

Why is quality so important in XBRL preparation?

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NEW DEVELOPMENTS IN SEC REPORTING - QUALITY MATTERS



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Discussion Topics

- Inline XBRL Adopting Release
- Quality Matters
- How we use data

- Appendix

Inline XBRL Rulemaking Summary

- June 28th Adopting Release
- Requires Inline XBRL for financial statement information and fund risk/return summaries
  - Operating companies will be subject to Inline XBRL requirements pursuant to a three-year phase-in
  - Funds will be subject to Inline XBRL requirements and 15 business day filing period elimination pursuant to a three-year phase-in (an additional year added to the phase-in relative to the proposal)
- Eliminates XBRL website posting requirements for operating companies and funds upon effective date of the amendments.
- Terminates the 2005 voluntary program for financial statement information XBRL filing by funds

Inline XBRL

- Single document - structure actual filing rather than a separate exhibit to the filing
- Familiar View – within financial statement browser view to review structured data
- Enhance Review - search and filter filing by keyword or concept (e.g., FASB references)
- Navigate - use Table of Contents to quickly jump to financial statements and footnotes
- Improve Data Quality
  - Assist staff reviews (e.g., identify mislabeled or untagged information)
  - Eliminate the need to reconcile 2 different documents (HTML and XBRL)

Inline XBRL Viewer Video

- https://www.sec.gov/structureddata/osd-inline-xbrl.html



SEC EDGAR Validation

True or False ?

When registrant filings pass the EDGAR validation tests – they are clear of all data quality errors.

