

# IASC Foundation



International Accounting Standards Committee Foundation

## **Due Process Handbook for XBRL Activities**

## **Project Summary and Feedback Statement**

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## Overview

eXtensible Business Reporting Language (XBRL) is a language that is used to communicate information between businesses and other users of financial information. The International Accounting Standards Committee Foundation (IASCF) XBRL team is the unit responsible for the development of a high quality Taxonomy for International Financial Reporting Standards (IFRSs). The IASCF's XBRL activities are part of the adoption and implementation strategy of the IASCF and is integrated with the development of IFRSs.

In 2001, the Trustees of the IASCF recognised the need for an electronic standard, based on IFRSs, to transmit financial information. Therefore the IASCF XBRL team was incepted and in November 2002<sup>1</sup>, the first IFRS Taxonomy was released. The 2002 IFRS Taxonomy, and also the subsequent IFRS Taxonomy releases, were coordinated by the IASCF but were primarily developed by the IFRS Working Group, a volunteer group comprised of members from organisations other than the IASCF. However, in 2007 the IASCF assumed full responsibility for the development of the IFRS Taxonomy and the mission statement of the XBRL team was refocused: to create and provide a framework for the consistent adoption and implementation of IFRSs with a high quality IASCF-developed IFRS Taxonomy in the same languages and at the same time as the IFRSs. Furthermore, two new committees were incepted to support the efforts of the XBRL team – the XBRL Advisory Council (XAC) and the XBRL Quality Review Team (XQRT).

These changes signalled the need to formalise the due process for the development of the IFRS Taxonomy and the other XBRL activities undertaken by the IASCF therefore, on 2 April 2009, the IASCF released an exposure draft of the *Due Process Handbook for XBRL Activities* for a comment period of 90 days. The objective of the *Due Process Handbook for XBRL Activities* is to set out the IASCF's XBRL mission, methodology and scope of work. It describes the mandatory procedures followed in developing the IFRS Taxonomy and in all other XBRL activities. In order to achieve the necessary level of quality, a substantial effort has been devoted to reviewing and defining a proper due process. The due process of the International Accounting Standards Board (IASB) for setting IFRSs has been taken as a reference.

## Consultation process

Public consultation on the exposure draft *Due Process Handbook for XBRL Activities* has been extensive and was conducted by the means of a formal review and also formal and informal consultations with the XBRL Board Advisory Group, XAC, XQRT and other constituents. A total of 11 comment letters were received on the exposure draft *Due Process Handbook for XBRL Activities* between 2 April to 17 July 2009, and all comments were published on the IFRS website unless requested otherwise by the respondent.

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<sup>1</sup> For comprehensive overview of taxonomies released by the IASCF visit <http://www.iasb.org/XBRL/IFRS+Taxonomy/Previous+taxonomies.htm>

During its deliberations, the IASCF XBRL team considered the feedback received in the comment letters along with concerns and matters raised through its other consultations. The result is a significant degree of difference between the exposure draft and the revised (to be final) *Due Process Handbook for XBRL Activities*. All changes to the final *Due Process Handbook for XBRL Activities* have been approved by the Trustees of the IASCF.

## **Next steps**

There are currently ongoing discussions taking place that may impact the *Due Process Handbook for XBRL Activities* in the future, and which run along two themes. The first concerns the increased involvement of the IASB and its technical staff in the development of the IFRS Taxonomy, in particular during the implementation of IFRSs stage when the content of the IFRS Taxonomy is aligned with the underlying IFRSs issued by the IASB. This discussion between the XBRL team and members of the XBRL Board Advisory Group is ongoing. The second topic concerns extending the scope of the IASCF's XBRL activities to include the development of common practice and industry-specific disclosure items for the IFRS Taxonomy. This discussion between the XBRL team, the IASB, the Trustees of the IASCF and the XAC is also ongoing. Any changes to the Due Process for XBRL Activities arising from these consultations shall be released for public review.

## Feedback statement

### Summary

Below is a summary of the most significant changes that have been implemented in the *Due Process Handbook for XBRL Activities* following the public review.

