



IMPLEMENTATION OF EU PRACTICES FOR ACCOUNTING, FINANCIAL REPORTING AND AUDIT IN UKRAINE

*Progress in implementation of financial reporting under
IFRS XBRL Taxonomy
6th July 2021*



EU-FAAR



Role of EU-FAAR project and EU-funded support



- ▶ Since 2015 the European Union has been providing support to the Ministry of Finance and the Ukrainian financial regulators in the implementation of a new reporting framework using a single electronic format based on EU standards.
- ▶ The new reporting standard, the Ukrainian IFRS XBRL Taxonomy (UA IFRS XBRL Taxonomy) electronic files, is to be used by the PIEs (Public Interest Entities) and other entities as defined in the regulations issued by the MoF for preparing their financial statements and explanatory notes according to the IFRS standards in XBRL electronic format.
- ▶ With the support of the EU technical assistance, the first version of the UA IFRS XBRL Taxonomy electronic files were published in December 2018. An updated version was also developed and published in December 2019.
- ▶ The new UA IFRS XBRL 2020 Taxonomy has been developed with the support of the EU-FAAR project, in cooperation with the MoF and the participant regulators.
- ▶ EU-FAAR project include among its core objectives to provide support to the MoF and the regulators in the development and updating of the taxonomy, together with training and technical support in its implementation.

Adopted standards



The new UA IFRS XBRL 2020 Taxonomy has been developed based on the most widespread standards for financial reporting:

- XBRL (eXtensible Business Reporting Language) is a freely available and global standard for exchanging business information.
- The IFRS Taxonomy, published by the IFRS Foundation, is the XBRL representation of the presentation and disclosure requirements of the IFRS Standards as issued by the International Accounting Standards Board (IASB).
- The iXBRL, or Inline XBRL, is an open standard that enables a single instance document which includes two layers:
 - a human-readable layer that can be read by any user that has a web browser,
 - and an XBRL formatted report that can be processed by the financial management information systems.



Advantages of the IFRS XBRL reporting



- Increase the transparency of financial statements, both for investors and supervisors:
 - Ensure that financial statements represent a true and fair view, based on IFRS accounting and reporting standards.
 - Allow financial statements to be compared with other companies and market benchmarks.
- Financial statements are reported electronically using Inline XBRL format, avoiding manual intervention and reducing errors and administrative burden.
- Provide the companies with a single window for financial reporting of IFRS financial statements, notes and auditor report.

Who uses XBRL and IFRS standards in the European Union?



