XBRL ‹‹‹‹‹‹

By Kristine Brands, CMA

XBRL Tools Can Help

In June 2009, the XBRL reporting mandate issued by the U.S. Securities & Exchange Commission (SEC) became effective. It requires all U.S. publicly traded companies listed on U.S. stock exchanges to file their statutory financial statements (i.e., 10-Ks and 10-Qs) with eXtensible Business Reporting Language (XBRL)-tagged data. More than 9,000 companies are now complying with the mandate, making the United States a global leader in XBRL statutory reporting. But despite the impressive participation in the mandate, the tagging error rate remains high, which undermines the major objectives of the mandate: accuracy, transparency, and comparability of financial statements. During the phase-in of the mandate, the SEC granted a limited liability provision for tagging errors by classifying the XBRL-tagged financial statements as furnished financial statements, not filed financial statements. The limited liability window is drawing to a close as the provision expires for the largest companies in June 2013 and for all companies by June 2014. This means that companies need to start thinking about strengthening processes and controls to reduce tagging errors and increase the quality of their XBRL filings. Let's take a look at the most common tagging errors and the XBRL tools that are available to facilitate the tagging process, identify errors, and validate tagged data.

Common Tagging Errors

Periodically the SEC publishes staff observations about tagging errors identified during its analysis of XBRL filings. The reports are available on the SEC website. Familiarity with the errors will help filers avoid common mistakes such as incorrect use of negative numbers, element extensions, and incomplete tagging. Entering a negative value is at the top of the list. For example, by definition in the U.S. GAAP Taxonomy (UGT), expenses are subtracted from income. Because of this definition, expenses aren't entered as a negative value but, rather, as a positive value unless under unusual circumstances the expense balance is a debit. Another common error is creating an extension tag (customized tag) when the element already exists in the UGT. This might happen because of a minor difference between a company's definition of a financial statement element and the UGT's definition, in error, or to deliberately hide a balance. Completeness of tagging is another issue. Examples of incomplete tagging are omitting parenthetical amounts and subtexted data such as Allowance for Doubtful Accounts and endnotes to tables that contain financial information. Other errors include using a tag that was retired (depreciated), missing calculations, and invalid units of measure. The tagging process is tedious and is susceptible to errors, especially when companies are first learning the process. Using XBRL-tagging validation tools can help you improve the quality of your filings. The next section reviews XBRL tools that filers can use to validate XBRL-tagged data and to correct errors before they file their financial statements.

XBRL Tools

The XBRL Consistency Suite from XBRL US validates a company's XBRL documents for data quality. XBRL US analyzed actual XBRL filings and identified more than 300,000 errors. Using these errors, the company developed 12,000 rules to test for XBRL data quality during the consistency check. When the software identi-

fies errors, it offers recommendations to help filers make corrections prior to filing. The tool also contains a peer review feature that allows companies to compare their filings to those of other companies in their industry to identify whether a company's concepts and extensions match the industry standards. Another feature allows a company to identify changes in elements and depreciated items in a new UGT release compared to a company's prior filing.

CoreFiling's Magnify® can be used with the XBRL Consistency Suite. It also lets you verify calculations, and it contains a label override feature to highlight differences from the UGT and the company's XBRL filing. An offline version of the SEC's XBRL filing preview allows companies to view a previous filing or current filing draft for comparison to the HTML version. This feature addresses companies' concerns about the lack of privacy when using the SEC preview feature. You can also run comparative

reports of filing drafts to identify and evaluate changes. These reports are exportable to spreadsheets, allowing further analysis. A Disclosure Controls Procedure (DCP) is provided to document the tagging and filing process.

The SEC XBRL Financial Report Verification Suite from XBRL Cloud has a variety of tools for filers. Features include the EDGAR Filing Manual (EFM) validator, the U.S. GAAP Information Model, and the XBRL Consistency Suite discussed above. The EFM is the SEC's requirements manual for XBRL filings. The scope and the depth of the requirements are huge, so it's very difficult for a filer to manually validate an XBRL filing's compliance with the EFM. The Verification Suite automates this process. The U.S. GAAP Information Model is used to validate filings against the UGT for consistency and conformance to the model to ensure that you have applied a UGT concept properly in your filing. For example, a presentation total in a filing must be

supported by a valid calculation total. The EDGAR Dashboard is also accessible from the company's website and contains all XBRL company filings, including detail views of the filings through the dashboard's drill-down feature. This viewer is easy to use, and features include a summary of errors and discrepancies in the filings by EFM requirements and the U.S. GAAP Architecture.

Take a look at these tools, and consider using them as part of your XBRL-tagging internal control procedures to evaluate the quality and accuracy of your XBRL-tagged documents. They are suitable for XBRL documents prepared in house or outsourced. Remember, the clock is ticking on the expiration of the SEC's Limited Liability provision. **SF**

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