1. In response to concerns expressed by respondents, the IASCF XBRL team has amended the organisation and operating procedures of the XQRT. A Chairman of the XQRT has been introduced to enhance the efficiency of the XQRT, and the decision-making mechanisms of the XAC and XQRT have also been clarified.
2. In response to concerns expressed by respondents, the IASCF XBRL team has amended its statement that the primary stakeholders of the IFRS Taxonomy are investors, to include all users of financial statements as prescribed in the IASB Framework for the Preparation and Presentation of Financial Statements. The reason being that it is understood that while IFRSs and the IFRS Taxonomy are not always used for the same purposes, both IFRSs and the Taxonomy support the users of financial statements.
3. The IASCF XBRL team has reinforced statements concerning the ongoing nature of IFRS Taxonomy development. In particular, the release of IFRS Taxonomy extensions for additional IFRSs (ie. IFRSs released after the final annual IFRS Taxonomy or exposure drafts of IFRSs).
4. In response to concerns expressed by respondents regarding the stability of the IFRS Taxonomy architecture, the IASCF XBRL team has formalised the process of introducing changes to the architecture of the IFRS Taxonomy by consulting the public on any proposed changes by the means of a Request for Information, and allowing public review of amended IFRS Taxonomy architecture proposals by the means of a Taxonomy Architecture Draft document that precedes the XQRT review and exposure draft. Furthermore, the XBRL team's approach to cost/benefit analysis in assessing the impact of introducing changes in the IFRS Taxonomy has been clarified.
5. The IASCF's disclaimer has now been revised and included the Handbook: *The IASCF has put in place this formal due process procedure. Every effort is made to ensure that the IASCF XBRL activities comply with this due process procedure. Whilst all reasonable endeavours have been made to ensure the accuracy of the Taxonomy and compliance with due process, neither the IASCF, the IASB, XBRL International, nor any other associated entity accept any responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in the Taxonomy, whether such loss is caused by negligence or otherwise.*

### Full feedback

The following section provides more detailed analysis of the matters raised by respondents, and the IASCF XBRL team's position on these matters.

#### XAC and XQRT terms

In response to concerns expressed by respondents over confusion of the terms of the XAC and XQRT, the IASCF confirms that these bodies are vital to the development of the IFRS Taxonomy and are therefore long-standing. Therefore with the approval of the Trustees of the IASCF, there is no

longer a term for the XAC and XQRT however, in order to ensure a broad, balanced and active membership, the following membership terms shall continue to apply:

- XAC and XQRT membership nominations shall be considered by the Due Process Oversight Committee of the Trustees of the IASCF.
- Inaugural XAC and XQRT members were appointed in early 2008 for an initial term ending on 31 December 2010. Thereafter, and depending upon the need to maintain a proper balance and for continuity, members may be asked to remain for a further period of up to three years. A maximum period of service of six years is permitted.
- The inaugural term of office of the Chairman of the XAC and XQRT ends on 31 December 2010. Thereafter, the Chairman of the XAC and XQRT may be asked to remain for a further period of three years. A maximum term of six years is permitted.
- XAC and XQRT members who do not participate in three consecutive meetings or conference calls may be asked by the Director of XBRL Activities and the XAC or XQRT Chairman to stand down.

The charter and operating procedures of the XQRT has also been clarified, and a Chairman has been introduced to enhance its efficiency. Furthermore, the decision-making mechanisms of the XAC and XQRT have also been clarified.

### **Stakeholders of the Taxonomy**

In response to concerns expressed by respondents, the IASCF XBRL team has amended its statement that the primary stakeholders of the IFRS Taxonomy are investors, to include all users of financial statements as prescribed in the IASB Framework for the Preparation and Presentation of Financial Statements. The reason being, that it is understood that while IFRSs and the Taxonomy are not always used for the same purposes, both IFRSs and the Taxonomy support the users of financial statements.

### **Continuous and recurrent character of the due process**

Upon the suggestion of respondents, the continuous character of the due process and the stages within it has been reinforced. Specifically, the ongoing nature of stage 2a: technology alignment and 2b: implementation of IFRSs has been made explicit. Most respondents agreed with a final annual release of the IFRS Taxonomy at the end of each development cycle to ensure a stable platform for the implementation of the IFS Taxonomy. Further alignment with the release timeline of IFRSs has also been included with the release of IFRS Taxonomy extensions for additional IFRSs and exposure drafts of IFRSs issued after the final, annual IFRS Taxonomy release.

### **Draft taxonomies**

In response to concerns expressed by respondents, the IASCF XBRL team has introduced the development of IFRS Taxonomy extensions for additional IFRSs (ie. IFRSs released after the final annual IFRS Taxonomy or exposure drafts of IFRSs). These IFRS Taxonomy extensions do not amend the final annual IFRS Taxonomy released at the end of a development cycle.

### **Taxonomy stability**

In response to concerns expressed by respondents regarding the stability of the IFRS Taxonomy architecture, the IASCF XBRL team has formalised the process of introducing changes to the architecture of the IFRS Taxonomy by consulting the public on any proposed changes by the means of a Request for Information, and allowing public review of the result of this consultation by the means of a Taxonomy architecture draft (a newly-introduced draft document that precedes the XQRT review and exposure draft of the Taxonomy).