XBRL for CRD IV since 2007

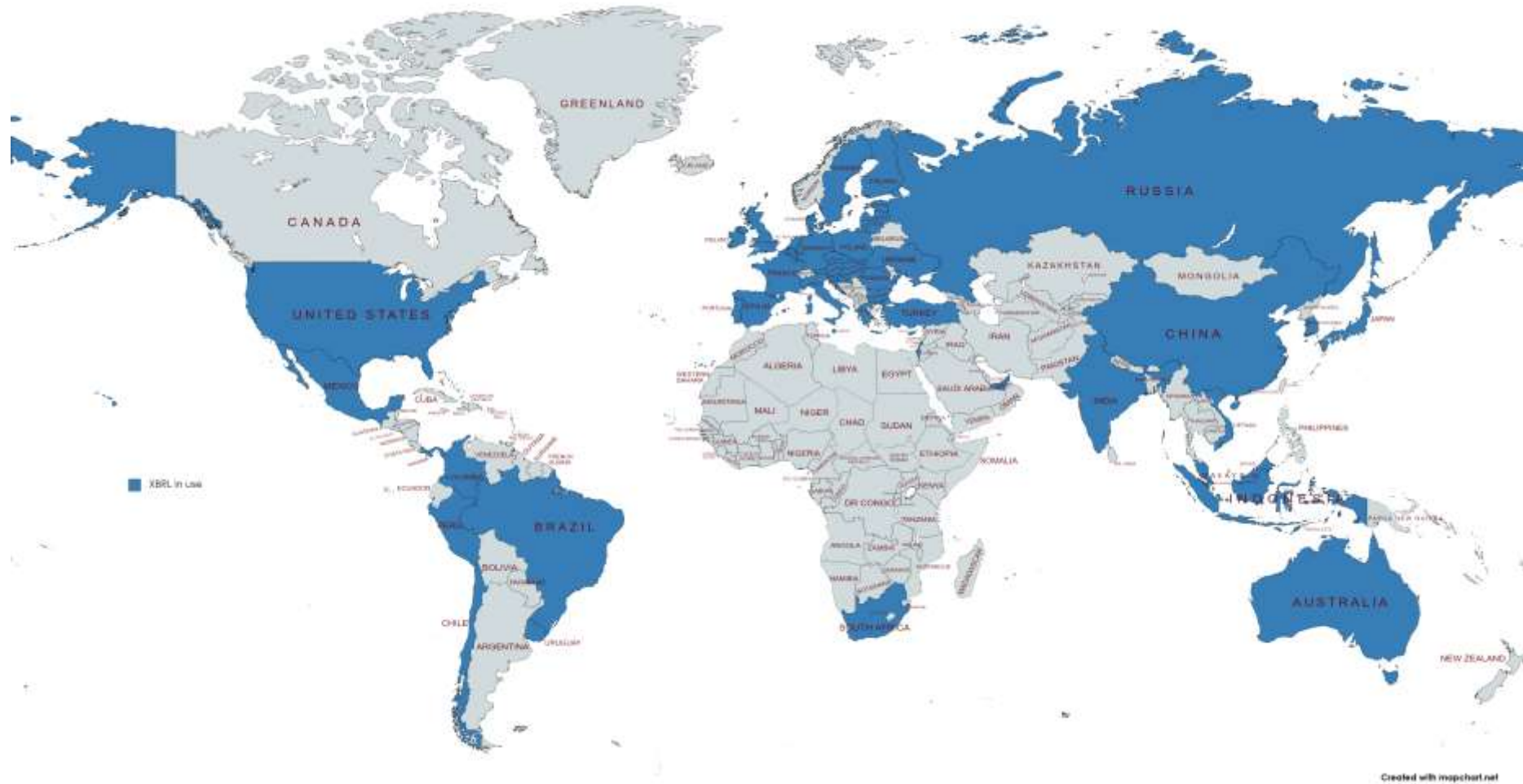


XBRL for Solvency II since 2014



iXBRL IFRS Taxonomy since 2020

Who uses XBRL in the world?



The IFRS Taxonomy



The taxonomies are the core of the XBRL standard, they define the way in which each financial information element is defined.

- The IFRS Taxonomy, developed by the IFRS Foundation, reflects the presentation and disclosure requirements of IFRS Standards.
- Updates to the IFRS Taxonomy are released when the International Accounting Standards Board (Board) issues new or amended Standards that affect IFRS Taxonomy content.
- The new UA IFRS XBRL 2020 Taxonomy has included the latest updates made by the IFRS Foundation in its taxonomy.

The screenshot displays the IFRS Taxonomy website interface. At the top, there is a navigation bar with the IFRS logo and a 'Sign in' link. Below this is a secondary menu with categories: ABOUT US, AROUND THE WORLD, ISSUED STANDARDS, APPLYING THE STANDARDS, PROJECTS, NEWS AND EVENTS, and SERVICES. The main content area features a breadcrumb trail: Home > Issued Standards > IFRS Taxonomy. A large red banner contains the text 'IFRS Taxonomy' and a 'Follow' toggle switch. Below the banner is another navigation bar with tabs: ABOUT, ANNUAL TAXONOMIES, TAXONOMY UPDATES, GENERAL RESOURCES, and NEWS. A video player is embedded, showing a video titled 'Taxonomy doesn't have to be taxing' with the subtitle 'An introduction to the IFRS Taxonomy™'. To the right of the video player is a 'Related information' section with links to 'The IFRS Taxonomy Consultative Group', 'IFRS Taxonomy around the world', 'Legal information', and 'Contact us'.

