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IFRS 9 for financial institutions - the case for IFRS and FinRep-taxonomies – a conceptual gap analysis

Dirk BEERBAUM[a] Maciej PIECHOCKI[b]

[a] DBA, MBA, CEFA, Aalto University School of Business, Helsinki, beerbaumdirk@gmail.com

[b] Ph.D., BearingPoint, Partner, Frankfurt, maciej.piechocki@bearingpoint.com

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Abstract

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Main topic: A tsunami of regulations since the 2013 financial crisis is steering toward's Europe's financial service sector. At the same time the accounting standard for financial institutions' core products the financial instruments will be changing.

As disclosures according to IFRS 9 become mandatory by 2018, the existing IFRS Taxonomy for IFRS 9 already developed by the IFRS Foundation, represents a suitable and objective framework to assess IFRS 9 impact on disclosures. The specific goal of this paper is to perform a conceptual gap analysis considering the IFRS 9 taxonomy issued by the IASB and the Financial Reporting (FinRep) taxonomy on IFRS 9 issued by the European Banking Authority (EBA).

In general, the IFRS Taxonomy is not used very much in practice. This is not understandable as several advantages relate to the IFRS taxonomy: as it is not the objective of a principle-based accounting standard to define specific rules for each and every disclosure, this is the reason why to derive reporting elements would be very difficult to accomplish. The IASB started to perform a review process of the XBRL Due Process in 2013. As a result the development of the IFRS taxonomy should become part of the general due process of the financial reporting standards. Due to these changes it is expected that the importance of the IFRS taxonomy will be growing. The FinRep-taxonomy has become mandatory since 2014 for all banks within Europe, to fulfill the regulatory reporting requirements according to the Capital Requirements Directive (CRR) IV.

Results: Even though the disclosures for external reporting and for regulatory reporting are based on the same accounting framework International Financial Reporting Standards Boards (IFRS), differences can be observed with regard to disclosures, which are partly material. These differences become transparent when analysing IFRS- and FinRep-taxonomy reporting elements. This is caused by the principle-based IFRS, which enable scope of interpretation and the different objectives of the IASB and the banking supervision. Whereas the IASB follows the objective to develop industry non-specific international financial reporting standards, the banking supervision core focus lies on the banking industry. The EBA follows specific information requests with the FinRep-taxonomy in the role as banking supervisory. The IASB intends to provide decision useful information for investors. Nevertheless these two taxonomies provide the possibility for a starting point for the harmonization and the development of common practice disclosures, which could counteract against heterogeneous financial reporting and the issue of "information overload".

Method: Analytical

Practical Implications: This paper is relevant for managers who are responsible for external and regulatory reporting.