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Welcome to a session on: Digital Financial Reporting

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Australian Government
Australian Accounting Standards Board

Digital Financial Reporting

Ann Tarca, IASB member
1 June 2023

Why digital financial reporting is important



More and more information is becoming available to investors

- Including sustainability-related financial information



By digitalising financial reports, information becomes machine-readable, allowing investors to extract, compare and analyse information efficiently



Digital financial reporting provides opportunities to improve capital market efficiency and reduce cost of capital



Reduced search costs



Increased analyst coverage



Increased access to capital



Level playing field for investors



Reduced language barrier



Investors are increasingly consuming information through digital means to make investment decisions

- Over 90% of global market capitalisation already required to prepare some form of digital financial reporting (including US, EU, China, UK, India, Japan, South Korea)

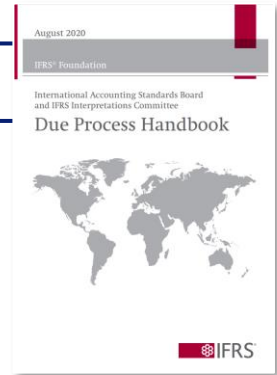
How are financial statements digitalised?



Who	Standard-setter		Companies		Investors
What	Standards	Digital taxonomy [#]	Financial reports	Use tagging software to tag disclosures in financial reports	Digital consumption

[#]A digital taxonomy provides a list of elements (often referred to as ‘tags’) that allow disclosures to be classified and structured in a manner which makes the disclosures machine-readable

A digital taxonomy is different from, for example, a green taxonomy used to classify environmentally sustainable economic activities



The IFRS Accounting Taxonomy

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

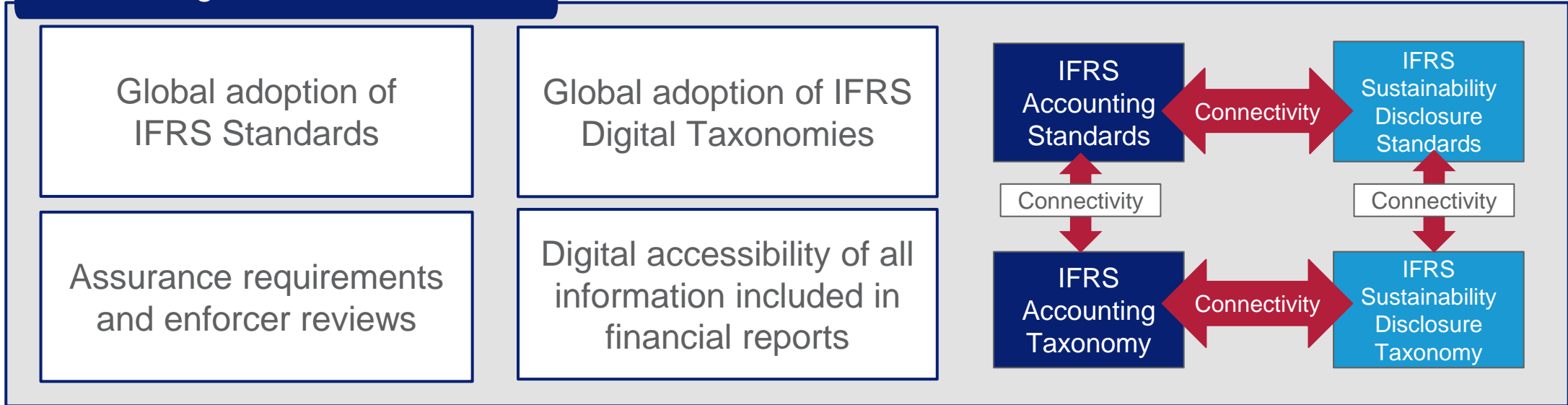
It is not a disclosure checklist


It does not dictate how preparers should present their reports

Where the world needs to be

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

How we get there

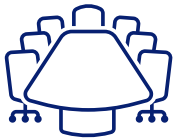


 Achieving this vision will require a coordinated effort by multiple players in the financial reporting and digital ecosystems