Structure of the UA IFRS XBRL 2020 Taxonomy



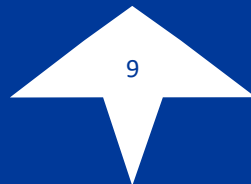
In addition to the elements defined in the IFRS Taxonomy, the UA IFRS XBRL 2020 Taxonomy include a set of specific Ukrainian financial elements that are added to the financial statements and notes.

The UA IFRS XBRL 2020 Taxonomy, is composed by one general taxonomy and two sectorial extensions:

- The UA IFRS Taxonomy Banking Extension is to be used by entities licensed as banks.
- The UA IFRS Taxonomy Insurance Extension is to be used by entities licensed as insurance companies. The insurance extension has two options, or entry points depending on the reporting method for assets in the statement of financial position (current/non-current and order of liquidity) and for the statement of comprehensive income, profit or loss by nature or function of expense.
- The UA IFRS General Taxonomy is applicable to the rest of PIEs and other entities as defined in the regulations, excluding banks and insurance undertakings. The general taxonomy has also two options, or entry points, depending on the reporting method for assets in the statement of financial position (current/non-current and order of liquidity) and for the statement of comprehensive income, profit or loss by nature or function of expense.



Challenges in developing and updating the UA IFRS XBRL Taxonomy



Activities for updating the UA IFRS XBRL Taxonomy



The process for updating the Ukrainian IFRS XBRL Taxonomy is composed of two steps:

- First, to translate to Ukrainian the amendments made by the IFRS Foundation in its Standard IFRS Taxonomy. These changes may affect amendments both in the labels of the taxonomy and disclosure tables based on the latest IFRS standards approved.
- Second, to introduce in the Ukrainian IFRS XBRL Taxonomy electronic formats those amendments proposed by the Ukrainian regulators that may affect:
 - Correction on the already used wording of the specific Ukrainian IFRS Taxonomy labels.
 - New proposals from the regulators regarding specific Ukrainian reporting elements that may improve the quality of the financial information (new tables or notes, amendments in calculations formulas, etc.). All this proposed amendments must always be consistent with the IFRS Foundation standards.

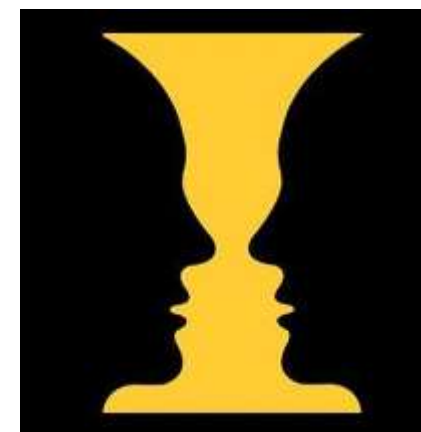
All these amendments will be introduced in the Ukrainian IFRS XBRL Taxonomy electronic formats and published by the regulators to be used by reporting entities.



Why are there challenges?



- ▶ Producing a taxonomy forces definitions to be precise and unambiguous
 - ▶ Usually where you didn't realise things were ambiguous!
- ▶ Taxonomy is machine readable so make it easier to identify inconsistencies
 - ▶ Find more problems
 - ▶ Find them quicker
- ▶ Taxonomy development is a **human process**, requiring participation, collaboration and agreement leading to a **technical outcome**





So what are the challenges?



1. Knowing what to do!



- ▶ Getting all the changes recorded in one place from various stakeholders
 - ▶ Lots of stakeholders
- ▶ The size of the change request can often be a lot greater when expressed through XBRL than you would think
 - ▶ Including an additional Ukrainian component to an IFRS concept involves slightly different changes to presentation, dimensional validation, calculations, labels etc.



2. Agreeing what, exactly, needs to be done



- ▶ Finding some of the proposed changes interfere with each other
- ▶ Finding there is disagreement over the “right” thing
 - ▶ Sometimes this can be a lost in translation moment
 - ▶ Sometimes this is two different ways of solving the problem
 - ▶ Which is better?
 - ▶ Which is simpler? For who?



