

# Are You Ready for the SEC XBRL Mandate?

**Part 1 - Implications for Companies entering first  
year of compliance with the SEC XBRL Mandate**

May 20, 2010

# Today's XBRL Webcast

Welcome and Introduction

Webcast Objectives

PwC Partners Presenting Today

- Chuck Harris, Partner, National Professional Services Group
- Dave Sharpe, US XBRL Leader
- Mike Willis, Global XBRL Leader

Administrative Details

# What You Should Expect From This Year 1 Session

What is XBRL?

Overview of the SEC Mandate

Key Implementation Considerations

Experiences from Phase 1 Filers

Potential Benefits Beyond Compliance

Implementation plan – What You should Do Next

Where to Obtain More Information

What is XBRL?

## PwC Involvement with XBRL

Founders - Mike Willis and Eric E. Cohen

XBRL US Board of Directors – Dave Sharpe

XBRL International – Mike Willis and Eric E. Cohen

AICPA

- XBRL Assurance Task Force – Eric E. Cohen, Brian Croteau
- Assurance Services Executive Committee – Dave Sharpe and Chuck Harris

XBRL taxonomy projects - Dave Sharpe and Jeff Fields

Client AUP and consulting engagements

Only Firm to perform positive assurance engagements related to the issuers' voluntary XBRL submission to the SEC.

What is XBRL?

## What is XBRL?

Standardized “computer readable” language designed to enhance the electronic communication of business information

International standard freely available

Important initiative at SEC

- Upgrade of EDGAR (Next Generation EDGAR System)

Enabler for investors and other users

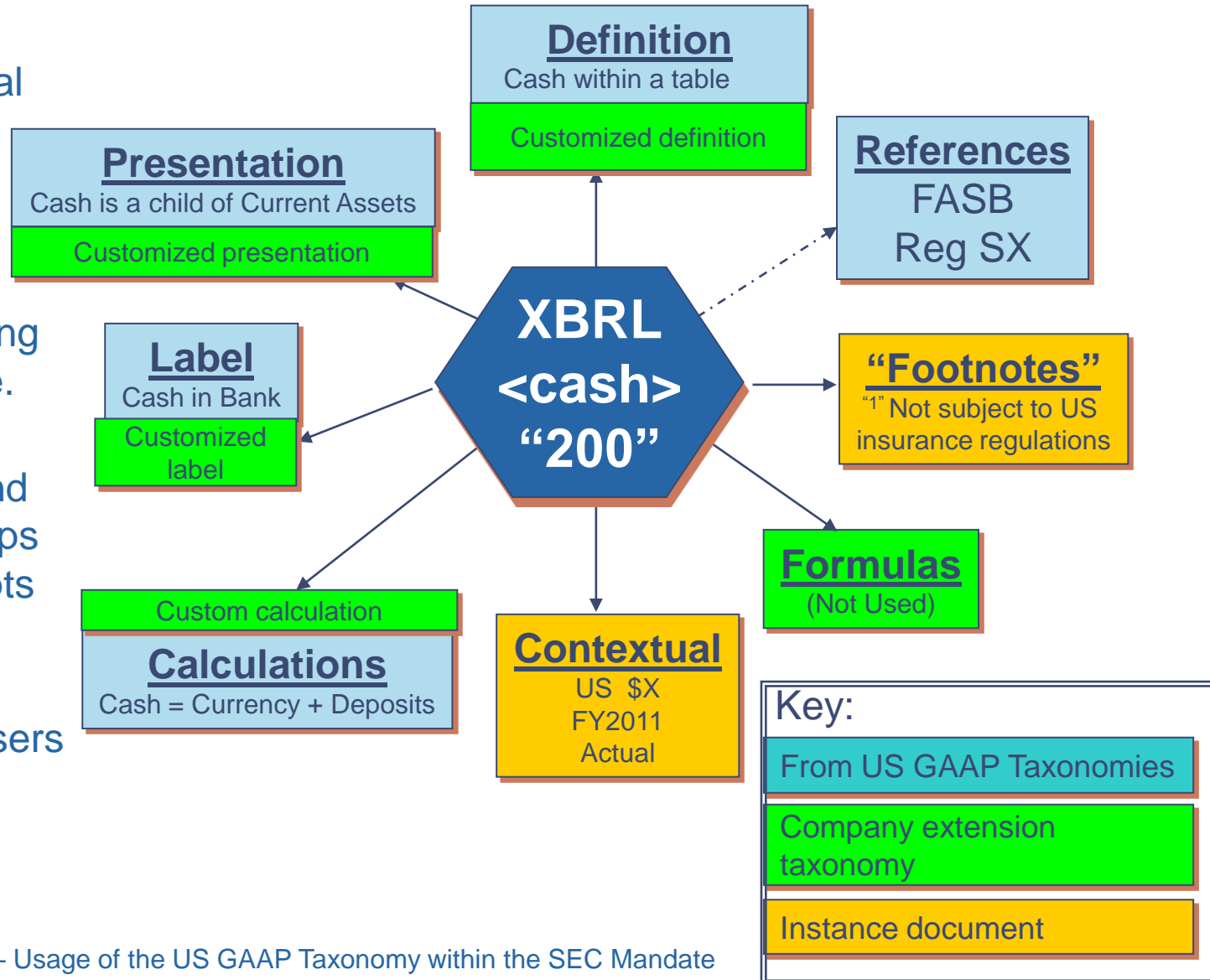
- Effectiveness and efficiency ‘driver’