IASB's focus on digital financial reporting



Historically the IASB's focus has primarily been on updating the IFRS Accounting Taxonomy for updates to IFRS Accounting Standards



As part of its Agenda Consultation on its priorities for 2022 to 2026, the IASB agreed to **slightly increase** its level of focus on digital financial reporting

To help improve the usefulness, quality, accessibility and comparability of digital financial information the IASB plans to:



continue to update and improve the IFRS Accounting Taxonomy



consider the implications for IFRS Accounting Standards from increasing digital consumption of financial reports



work with partners in the digital ecosystem to facilitate the digital consumption of financial reports

Follow us online

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

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

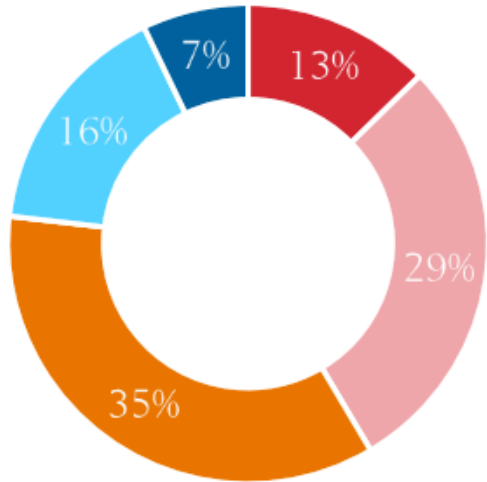
 [International Accounting
Standards Board](https://www.linkedin.com/company/ifrs-foundation)

Digital financial reporting

Challenges in corporate reporting and how digital financial reporting can help

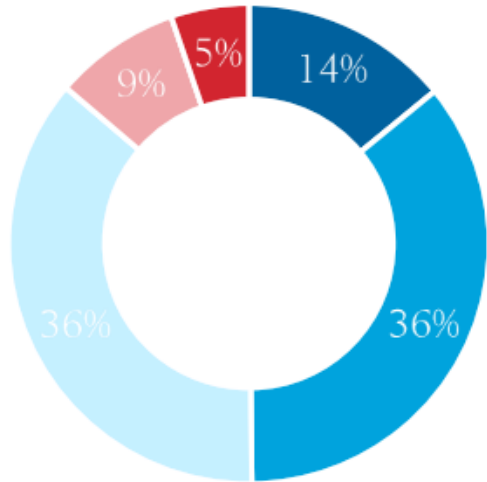
Investor needs

The financial reports presented by Australian listed companies contain a lot of detailed information. In your opinion, are the financial reports...?



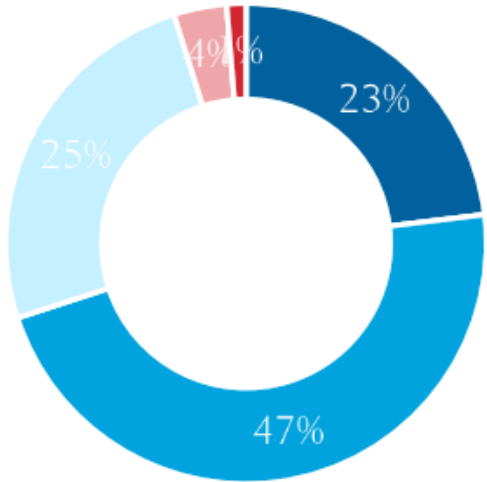
- Very difficult to understand
- Quite difficult to understand
- Somewhat difficult to understand
- A little difficult to understand
- Not difficult to understand

To what extent do you expect the availability of more customised, digital financial reporting would improve your ability to access financial information?