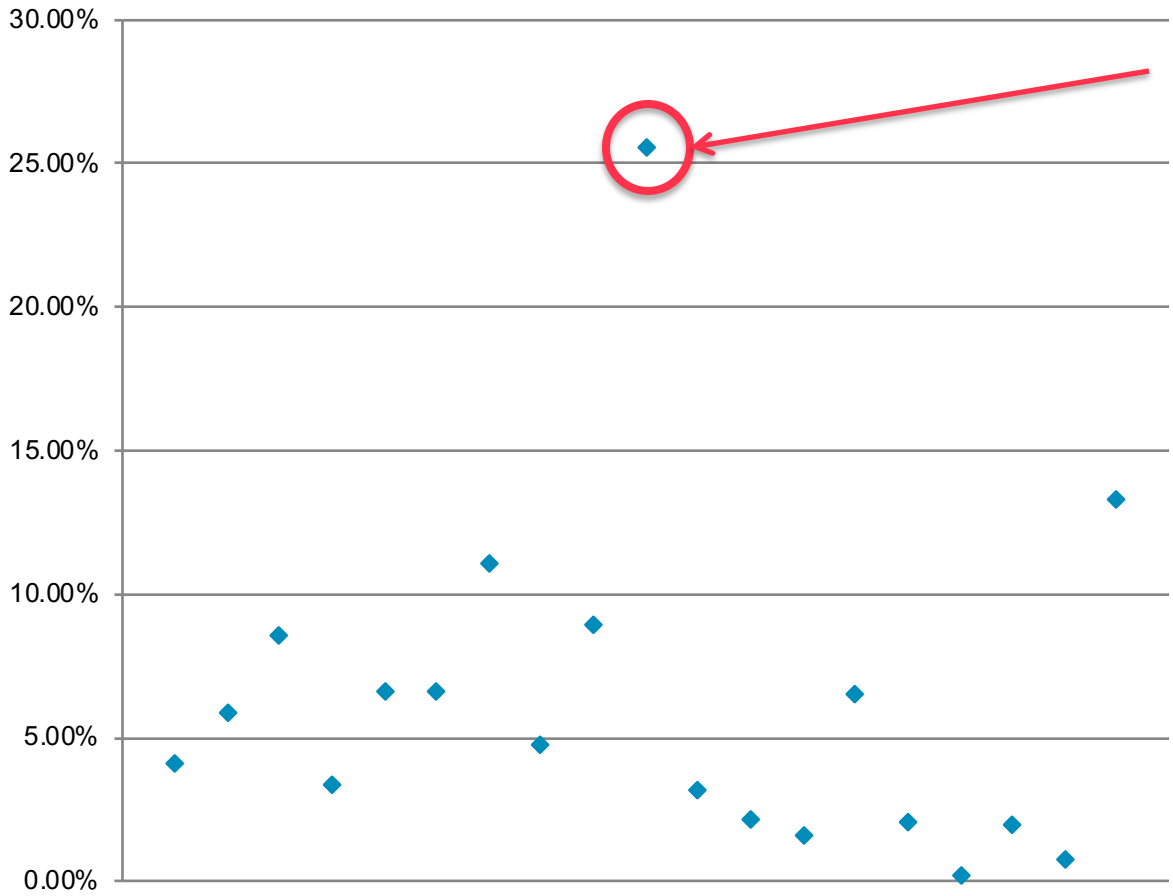
Common Data Quality Errors

- Scaling – reporting in $B vs. $M
- Inappropriate extensions - for ‘Total Revenues’ and ‘Other Income’
- Negative values - for a ‘Contingent Liability’
- Incorrect tagging - Tagging Gross Revenue with ‘Discount Rate’ tag
- Duplicate tagging - same data with different tags
- Disclosures not tagged

- Staff Observations and Guidance here

Granular Insights

Percentage of PP&E Additions vs Revenues



Granular Insights

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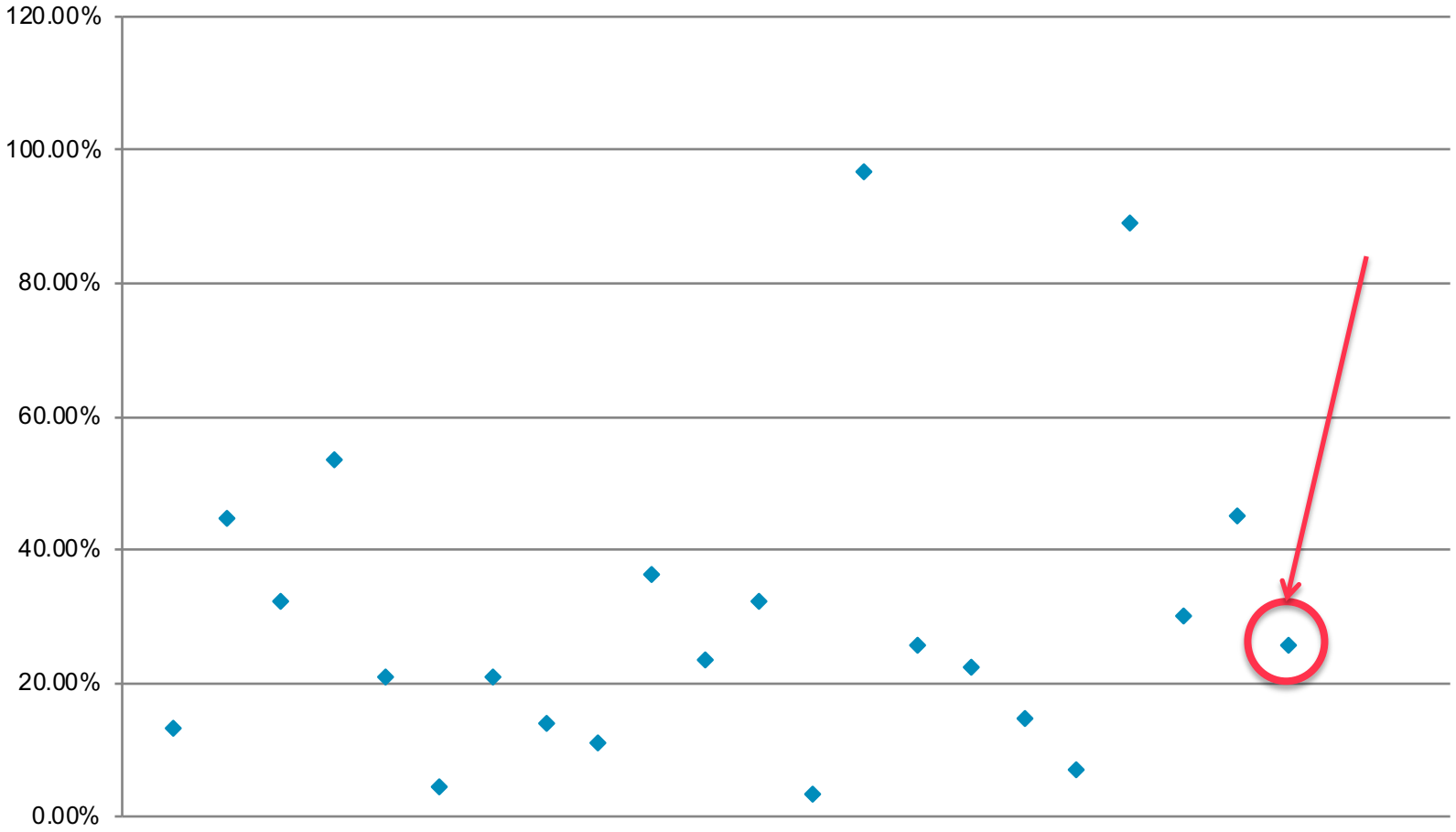