Enabler for companies and other providers

- Effectiveness and efficiency ‘driver’

# XBRL is More Than Just Tagging Business Information<sup>1</sup>

- Multi-dimensional business and financial data representations
- Flexibility of business reporting vocabularies (i.e. taxonomies)
- Mathematical and other relationships between concepts
- Flexibility about how to present information to users



# Overview of SEC Mandate

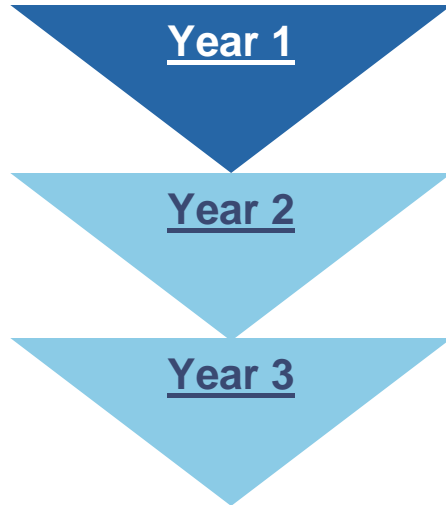
Selected Rules and Guidance - SEC Rulemaking [www.xbrl.sec.gov](http://www.xbrl.sec.gov)

- January, 2009 – SEC issued its final rules
- EDGAR Filer Manual – Chapters 5 & 6 revisions ongoing
- Staff Observations, Q&A, Interpretive Guidance ongoing

## Provisions of the Final Rules

- Which companies are required to comply?
- When will the new rules first apply?
- Which forms are included in the mandate?
- What financial information needs to be tagged?
- When is the interactive data due?
- What are the liability provisions in the final rules?

## Companies subject to mandate and timing



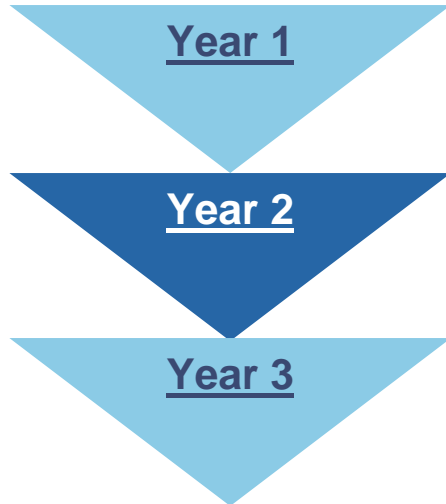
### Year 1 / Group 1

Periods ending on or after June 15, 2009:

- Domestic and foreign large accelerated filers that utilize US GAAP and have a worldwide public float of greater than \$5 billion (at Q2 of most recent completed year)

**Initial submission was required for first periodic report on Form 10-Q, Form 20-F, or 40-F**

## Companies subject to mandate and timing *(continued)*



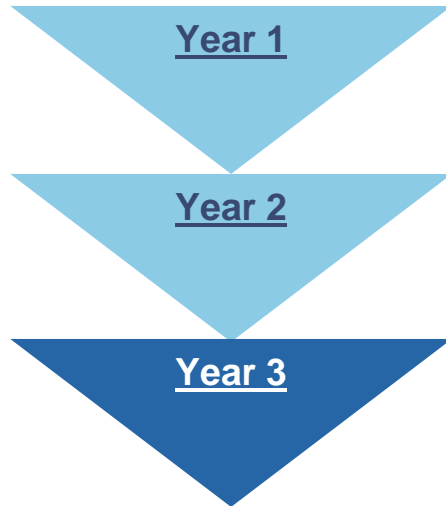
Year 2 / Group 2

Periods ending on or after June 15, 2010:

- All other domestic and foreign large accelerated filers that utilize US GAAP

**Initial submission is required for first periodic report on Form 10-Q, Form 20-F, or 40-F**

## Companies subject to mandate and timing *(continued)*



### Year 3 / Group 3

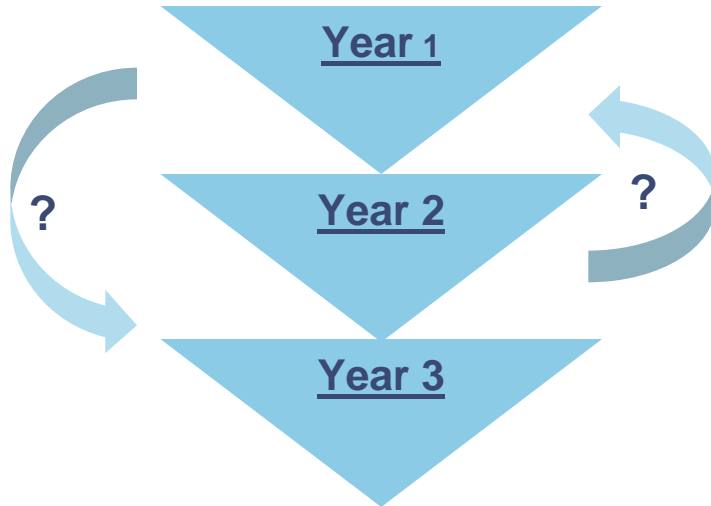
Periods ending on or after June 15, 2011:

- All remaining smaller domestic filers filing in US GAAP as well as foreign private issuers using IFRS as issued by the IASB (jurisdictional variations of IFRS neither required nor permitted)

**Early compliance for now is only permitted for US GAAP Filers**

**Initial submission is required for first periodic report on Form 10-Q, Form 20-F, or 40-F**

## Phase-In complexities



**Early compliance for now is only permitted for US GAAP Filers**

- Each year of the phase-in should be thought of as a phase-in "group"
- Companies need to reassess the group they belong to at the end of each fiscal year
- Change in public float can result in movement between groups (this can effect first-time submission date as well as first date for detailed tagging)
- Requirement for detailed tagging of footnotes begins in the second year of XBRL reporting

## Forms required to be tagged

Interactive data exhibits required for:

- Quarterly, annual, and transition reports
- Forms 8-K or 6-K that contain revised or updated financial statements
- Restatements
- Securities Act registration statements (not IPOs)

## Financial information required to be tagged

Face of financial statements (all periods presented)

Financial statement footnote transitional provisions:

- Year 1 - “Block” tagging of footnotes and financial statement schedules is permitted
- Year 2 and beyond - Footnote tagging must include:
  - Each significant accounting policy, wherever located
  - Each table within a footnote
  - Each quantitative amount within a narrative footnote with selective carve out

Tagging of additional narrative footnote disclosures is permitted but not required

## Financial information required to be tagged *(continued)*

- MD&A, executive compensation, or other financial, statistical or narrative disclosure outside the financials is not permitted to be tagged
- Financial information in certain other financial statements or pro forma financial statements is not subject to requirement
- Requirements are intended to be "disclosure neutral"

## Timing & grace periods, Website postings, Modified liability provisions

### Timing and Grace Periods

- Exhibit is generally required to be submitted concurrently with related filings with two exceptions:
  - First XBRL exhibit is due no later than 30 days subsequent to the filing to which it relates
  - First XBRL exhibit with detailed footnote tagging due no later than 30 days subsequent to the filing to which it relates
- First exhibits will be permitted to be an amendment to the form to which the exhibit relates. Amendment should include a cover page, explanatory note, signature page, exhibit index, and Exhibit 101

## Timing & grace periods, Website postings, Modified liability provisions *(continued)*

### Corporate Website Posting Requirements

- Required to be posted on company's corporate website by end of the calendar day submitted or required to be submitted to the SEC
- Required to remain on website for at least 12 months
- Implications of Late Submission / Posting

XBRL Viewers are not required for company posting sites; just the Exhibit 101 submission

## Timing & grace periods, Website postings, Modified liability provisions *(continued)*

### Reliability and Federal Securities Laws

#### SEC expectations regarding accuracy and reliability

#### Modified Liability Provisions

- Interactive data submitted within 24 months of first required submission are subject to limited liability under federal securities laws (e.g. furnished not filed)
- Modified liability provisions will not apply to any interactive data file submitted after October 31, 2014
- XBRL exhibit falls within disclosure controls and procedures but is excluded from officer certifications
- Final rules do not address liability provisions for 'viewable interactive data' as displayed through software available on the Commission's website

In what phase of the XBRL implementation is your company?

- A. We have yet to begin
- B. We have developed a project plan
- C. We have engaged vendors in service discussions
- D. We are in the review and validation phase
- E. We have conducted a 'dry-run' submission in anticipation of our submission deadline
- F. We have already submitted our XBRL formatted reports under the SEC Mandate

# Key Implementation Considerations

## Panel Discussion on key implementation considerations

- Chuck Harris, Partner, National Professional Services Group
- Dave Sharpe, US XBRL Leader
- Mike Willis, Global XBRL Leader

# Key Implementation Considerations

What are the key process implications learned from the initial year filings?

- Getting a team in place and staying current
- Process Implications
- Controls
- EDGAR Filer Manual Considerations

# Key Implementation Considerations

What are the key considerations in thinking about the adoption alternatives?

- Bolt-on via outsourcing or consultation
- Bolt-on via internal process
- Built-in processes
- Process considerations

# Key Implementation Considerations

What are the judgment and control, considerations that management should consider?

- Company specific extensions
- Process implications
- Documenting Judgments

## Polling Question

What adoption approach does your company plan to take regarding the implementation of XBRL?