- Greatly improve
- Improve quite a bit
- Some improvement
- Very little improvement
- No improvement

To what extent would you support making digital financial reporting mandatory in order to increase the availability of this information:



- Strongly support
- Support
- Indifferent
- Do not support
- Strongly do not support

Base: Total AU Sample: 2022 n=1010 (Questions added 2022)



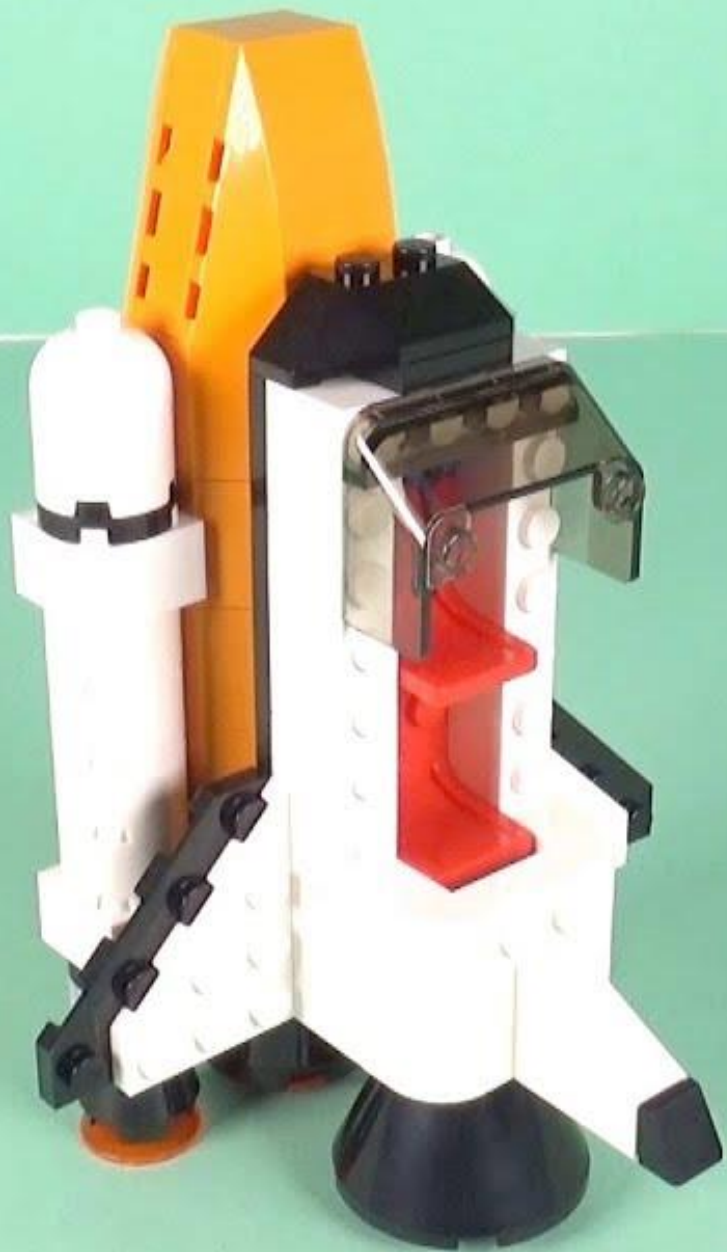
Challenges in corporate reporting...

- **Complexity**
- **Diversity of users**
- **Conservative vs. informative**
- **Accountability vs. hindsight**
- **Judgement**
- **Pace of change**











Right now...

- **Customisation and user driven presentation**
- **Consistency, comparability and accuracy**
- **Regulatory and academic value**
- **Global relevance**



Blue sky thinking...

- **A new reporting canvas?**
- **New ways to tackle estimates / judgement?**
- **Deeper disclosures without complexity overload?**
- **Artificial intelligence and other emerging tech?**