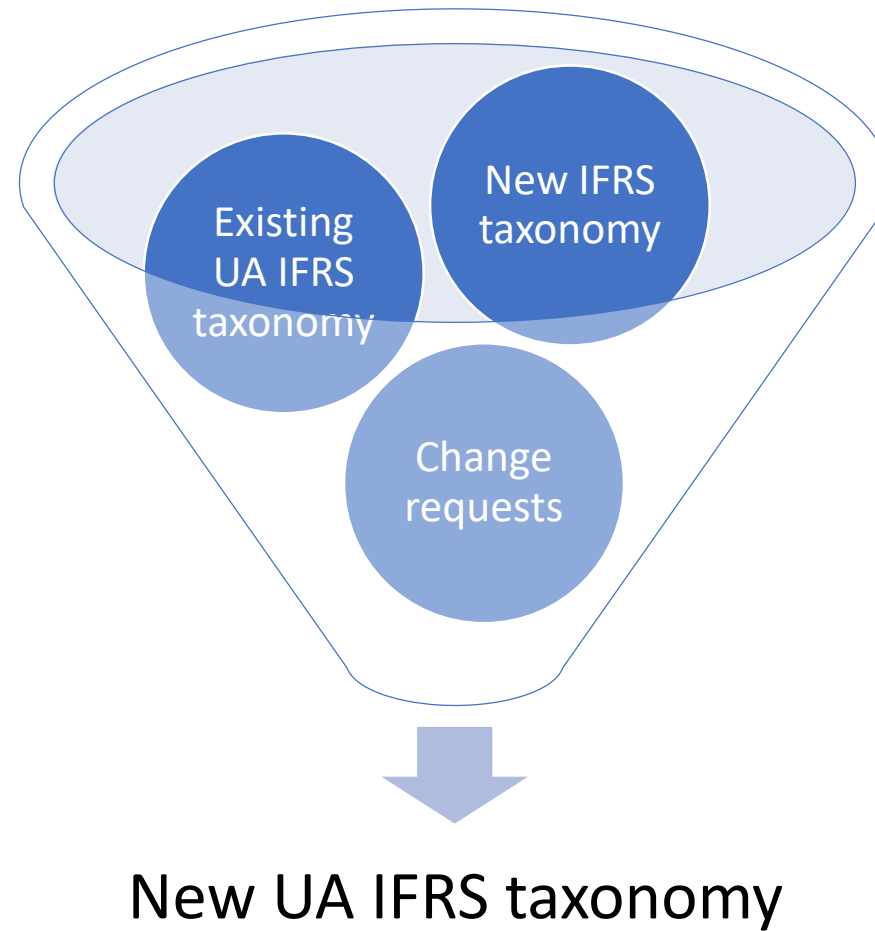
3. Making the changes



- ▶ Create new version of UA taxonomy that refers to new version of IFRS taxonomy and resolve any discrepancies
- ▶ Technical changes to the UA taxonomy for each agreed change request
- ▶ Produce candidate taxonomy package with new version number throughout
- ▶ Testing with one or more certified XBRL processors
<https://software.xbrl.org/>
- ▶ Release final version



3. Making the changes



4. Agreeing it has been done



- ▶ Accessible taxonomy information
 - ▶ Without over simplification
 - ▶ Allowing stakeholders to review changes quickly
- ▶ Checking with wider groups within stakeholders
 - ▶ Explaining decisions