- A. Bolt-on – outsource
- B. Bolt-on – internal
- C. Built-in via reporting tools
- D. Embedded throughout systems
- E. Not sure

## Learnings and Observations – Panel Discussion

What are the key technical compliance learnings from the initial year filings?

- Taxonomy
- Validation Checks
- EDGAR Filing Manual
- Company Website

## Learnings and Observations – Panel Discussion

What should your readiness plan entail?

- Knowledge Management
- Process and Controls
- Dry-run
- Formalization

## Learnings and Observations – Panel Discussion

What stakeholder management considerations should companies consider?

- CFO and those in financial reporting structure
- Audit Committee

## Learnings and Observations – Panel Discussion

Now that you have an idea of what is required; where can management find additional resources to assist them?

- Resources Listing
- PwC can assist

## Resources

SEC XBRL Portal: <http://xbrl.sec.gov>

SEC Final Rule, Interactive Data to Improve Financial Reporting:  
[www.sec.gov/rules/final/2009/33-9002.pdf](http://www.sec.gov/rules/final/2009/33-9002.pdf)

SEC Test Filing: <https://www.edgarfiling.sec.gov/>

SEC Previewer: <https://ideapreview.sec.gov/previewer/>

EDGAR Filer Manual: [www.sec.gov/info/edgar.shtml](http://www.sec.gov/info/edgar.shtml)

SEC Spotlight on Tagged Data and XBRL Initiatives for EDGAR Filings:  
[www.sec.gov/spotlight/xbrl.shtml](http://www.sec.gov/spotlight/xbrl.shtml)

EDGAR Standard Taxonomies: <http://sec.gov/info/edgar/edgartaxonomies.shtml>

XBRL: [www.xbrl.org](http://www.xbrl.org) and [www.xbrl.us](http://www.xbrl.us)

US GAAP Taxonomy Preparer's Guide:

[www.xbrl.us/Documents/PreparersGuide.pdf](http://www.xbrl.us/Documents/PreparersGuide.pdf)

XBRL US Consistency Suite: [www.csuite.xbrl.us](http://www.csuite.xbrl.us)

## Resources *(continued)*

### [XBRL Overview](#)

[SEC Final Rule: Interactive Data to Improve Financial Reporting](#)

[DataLine 2009-55: XBRL: Looking Ahead to 2010 Compliance and Back at 2009 Lessons Learned](#)

[DataLine 2009-06: SEC Issues Final Rules Mandating Phased-In Use of Interactive Data \(XBRL\)](#)

[SEC Staff Observations from Review of Interactive Data Financial Statements](#)

[SEC Staff Provide Guidance and Hold Public Education Seminar on XBRL](#)

[SEC Staff Interpretations and FAQs Related to Interactive Data Disclosure](#)

[Compliance and Disclosure Interpretations: Interactive Data](#)

[Compliance and Disclosure Interpretations: Regulation S-T](#)

[XBRL: Steps Toward an Implementation Plan](#)

[FAF/FASB and XBRL US Labs Announce Research Initiative](#)

## PwC Resources to Assist You

PwC can help you more fully understand the Year 1 requirements and the impact on your reporting process including:

- Explore the implementation options and Year 1 approaches
- Assess/Develop preparation and review processes and internal controls
- Assess the completeness and accuracy of your XBRL Exhibit through Agreed-Upon Procedures
- Train on SEC's US GAAP taxonomy mapping requirements and considerations and process implications.
- Assessment of readiness and/or implementation options / tools / processes / controls
- Assess relevant tools
- Manage overall project
- Others

## Polling Question

In assessing your Year 1 company report mapping to the US GAAP Taxonomy; what percentage of disclosure elements are extensions?

- A. Less than 5%
- B. Between 5% and 15%
- C. Between 15% and 25%
- D. Between 25% and 40%
- E. > 40%