Granular Insights

Example: Research & Development Expense disclosures

ALPHABET INC.	16625000000
INTEL CORP	13098000000
MICROSOFT CORP	13037000000
APPLE INC	11581000000
APPLE INC	11581000000
MERCK & CO., INC.	10208000000
FORD MOTOR CO	8000000000
FACEBOOK INC	7754000000
BRISTOL MYERS SQUIBB CO	6474000000
CISCO SYSTEMS, INC.	6059000000
INTERNATIONAL BUSINESS MACHINES CORP	5787000000
QUALCOMM INC/DE	5485000000
LILLY ELI & CO	5281800000
DELL TECHNOLOGIES INC	4384000000
GILEAD SCIENCES INC	3734000000
BOEING CO	3179000000
UNITED TECHNOLOGIES CORP /DE/	2387000000
MERCK & CO., INC.	2350000000
DOWDUPONT INC.	2110000000

Aggregation Example

Aggregated Element: “Defined Benefit Plan, Assumptions Used Calculating Benefit Obligation, Discount Rate”

	2017
Average Discount Rate – As reported	7.7549%

Extension Example

- Company A element extension
  - Tradeaccountsreceivablenet – with no definition provided
- US GAAP Taxonomy element alternative
  - AccountsReceivableNetCurrent – defined as “Amount due from customers or clients, within one year of the balance sheet date (or the normal operating cycle, whichever is longer), for goods or services (including trade receivables) that have been delivered or sold in the normal course of business, reduced to the estimated net realizable fair value by an allowance established by the entity of the amount it deems uncertain of collection.”
- Element presented on the statement of income

Extension Example

- Company B element extension
  - EquityInvestments – defined as: “Carrying value of equity investments accounted for at cost, at fair value, and under the equity method of accounting as of the balance sheet date.”
- US GAAP Taxonomy element alternative
  - EquityMethodInvestments – defined as “This item represents the carrying amount on the entity's balance sheet of its investment in common stock of an equity method investee. This is not an indicator of the fair value of the investment, rather it is the initial cost adjusted for the entity's share of earnings and losses of the investee, adjusted for any distributions (dividends) and other than temporary impairment (OTTI) losses recognized.”
- Element presented on the balance sheet
  - Less than 3% of Total Assets

