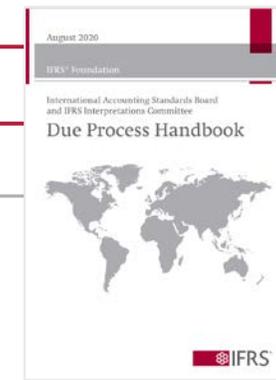


A digital taxonomy is a system for **classifying and structuring** data points in a manner which:

- makes the data **machine-readable**, and
- aids users in **finding, understanding and comparing** large amounts of information to facilitate efficient financial analysis

# IFRS Accounting Taxonomy

Subject to due process



## Sources of the IFRS Accounting Taxonomy content

### IFRS Accounting Standards

Presentation and disclosure requirements in IFRS Accounting Standards

Illustrative examples and implementation guidance

### Common reporting practice

Commonly disclosed information not specifically mentioned in IFRS Accounting Standards

## The Taxonomy reflects disclosure requirements in IFRS Accounting Standards

It does not introduce new requirements

It is not a disclosure checklist

It does not dictate how preparers should present their reports

# Navigating the IFRS Accounting Taxonomy

The screenshot displays the IFRS Taxonomy Standards Navigator interface. On the left, a 'Network Browser' shows a hierarchical tree of taxonomy elements. The selected element is 'Revenue from contracts with customers'. The right-hand side provides detailed information for this element, organized into three sections: Properties, Labels, and References.

**Revenue from contracts with customers**

**Properties**

Property	Value
Name	RevenueFromContractsWithCustomers
Namespace	http://xbrl.ifrs.org/taxonomy/2021-03-24/ifrs-full
Data Type	xbrli:monetaryItemType
XBRL Type	monetaryItemType
Substitution Group	xbrli:item
Period Type	duration
Abstract	false
Niltable	true
Balance	credit

**Labels**

Type	Lang	Label
Standard Label	en	Revenue from contracts with customers
Documentation	en	The amount of revenue from contracts with customers. A customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

**References**

Type	Reference	
Disclosure Reference	Name	IFRS
	Number	15
	IssueDate	2021-01-01
	Paragraph	113
	Subparagraph	a
	URI	<a href="http://eifrs.ifrs.org/eifrs/xifrs-link?type=IFRS&amp;num=15&amp;code=ifrs-bx-2021-en-r&amp;anchor=para_113_a&amp;doctype=Standard">http://eifrs.ifrs.org/eifrs/xifrs-link?type=IFRS&amp;num=15&amp;code=ifrs-bx-2021-en-r&amp;anchor=para_113_a&amp;doctype=Standard</a>
	URIDate	2021-03-24
Disclosure Reference	Name	IFRS
	Number	15
	IssueDate	2021-01-01
	Paragraph	114
	Subparagraph	
	URI	<a href="http://eifrs.ifrs.org/eifrs/xifrs-link?type=IFRS&amp;num=15&amp;code=ifrs-bx-2021-en-r&amp;anchor=para_114&amp;doctype=Standard">http://eifrs.ifrs.org/eifrs/xifrs-link?type=IFRS&amp;num=15&amp;code=ifrs-bx-2021-en-r&amp;anchor=para_114&amp;doctype=Standard</a>
	URIDate	2021-03-24

Source:  
<https://bigfoot.corefiling.com/yeti/>

**Standards Navigator:** Taxonomy elements shown within bound volume text

**IFRS Taxonomy Illustrated:** List of Taxonomy elements in PDF or Excel

# Bringing it all together



Who	Standard-setter		Companies		Investors
What	Standards	Digital taxonomy	Financial reports	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

# Myth busting

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AI and machine learning will eliminate the need for tagged financial reports

AI benefits from the structure provided by digital taxonomies

- Data providers that use artificial intelligence essentially create their own taxonomy
- Once tagged data is available and extracted, AI can aid analysis



Data aggregators provide investors with what they need

Data aggregators play an important role in providing information to capital markets. However, data from data aggregators generally:

- is not freely accessible
- may not follow an entity's original presentation applying IFRS Accounting Standards
- may not include all data from all public IFRS reporters

A grayscale world map is the background, overlaid with a network of white dotted lines representing digital connections. On the left side, there are three overlapping, semi-transparent circular arcs that suggest a globe or a digital interface.

# Harnessing the benefits of digital financial reporting

# Current challenges to digital financial reporting

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Fragmented global adoption of the IFRS Accounting Taxonomy

Currently an investor cannot digitally compare IFRS reports from around the world

Sub-optimally useful and poor quality digital data

Risk of investor harm and loss of trust in capital markets

Suboptimal accessibility of digital data

Even if financial reports complied with IFRS Standards, were tagged using the IFRS Taxonomies and were of high quality, investors cannot access some of this data to analyse digitally

# Digital reporting vision

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## Our vision

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

## How we get there

Global adoption of IFRS Standards that are fit for digital purpose

Global adoption of IFRS Taxonomies that are fit for digital purpose

Assurance requirements and enforcer reviews

Accessibility, including platforms to access digital reports

# Feedback from respondents to the IASB's Third Agenda Consultation

Many respondents said the IASB should increase its current level of focus on digital financial reporting

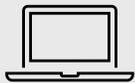
IFRS Accounting Standards	IFRS Accounting Taxonomy	Digital ecosystem
Ensure the IASB's approach to digital financial reporting responds to investors' needs	Consider improvements to the IFRS Accounting Taxonomy to better meet investors' needs	Strengthen the IASB's dialogue with regulators and standard-setters to increase the adoption of the IFRS Accounting Taxonomy
Research whether changes to the standard-setting are needed to facilitate the reporting of financial information in a digital format	Provide illustrative examples to support the application of the IFRS Accounting Taxonomy  Include common-reporting practices from a wide range of jurisdictions	Identify partners and work jointly with them to develop financial markets, where high-quality, comparable information is easily accessible in a digital format

# The IASB's response to feedback



The IASB agreed to **slightly increase** its focus on digital financial reporting to help improve the usefulness, quality, accessibility and comparability of digital financial information

The IASB plans to:



Consider the implications of increased consumption of digital financial information for Accounting Standards



Continue to improve the IFRS Accounting Taxonomy



Engage with digital ecosystem partners to raise awareness and support partners towards digital vision



Work with the ISSB to:

- develop consistent approaches and concepts for both IFRS digital taxonomies
- engage jointly with the digital reporting ecosystem to facilitate the consumption of digital reports

# Developing an IFRS Sustainability Disclosure Taxonomy – Staff request for comment

## Staff documents published

Published  
25 MAY

- Staff request for feedback
- Staff draft of the IFRS Sustainability Disclosure Taxonomy

## Purpose

- Support staff with the development of proposals for the digital taxonomy
- Seek feedback on fundamental matters to enable the ISSB to publish a digital taxonomy on a timely basis

Comments due  
30 SEP



Survey

or



Comment letter

Visit: [ifrs.org/projects/open-for-comment/](https://ifrs.org/projects/open-for-comment/)

These documents have not been approved by the ISSB and do not constitute due process documents

A grayscale world map is the background, showing continents and oceans. Overlaid on the map are several thick, curved, light-gray lines that sweep across the globe from the bottom left towards the top right. Additionally, there are several dotted lines that form a grid-like pattern across the map, representing latitude and longitude lines.

Questions?

# Find us online

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[ifrs.org/academics](https://ifrs.org/academics)



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International Accounting Standards Board



International Sustainability Standards Board