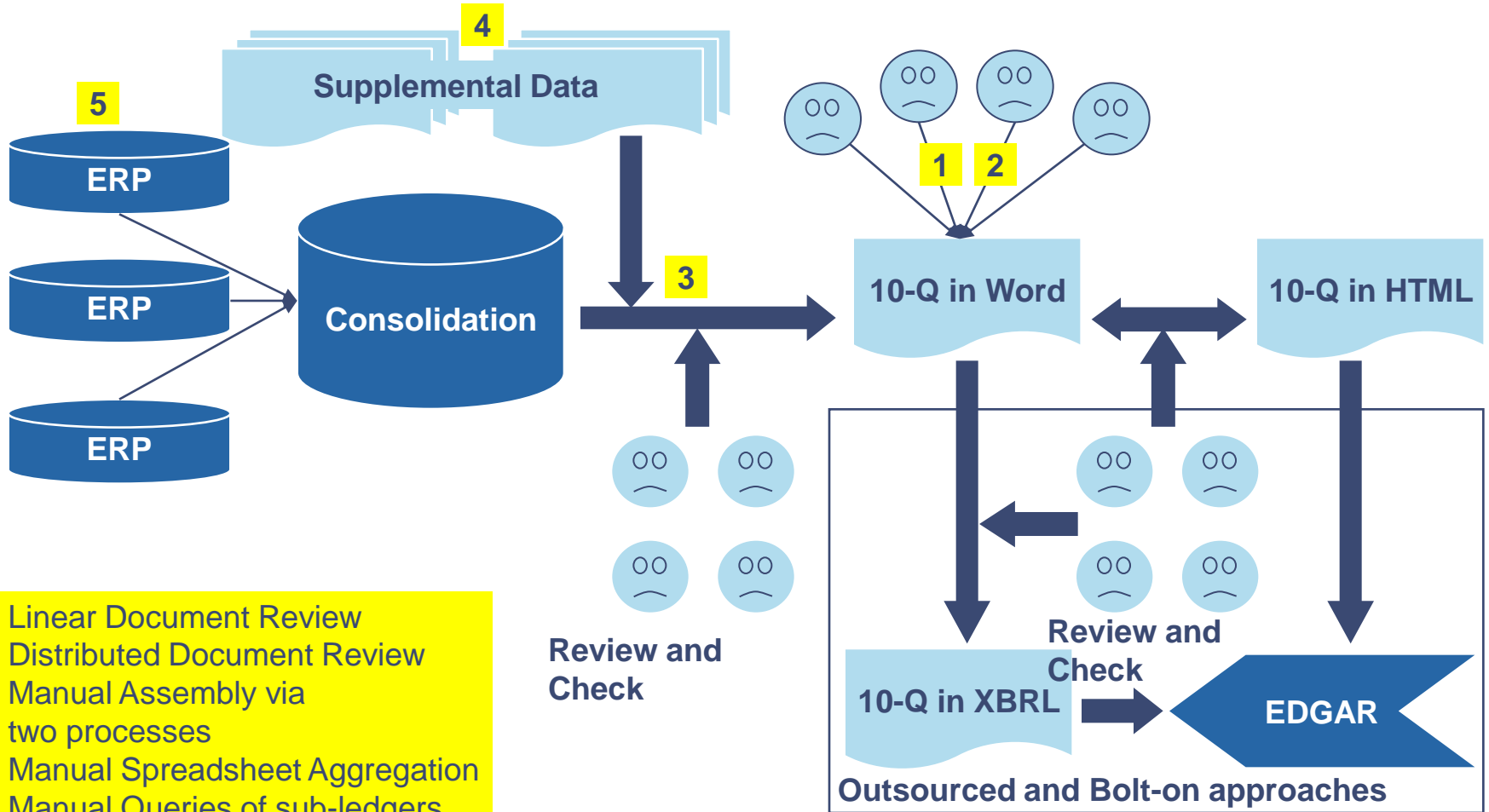
## Benefits of Built-in Adoption

Built-in benefits include:

- Effectiveness and efficiency in the financial close last mile of report assembly and review processes via reduction of manual effort through automation
  - Report assembly
  - Report review
  - Spreadsheet aggregation and analysis
- Enhanced ability to benchmark, analyze and access data
- Enhanced access to data in disparate systems and applications, including in post-merger integration
- Enabler for adoption of new GAAP standards and IFRS conversion analysis
- Improvements in data quality, access and process agility
- Foundation for more effective BI/CPM