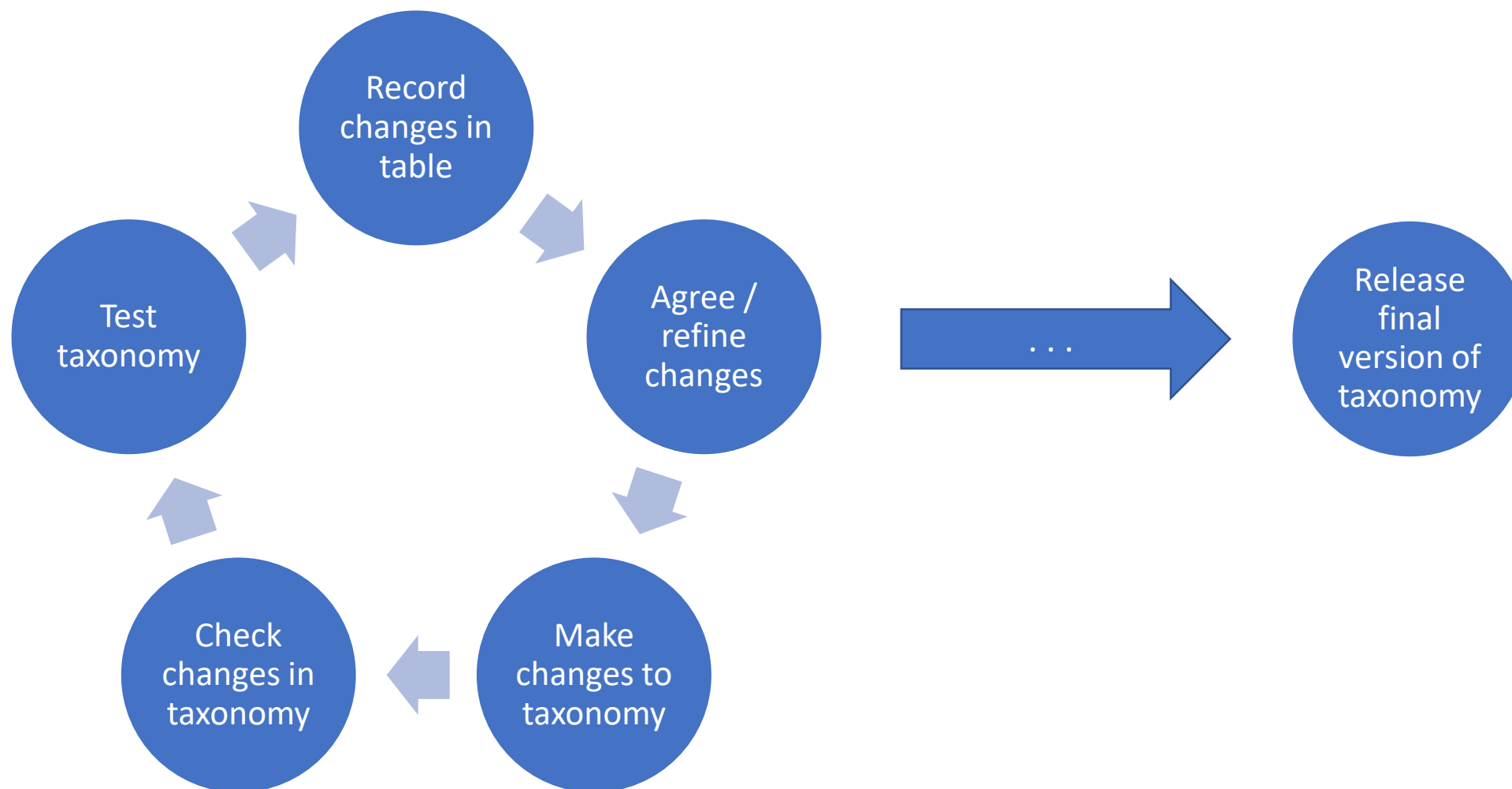
5. Making sure the changes work



- ▶ Test, test, test ...
- ▶ First time everything has been used together
- ▶ Software and taxonomy being developed at same time
- ▶ You have to determine if the taxonomy, the software or the stakeholder is mistaken ... sometimes it is more than one party!
 - ▶ Then work out the best way to fix the issue
- ▶ Sometimes people think the taxonomy will help them more than it can



Escape the update cycle!



6. Knowing when to stop making changes



- ▶ Is the taxonomy good enough?
- ▶ Are we in a better place than we were last year?
- ▶ Can this change to the taxonomy wait until next year?
- ▶ Evolution versus revolution
 - ▶ Each has its place!



Questions