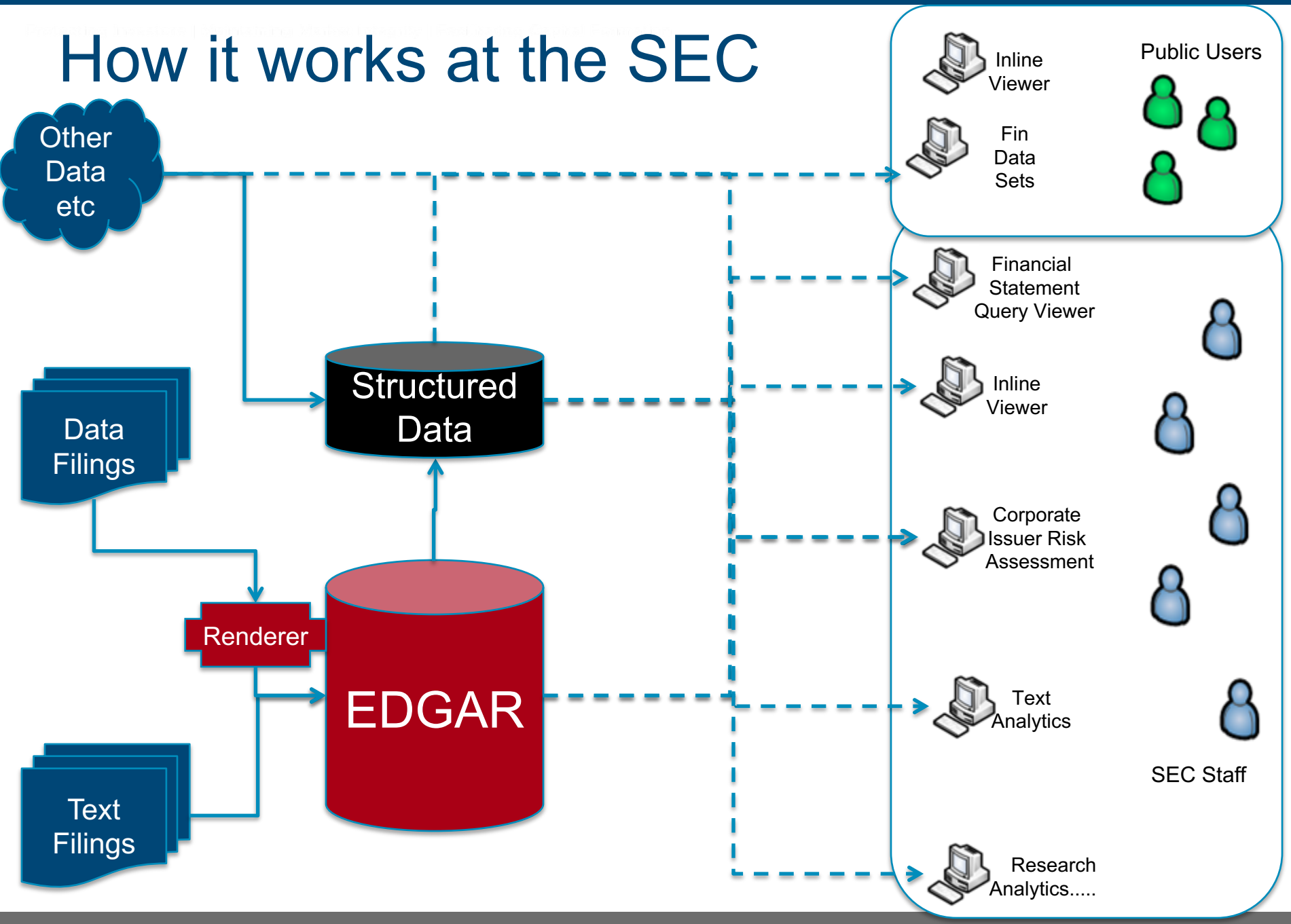
Guidance on Extensions

- Extensions - only for company specific items
- Look first to your base taxonomy (e.g. IFRS or US GAAP)
- Look second to the SEC Reporting Taxonomy
- For extensions – include company name as prefix. Example:

ABCCompany_Companyspecificdisclosuresexample

- The Rule states: “limit the use of extensions to circumstances where the appropriate financial statement element does not exist in the standard list of tags.”

How it works at the SEC



Corporate Issuer Risk Assessment (CIRA)

- **Analytical tool:** provides detailed information on various aspects of a company's business activities and financial reporting environment
- **Dashboard:** enables the user to search, compare and analyze a variety of information about companies through a single intuitive visual interface
- **Identify patterns:** Helps users assess the risks associated with financial reporting with more than 200 variables for thousands of SEC registrants across multiple years
- **Approach:** Based on database approaches used by academic financial accountants and large sample evidence documented in academic literature
- **Data sources:** Uses a variety of structured data.

Financial Statement Query Viewer (FSQV)

- Intuitive, quick and easy-to-use web browser interface.
- Search and review filings and **all** facts across **all** filers in ways not previously possible.
- Potential staff uses include:
  - Search using various criteria (e.g., CIK, ticker, industry, filer status, country).
  - Search by Fact (e.g. specific disclosure type and/or specific taxonomy element)
  - Search by Text (e.g. any text within a narrative disclosure)
  - Compare footnote narrative text differences between periods (e.g. ‘red-line’ changes).
  - Save all results and searches locally for further analysis and reuse.



Thank you!

Appendix: Resources for More Information

- Information on Structured Data
- Inline XBRL
- IFRS Standards and Electronic Reporting
- Staff Observations on Interactive Data Quality
- If you have Technical Questions on Structured Data: StructuredData@sec.gov
- If you have Questions on Interactive Data Rule and Compliance (select Office of Chief Counsel):
- Sign-up to Receive Emails from the Office of Structured Disclosure

Appendix: SEC Structured Data Updates

- 2018 US GAAP Financial Reporting Taxonomy https://www.sec.gov/info/edgar/edgartaxonomies.shtml#USGAAP2018
- SEC Reporting Taxonomy https://www.sec.gov/info/edgar/edgartaxonomies.shtml#SRT2018
- 2018 SEC Taxonomy Updates:
  - DEI
  - Exchanges
  - State and Provinces
  - Risk-Return
  - Units
  - Release notes: https://xbrl.sec.gov/doc/releasenotes-2018.pdf