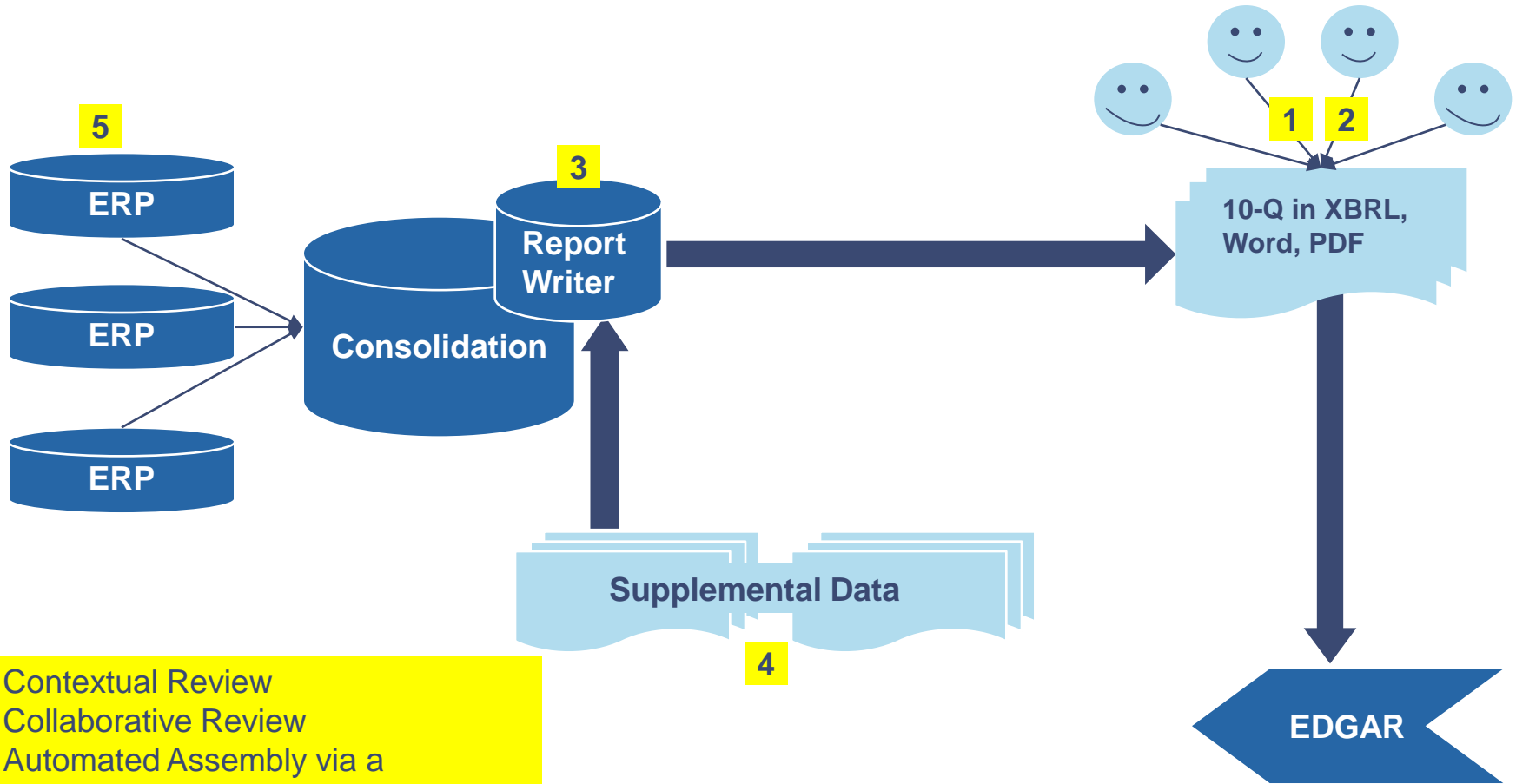
## Potential Benefits Beyond Compliance

Current sample reporting process = Manual assembly/review



1. Linear Document Review
2. Distributed Document Review
3. Manual Assembly via two processes
4. Manual Spreadsheet Aggregation
5. Manual Queries of sub-ledgers

# Built-in = More automated reporting assembly and review



- 1. Contextual Review
- 2. Collaborative Review
- 3. Automated Assembly via a single process
- 4. Automated Aggregation
- 5. Automated Queries of sub-ledgers

## Considerations on Corporate Website Posting

Link to SEC EDGAR to satisfy the posting requirement is prohibited

- Many companies are providing a link to third-party services that host their SEC filings and often provide a viewer

Investor Relations related considerations

- Virtual renderings provide efficiency opportunity
- Be aware of EDGAR RSS Feeds
- Consider including XBRL instance within Company IR RSS Feeds

## Polling Question

Which of the following implementation philosophies best illustrates your company management's involvement with the SEC XBRL Mandate?

- A. It's a compliance matter, spend as little time/effort as possible
- B. It is an Information Technology matter and should be handled outside of the Accounting and Reporting Group
- C. It is important matter to corporate reputation and management is directly engaged
- D. It is an important matter for change management to realize process and disclosure efficiencies and effectiveness and upper management is engaged to ensure realization of the potential benefits
- E. None of the above

## What You Should Do Next

It's May 20, where are you on Critical Path Next Steps including:

1. Determine implementation approach and engage relevant vendor(s)
2. Develop procedures and controls
3. Coordinate hand-off and timing (particularly for bolt-on outsourced implementation)
4. Identify concepts to be tagged
5. Extend Taxonomy where needed for company specific disclosures
6. Document mapping and extension judgments
7. Map disclosure concepts to taxonomy
8. Create Instance
9. Test submission
10. Test rendering
11. Review
12. Submit
13. Concurrently post to corporate IR website

## Next Steps

Who to contact at PwC for further information

- Your PwC engagement partner
- PwC partners presenting today

**David Sharpe**

Partner

Phone (973) 236-4208

Email [david.h.sharpe@us.pwc.com](mailto:david.h.sharpe@us.pwc.com)

**Chuck Harris**

Partner

Phone (973) 236-5340

Email [charles.e.harris@us.pwc.com](mailto:charles.e.harris@us.pwc.com)

**Mike Willis**

Partner

Phone (813) 340-0932

Email [mike.willis@us.pwc.com](mailto:mike.willis@us.pwc.com)

Your feedback

Our follow-up

# Appendix

Key Implementation Considerations

Experiences from Phase I Filers

## Preparation and review processes: Year 1

Ensure compliance with the SEC requirements, including those contained within the EFM rules:

- Develop an implementation strategy which may include an initial mapping and a dry run
- Understand the implications on the existing financial reporting process
- Implement internal quality review procedures to validate compliance with the SEC rules
- Understand the timing, grace periods and implications of late filings
- Understand corporate website posting requirements
- Take advantage of the lessons learned from the Phase 1 submissions

## Process Adoption Alternatives

### Bolt-on via Outsourcing or Consultation

- Printers and other third party service providers provide outsourced solution for mapping the disclosure elements on the financial statements and note disclosures (in block text) to the US GAAP Taxonomy

### Bolt-on via Internal Process

- XBRL can be adopted by companies at the “highest” reporting level (i.e. consolidated) solely for purposes of complying with regulatory requirements. However, potential XBRL process enhancement benefits are not fully realized.