Digital Financial Reporting for Preparers

Japan 2008



New City Corporation implementation

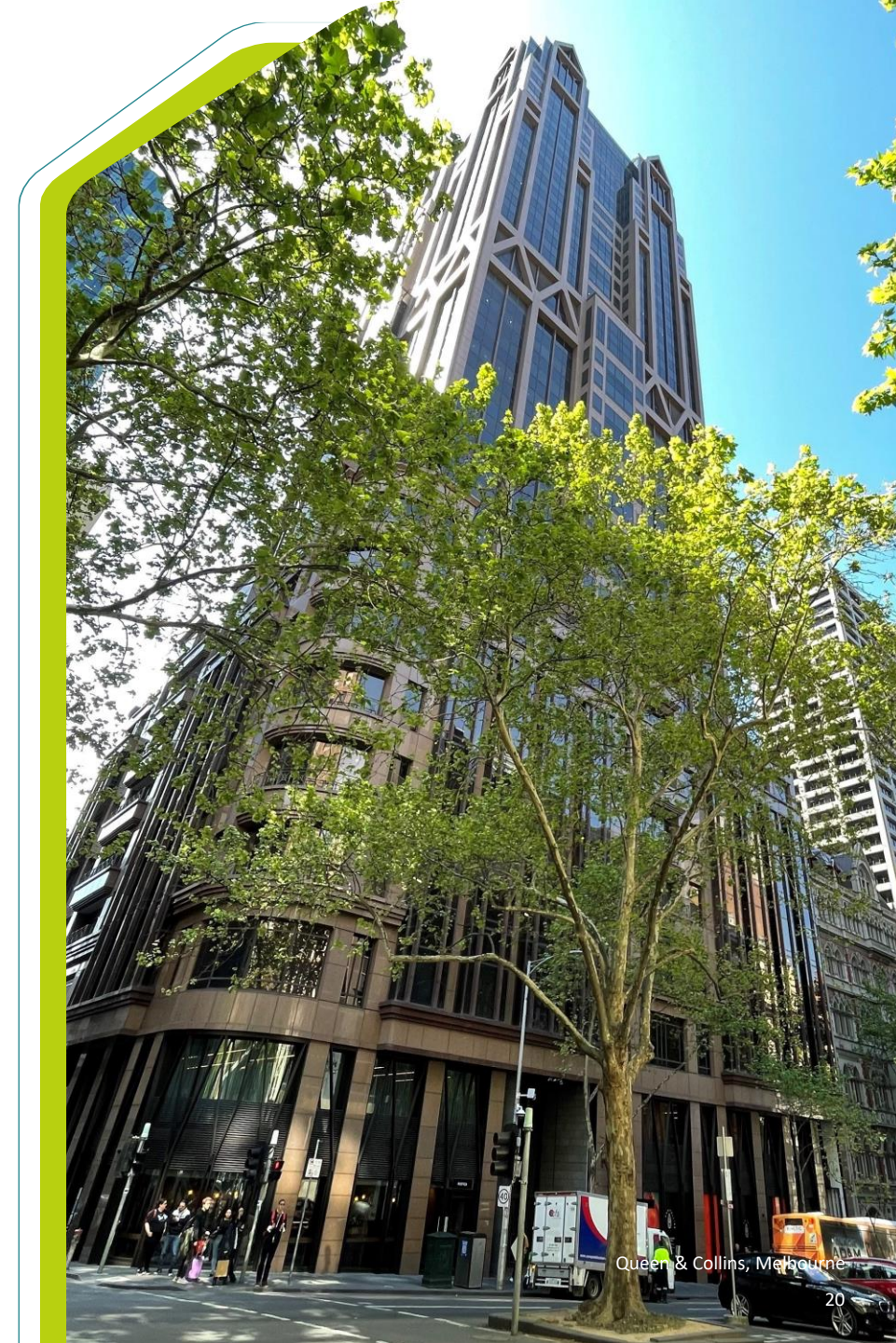


ERP



勤定奉行[®]

Regulatory
reporting and
XBRL



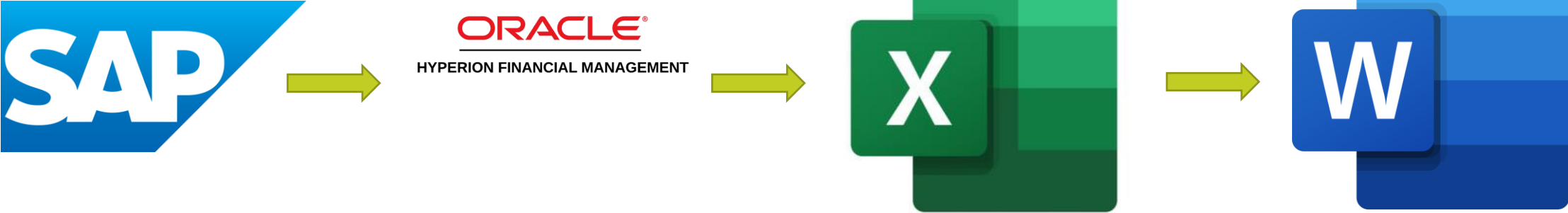
XBRL software

- »CoreFiling – True North Suite
- »Fujitsu Interstage Xwand
- »IRIS Business Services – IRIS Carbon (Excel add-in)
- »Arelle – free open source software
- »ParsePort
- »Workiva Wdesk