The IASCF XBRL team's participation in the ITA project, part of an effort to converge three Taxonomy architectures within the international arena, places a degree of constraint on changes to the architecture of the IFRS Taxonomy architecture as any architectural changes must comply with the objectives of the project.

Furthermore, the cost/benefit analysis addressed in the due process, which is already an integral part of the taxonomy development cycle, ensures that stability is a crucial consideration when conducting XBRL activities. In response to concerns expressed by respondents, further emphasis has been placed on the need for cost/benefit analysis in the case of proposed changes to the architecture of the IFRS Taxonomy.

### **Taxonomy testing**

In response to concerns expressed by respondents that testing is not explicitly addressed in the *Due Process Handbook for XBRL Activities*, the IASCF XBRL team's field testing activities have been clarified and made more explicit. We would like to note that testing was addressed in the exposure draft of the *Due Process Handbook for XBRL Activities* as part of the building stage. Testing is also an integral part of the development of the IFRS Taxonomy and takes place throughout the taxonomy development cycle, in particular during and following the XQRT and exposure draft reviews. The criteria for re-exposure of the IFRS Taxonomy has also been clarified.

### **Taxonomy review and approval**

In response to concerns expressed by respondents, the issue of quality has been addressed explicitly and is assured by the extensive consultation conducted and the review of the IFRS Taxonomy by the XQRT (and the newly-introduced formal voting procedure) and the public throughout the Taxonomy development cycle.

Although there is no formal approval of the IFRS Taxonomy from the IASB, the IASCF approves the IFRS Taxonomy to the extent included in the IASCF's Intellectual Property disclaimer. Furthermore, the Trustees of the IASCF provide a statement of recognition for final annual releases of the IFRS Taxonomy.

Quality review processes for translations of the IFRS Taxonomy have not been introduced to the due process as these are not coordinated by the IASCF XBRL team and therefore are not part of the XBRL activities, but rather are subject to the quality review process of the IASCF Translations department.

### **Wording of the development stages**

The name of stage 2a *technology evaluation* has remained unchanged as respondents felt it was an accurate reflection of the activities conducted as this stage of the due process. The name of stage 2b *alignment of underlying IFRSs* has been changed to *implementation of IFRSs*, upon the suggestion of respondents that 'alignment' does not accurately reflect the activities conducted at this stage of the due process.

### **IASB involvement in the due process for XBRL activities**

Upon the request of respondents, the scope of the current involvement of the IASB and its technical staff has been clarified in stage 2b: implementation of IFRSs. As previously stated, the increased involvement of the IASB and its technical staff in the development of the IFRS Taxonomy is currently an ongoing discussion between the IASCF XBRL team and members of the XBRL Board Advisory Group. Currently, the IASB is not officially involved in the development or review of the IFRS Taxonomy.

### **Taxonomy development in alignment with the IFRSs**

Upon the request of respondents the approach followed throughout the development of the Taxonomy reflecting IFRSs existing in parallel (where two IFRSs exist - one that is effective and another that can be adopted early) has been further clarified in the due process.

The IASCF XBRL team does not agree with the comments that the IFRS Taxonomy should be aligned with the time requirements of any jurisdictions or governments simply because IFRSs are used by a wide range of stakeholders with different requirements and timelines.

### **Additional reporting components outside IFRSs**

Most respondents agreed that document- and entity-specific concepts should not be included in the IFRS Taxonomy, because they are often receiver-specific. Most respondents also agreed that common practice concepts should be included in the scope of the IASCF's XBRL activities. As previously stated, discussions concerning extending the scope of the IASCF's XBRL activities to

include the development of common practice and industry-specific disclosure items for the IFRS Taxonomy are ongoing between the IASCF XBRL team, the IASB, the Trustees of the IASCF and the XAC. Therefore there are no changes to the *Due Process Handbook for XBRL Activities* regarding additional reporting components outside IFRSs. However, the IASCF XBRL team will enhance its field testing activities in order to better assess the need for, and feasibility of, developing common practice items in the future. This will entail the review of financial reports but is not currently a formal part of the due process or a signal of a change in scope of the IASCF's XBRL activities.

#### **Liaison and other cooperation**

Upon the suggestion of respondents, the IASCF XBRL team's participation in the Interoperable Taxonomy Architecture (ITA) project is now explicitly addressed in the due process.

#### **Glossary**

A glossary has not been introduced to the *Due Process Handbook for XBRL Activities* as the IASCF XBRL team has endeavoured to avoid using technical terminology, and where the technical terminology have been used an explanation has been provided.