### Built-in Processes

- Enables automation of currently manual assembly and review processes
- Requires companies to assess information needs and provides an opportunity to eliminate inefficiencies in current manual compliance and reporting processes.
- Enables process enhancements that lead to more timely higher quality disclosures for decision making purposes

## Other Considerations

If using a third-party outsourcing partner, management:

- Retains overall responsibility for the preparation and review process
- Should ensure completeness and accuracy prior to submission
- Should consider formalizing a service-level agreement
  - Defines coordination in an already compressed reporting process
  - Establishes up-front collaboration, responsibilities, work plans, and other relevant considerations to avoid last-minute difficulties in complying with the SEC's rules
- Should have outsourced procedures requiring judgment reviewed by company personnel with appropriate technical knowledge

We recommend that companies document their judgments in preparing and reviewing their XBRL exhibits

## Other Considerations *(continued)*

Assess potential ICFR implications, if any

Other considerations

- Review implementation plan with key internal stakeholders
- Consider potential questions you may receive from your audit committee
  - What is management doing to prepare?
  - What quality control processes is management putting in place?
  - What AC involvement is required?
  - Will the Company voluntarily seek auditor involvement?
- Consider auditor involvement

## Outsourcing Partner Considerations

Expectations on capacity during peak filing periods with increased number of registrants under mandatory submission requirements

XBRL expertise and instance document preparation experience, including extensions

Knowledge of F/S reporting expertise

Validation tools and rules (particularly the SEC public validation criteria)

Control of the process - turn-around time and 'hand-offs', including 'SLAs'

Confidentiality of data and transmissions

## Outsourcing Partner Considerations *(continued)*

Quality control processes, including the nature of the issuer review and approval process (effective and timely)

SEC expectation of Issuers quality control processes

Process implications, including detailed tagging in 'Year 2', including ownership of mapping IP (is it easily transferrable?)

Support for the Inline Specification and rendering solutions

Assess copyright provisions of Exhibit 101 by outsourcing vendor

Consider prior experience and track record of submissions on behalf of others

## Software Vendor Considerations

User-friendly features (US GAAP Taxonomy views, mapping)

- Import, view and manage multiple taxonomies
- Taxonomy mapping features for tables and multiple elements
- Facilitate company-specific extensions and analysis
- Validate SEC public validation rules, EFM, and other 'rules'
- Preview the presentation
- Comparative analysis of elements and other report concepts

Support of XBRL Specification Updates (e.g. Inline Specification)

Interoperable with existing report preparation software (Office)

Support access and responsiveness

Read the User manual carefully

See [xbrl.us](http://xbrl.us) and [xbrl.org/tools](http://xbrl.org/tools) for listing of potential vendors

## Preparation and Review Processes

Document policies, processes and control procedures for preparation and internal review

- Mapping and tagging (including level of detail/granularity)
- Compliance with SEC Mandate and Edgar Filer Manual and consideration of XBRL US GAAP Taxonomy Preparer's Guide
- Linkbases (Label, Calculation, Definition, Footnote and Presentation)
- Consistency with prior periods

Documentation and review process

- Make well-reasoned, well-documented judgments and underlying rationales for extensions
- Review work performed by third-party
- Application of SEC's Validation Criteria
- Management review and approval

## Company specific extensions

The US GAAP Taxonomy may not include company-specific financial statement disclosure items; leading to the need for a company specific extension

Companies can create an 'extension' with an incremental list of tags for company-specific disclosures

Create company-specific extension only if no pre-existing element exists

If an existing element exists; but label does not match the description on traditional formatted reports; create company specific labels (e.g., Gross profit/margin)

Some decisions on whether to create extensions will require judgment

No company specific information in element line items (e.g. "DivisionXYZSales")

Extension elements should not be too broad or too narrow

Domain members may need to include company-specific information

A recent academic study found that as many as 40% of company specific extensions were for elements contained in the US GAAP Taxonomy.