Project Helix

Original method



New method



Presentation layer

GPT WHOLESALE OFFICE FUND NO. 1 AND ITS CONTROLLED ENTITIES |

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 Year ended 30 June 2023

Header: Financial Statements

	Note	30 Jun 23
		\$M
Revenue		
Rent from investment properties	12	—
Other Income		
Share of profit of equity accounted investments	3(c)	—
Net impact of foreign currency borrowings and associated hedging gain	9(b)	—
Interest revenue		—
Total revenue and other income		—
Expenses		
Fair value loss/(gain) on investment properties	2(c)	—
Property expenses and outgoings		—
Management and other administration costs		—
Responsible Entity fee	10	—
Impairment loss on trade and other receivables		—
Fair value gain on derivatives		—
Finance costs		—
Total expenses		—

VIEWING Financial Statements

Data layer

The screenshot displays a web-based spreadsheet application. The browser address bar shows the URL: `app.wdesk.com/a/QWNjb3VudB85Nzl3OTMxODQ5/spreadsheet/35b907eee8a844fb924a7cea951ef76c/-1/sheet/00ff6fb66bed4306927b807dae...`

The application title is "GWOF Consolidated Financial Report Spreadsheet". The interface includes a menu bar with "File", "Edit", "Data", "View", and "Review". Below the menu is a ribbon with various toolbars: "Publish", "Undo", "Redo", "Properties", "Styles", "Font" (with options for Bold, Italic, Underline, Text Color, Background Color, Font Size, and Font Family), "Paragraph" (with options for Text Alignment, Bulleted List, Numbered List, Indentation, and Orientation), "Tables" (with options for Insert Table, Delete Table, and Table Properties), "Value Formatting" (with options for Currency, Percentage, and Text), and "Modify" (with options for Clear, Painter, and Conditions).

The main grid area shows columns A, B, and C, and rows 1 through 20. The active cell E10 contains the formula: `=INDEX(PL-Data!A1:J10000,MATCH($A10;PL-Data!$A:$A,FALSE),MATCH(E$1;Key Statements Controls!$4:$4,0))`. The spreadsheet content includes categories like Revenue, Other Income, Total revenue and other income, Expenses, and Responsible Entity fee.

The left-hand navigation pane lists various report sections:

- Directors Report Controls
 - Key Statements Controls
 - SOCIE-DataHelper
 - Notes - Controls
 - Definition Table
 - Validations
 - Control checks - Central v...
 - Note Numbering
 - Directors' Report
 - CFO Update Tables
 - Capital Management
 - Tables
 - Financial Statements
 - Consolidated Statement...

Taxonomy tagging in Workiva

**ABC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)**

	A	B	C	D
		March 31, 2019	December 31, 2018	
Assets				
Current assets				
Cash and cash equivalents		\$ 90,978	\$ 62,505	
Accounts receivable, less allowances (2019 - \$4,522; 2018 - \$4,751)		205,262	279,460	
Inventories		220,254	216,520	
Prepaid expenses and other current assets		23,330	31,680	
Total current assets		539,824	590,165	
Deferred income taxes		30,691	28,829	
Property and equipment, net		208,434	210,501	
Goodwill		361,863	256,104	
Other intangible assets, net		214,949	112,092	
Other assets		22,302	47,594	
Total assets		1,378,063	1,245,285	
Liabilities and Stockholders' Equity				
Current liabilities				
Short-term debt		\$ 85,840	\$ 89,299	
Accounts payable and accrued liabilities		91,157	92,524	
Deferred revenue		67,119	83,462	
Other current liabilities		4,089	4,457	
Total current liabilities		248,205	269,742	
Long-term debt		361,461	241,148	
Deferred income taxes		8,823	8,110	
Other liabilities		49,598	46,637	
Commitments and contingencies				
Stockholders' equity				
Preferred stock - par value \$0.001 per share; 1,000,000 shares authorized, none issued and outstanding at March 31, 2019 and December 31, 2018, respectively		—	—	
Common stock - par value \$0.01 per share; 150,000,000 shares authorized, 59,492,107 and 59,489,104 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively		595	593	

Fact Details
Cell B4

Concept
Cash and Cash Equivalents, at Carrying...