# Extension examples

### Examples of necessary extensions

- Companies must extend to provide information about reporting entities and reporting segments, or classes of stock beyond those provided in the base taxonomy, using custom domain members, which are understood to be company-specific

### Examples of unnecessary extensions

- Same concept relates to multiple segments or entities
- Same fact at different points of time (beginning balance, ending balance) or totals

The XBRL US Consistency Suite is a tool that can be used to evaluate what extensions other organizations are making ... good or bad (<http://csuite.xbrl.us>)

## Key Learnings and Observations

Get up-to-speed and stay current on the SEC Mandate and related guidance and XBRL implementation considerations, including

- 'Mapping' of financial statements to the US GAAP Taxonomy
- Benchmarking of company disclosures and extensions
- Financial reporting judgments around tagging of unique disclosures (company-specific extensions)

Ensure compliance with the EDGAR Filer Manual in advance of the planned submission date

- Monitor frequent changes to the EDGAR Filer Manual and to SEC Guidance
- 200 fairly complex technical specifications
- SEC has been expanding the application of its validation testing on an ongoing basis

## Key Learnings and Observations

Establish preparation and review processes and internal controls, especially where part of the process is outsourced (e.g. disclosure controls and procedures).

- Ensure the file prepared by the third party is complete and accurate before submission to the SEC
- Preparation and review is 'phased' such that work is done in advance wherever possible or may experience 'crunch' immediately before submission

Financial reporting process implications of concurrent submission of the XBRL Exhibit, given the compression that exists in many companies reporting timetables and manual nature of such processes.

- Sustainability of current process - especially in context of detailed tagging required in 'Year 2'
- Experience of issues with outsourced model (e.g. internal or external 'bottleneck' issues) due to 'late changes'
- Discuss the 'Year 2' process, including more detailed footnote tagging, with outsourcing partner

## Learnings and observations

- Submissions under the Final Rule should be made using Exhibit 101, not Exhibit 100 (which was used for VFP filings)
- Filers need to exclude all Reference linkbases, as well as links to other linkbases (from the standard taxonomies), from their submissions – prohibited by EFM
- Labels must match the captions in the traditional ASCII/HTML
- Disclosures in (parenthesis) within captions should be separately tagged and placed in their own section for each financial statement
- Text blocks need to be XHTML
- Footnotes (text at the bottom of a page with a cross reference to facts on the page) must be included, and must be plain text due to SEC viewer limitations
- Numbers with parentheses on the printed page must be examined carefully to determine if they should be entered as negatives or using a negated label

See SEC Staff [Observations](#), [FAQs](#), [Interpretations](#) and PwC [Dataline 2009-55](#)

## Learnings and observations *(continued)*

- The representation of tables, stock classes and certain other information require a Definition linkbase
- The fulfillment of the requirement to post their interactive data on Company IR sites appears to sometimes be incomplete
- Many companies did not properly note their Commitments and Contingencies, as per EFM
- SEC and others note that many Filers created new reporting and abstract concepts when they were already in the taxonomy
- XBRL files that are not permitted in accordance with the EFM were improperly included (e.g., reference linkbases were included with submissions, or submissions referenced linkbases from the standard taxonomies)
- Companies inappropriately used scenarios to identify information as "unaudited" - the use of scenarios is not permitted within an XBRL instance document submitted to the SEC under EFM rules

## Learnings and observations *(continued)*

- Companies did not provide information for all of the required Document and Entity Information (DEI) tags.
- Discrepancies existed between the order of line items in the financial statements and the order and hierarchy as noted in the presentation linkbase
- Management should ensure that EFM and other SEC guidance is considered in work performed on their behalf by outsourcing partners and/or in XBRL software used by management.
- Some of these requirements can be addressed on an automated basis, while others require management judgment.
- Relevant 'validation checks' should be performed by management and outsourcing partners in advance of the planned submission date.
- Many companies are accustomed to making changes to their periodic reports or registration statements up until the time they are submitted. Doing so when required to concurrently submit the interactive data exhibits will require planning and may create challenges.

## Learnings and observations *(continued)*

What have the Year 1 XBRL submissions taught us?

- The disclosure facts (not the rendering) should be primary focus
- The statement of equity is challenging – initial foray into dimensional tables
- Multiple legal entities is often a challenge (presentation, calculation and labels)
- Extension line items should not include specific:
  - Company descriptions (e.g. PreferredStockSeries2005B)
  - Reporting period (e.g. ReceivableBalancein2009)
  - References to Notes (e.g. CompensationExpenseNote10)
  - Parenthetical information
- Decimals should be closely monitored for correct application (e.g. EPS)
- What to tag (“0”) and what not to tag (“-”)
- SEC implementation of public validation rules is increasing over time
- [Ask-OID@SEC.gov](mailto:Ask-OID@SEC.gov) and related help line are useful sources of technical support

## Amendment examples

Companies may need to amend their filings (e.g., 10-Q/A, 10-K/A) if they become aware of errors in their XBRL submissions

When amending due to changes in the XBRL, set the DEI “AmendmentFlag” to true and provide an “AmendmentDescription”

- Only true for changes in the XBRL
- Omission of the XBRL in an earlier filing does not require the change to amendment flag

Examples of reasons for amending so far have included:

- Omission of the supplemental financial statement schedules
- Errors in content
- Initial focus on presentation rather than compliance with the EFM

Practical implications of amended submission include:

- Potential reputational perceptions
- Confusion over communications

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