Dimensions
Select Dimension

Fiscal Date 3/31/2019

Source Value 90978000

Fact Value 90978000

Accuracy -3 (Thousands)

Units US Dollar

Calculations
= (D) Assets, Current
= (D) Assets, Current
= (D) Assets, Current
+ Create

Footnotes
Manage Footnotes

Fact Options
Reverse Fact Value Sign
Include if Zero
Include if Nil

Taxonomy tagging in Workiva

(Unaudited)

A	B	C	D
	December 31, 2022		December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	1,316,310		886,443
Short-term investments	1,483,203		254,063
Trade receivables, net of allowances for doubtful accounts of \$6,474 and \$4,128, respectively	315,000		300,000
Deferred income taxes	76,382		73,444

Fact Details

Concept *

- Cash and Cash Equivalents, at Carrying V...

Dimensions

Select Dimension

Fiscal Date * 12/31/2022

Source Value 1316310000

Fact Value 1316300000

Accuracy -5 (Hundred Thousands) ▾

Units * US Dollar

Calculations

+ Create

XBRL Footnotes

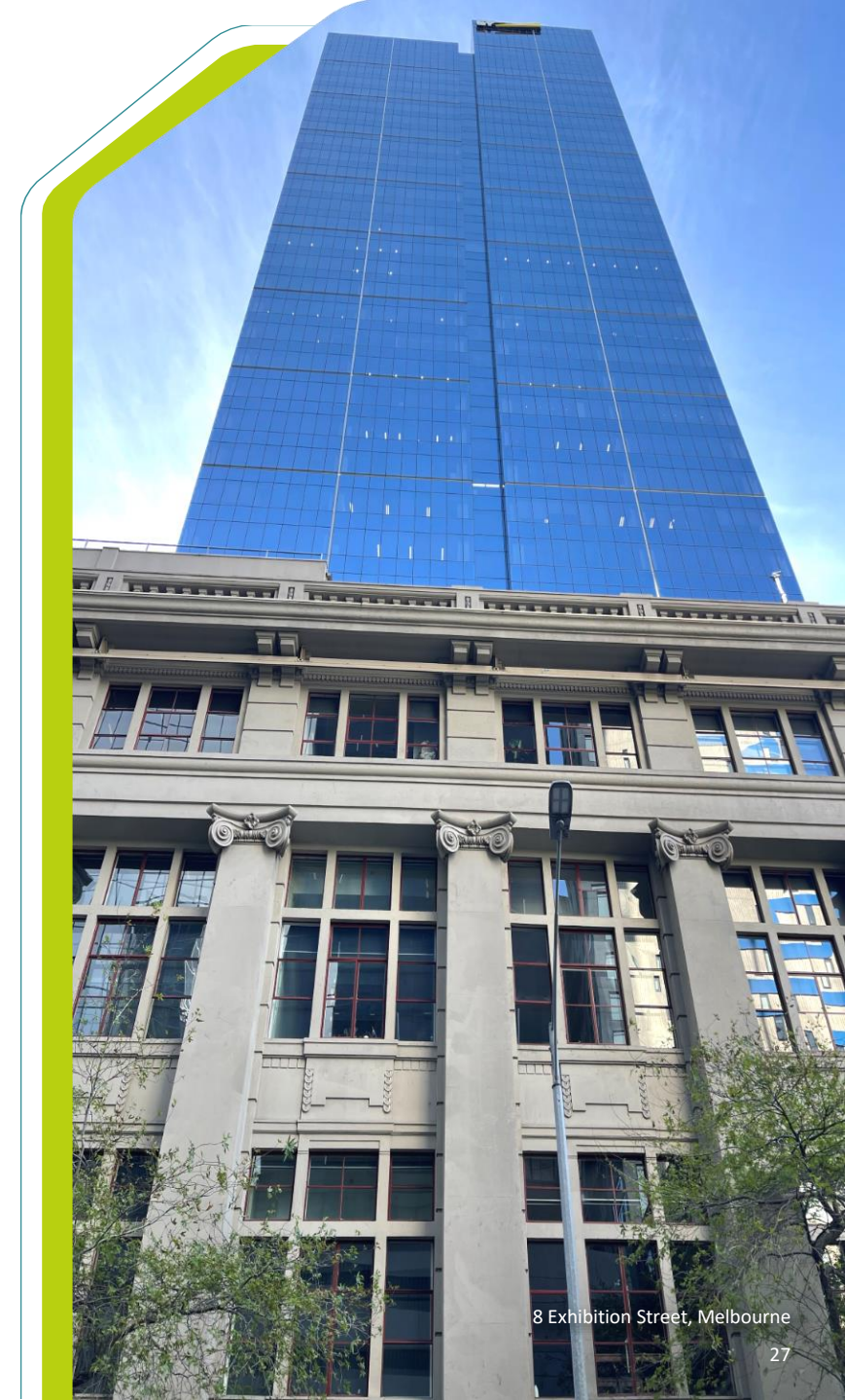
Apply New

Fact Options

- Reverse Fact Value Sign
- Include if Zero
- Include if Nil

Investor queries

- » Fund Analysts spend significant amounts of time providing investors and external analysts information
- » Often required to type financial (and other) information into investor portals
- » Significant benefits for investors at the point of investment selection – easy access to large amounts of comparable data



Other data?





ASIC
Australian Securities &
Investments Commission

Digital financial reporting

Doug Niven
Chief Accountant

June 2023

ASiC implementation

- Voluntary since 2010

- | | | |
|---------------------|---|----------------------|
| • Tagging | ➔ | Comparability |
| • Human readable | ➔ | Flexibility |
| • Formula linkbase | ➔ | Internal consistency |
| • Validation checks | ➔ | Quality |

Tagging (comparability)

Features	Benefits for preparers and users
True IFRS taxonomy	Cross-border compatibility: <ul style="list-style-type: none"> • Investors, acquisitions, subsidiaries • Australian companies listed in US • Reduced cost of capital
Australian supplemental taxonomy	Comprehensive
Timely information	Timely and comprehensive analysis
Company tags against definitions	High quality <ul style="list-style-type: none"> • No need to guess classification • Reduced errors
No company extensions (except segment reporting)	Comparability/quality
Can embed in systems	More efficient processes
Initial tagging - automated/ services	Minimise implementation costs
Existing software	Minimise implementation costs
Potential re-use across govt	Efficiency



Human readable (flexibility)

Features	Benefits for preparers and users
Rendering as pdf	Readily accessible
Uses web browser	Readily accessible
Uses hyperlinks	Better navigation <ul style="list-style-type: none">• Assists in telling story across OFR & financial report• Address complexity (access supporting detail when needed)
Embed images	Better communication
Embed video	Better communication



The future?

- ASIC to implement ISSB taxonomy
- ASIC continues liaison/education – preparers, users, regulators (domestic & international)
- IOSCO endorsement?
- Mandating?
- Transition if mandated – who, when, what?
- ASX adoption?
- Public database?

Some reference sources

1. ASIC website - <https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/digital-financial-reports/>
2. ASIC introductory video - <https://www.youtube.com/watch?v=SArROedhOjl>
3. ASIC webinar on 8 June 2021 re international developments and opportunities for Australia - <https://www.youtube.com/watch?v=VtcsAl53xAs>

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Digital Financial Reporting

Dr Keith Kendall

AASB Chair

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2022-2026 AASB Agenda Consultation



Feedback Statement
AASB Agenda Consultation
2022–2026

Decisions

- Added Digital Financial Reporting topic as a monitoring project

Next steps

- Monitor the development of digital financial reporting
- Support and facilitate the development as appropriate, such as
 - Collaborate with other standard-setters and regulators
 - Research projects
 - Education

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Thank You.



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