

Heads Up

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Lessons Learned From Reviewing the Initial Submissions of Interactive Data (XBRL) Files.

by *Therese Kozlowski, Maria Maletti, Yossef Newman, and Mark Bolton,*
Deloitte & Touche LLP

Since the SEC rules requiring submission of interactive data files in certain filings¹ became effective, over 1,000 interactive data (XBRL²) exhibits (or “interactive data files”) have been submitted by registrants (or “filers”) in the first phase-in group under the SEC rules. Our experiences with registrants in the initial phase-in group and analysis of their submissions provide key insights into the challenges, risks, and best practices of XBRL reporting. The SEC staff also issued a summary of observations gathered in its reviews of those exhibits, and encouraged registrants to “consider [these observations] as they prepare future submissions to further improve the quality of those submissions.” In addition, some registrants have already submitted amended interactive data files because of problems with their filings, such as technical errors, inaccurate or missing information in the exhibit, and the inability to submit the exhibit by the due date. The recommendations below, which are based on our experiences and the SEC staff’s observations, might help registrants avoid problems with their interactive data file submissions.

Recommendations Based on Reviews of Initial Submissions of Interactive Data Files

Mapping, Element Selection, and Extension Elements

Avoid creating unnecessary extension elements.

Use appropriate context references instead of creating extension elements.

Provide a definition for all extension elements and debit/credit balance attribute information for monetary extension elements where required.

Be consistent in the use of extension elements.

Avoid selecting elements that are overly broad or overly narrow.

Do not select deprecated elements when mapping.

Be diligent about documenting selected elements and the reasons for their selection.

Avoid selecting elements that are overly broad or overly narrow.

¹ In January 2009, the SEC adopted rules requiring registrants to include interactive data files (XBRL-tagged information) as exhibits to certain periodic filings, registration statements, and transition reports that include financial statements. Filers in the first phase-in group began submitting their interactive data exhibits to the SEC with their first quarterly filing for a period ended on or after June 15, 2009. (For certain foreign filers, the initial interactive data exhibit may have been submitted with an annual report on Form 20-F or Form 40-F.)

² XBRL stands for “eXtensible Business Reporting Language.”

XBRL files that previously might have been submitted successfully could now fail validation and be rejected under the new process.

Tagging

Ensure all amounts are entered correctly (i.e., as a positive or negative balance) and that decimal attributes are correctly set.

Be aware that converting information in financial statement tables to an XBRL format introduces complexity and may require additional time and resources.

Be sure to tag parenthetical amounts shown on the face of the financial statements.

Other Recommendations

Obtain sufficient knowledge about EDGAR Filer Manual requirements.

Establish a sustainable and repeatable process for creating interactive data files concurrently with preparation of the traditional financial statements.

Do not overemphasize trying to conform the rendering of the interactive data exhibit to the presentation of the traditional financial statements.

Perform an EDGAR test filing before transmitting the live submission.

Be sure to post a complete interactive data file on the corporate Web site in the required time frame.

Use the "Amendment Flag" element correctly.

By improving the quality of their interactive data files, registrants can:

- **Avoid inefficiencies that may result from submitting incorrect interactive data files.** The SEC rules require a registrant to amend an incorrect file "promptly," which is defined as "as soon as reasonably practicable under the facts and circumstances at the time." A significant amount of effort could be required for a registrant to correct a large number of errors.
- **Avoid potential reputational risk.** A number of organizations use software or other means to monitor interactive data file submissions and publicize their views about whether the submissions contain technical errors. Although registrants and their service providers may dispute such findings, some users may nevertheless negatively view registrants whose submissions are identified as containing a significant number of errors. Also, a registrant's reputation may suffer if it is forced to file an amendment to correct errors in its interactive data files.
- **Avoid filing delays caused by rejected interactive data files.** The SEC staff recently expanded the tests that the EDGAR system uses to validate a registrant's interactive data file submissions. As a result, XBRL files that previously might have been submitted successfully could now fail validation and be rejected under the new process. Such rejection could create inefficiencies and compliance risks for the registrant.

The following discussion expands upon the recommendations outlined above.

Mapping, Element Selection, and Extension Elements

When a registrant maps its financial statements, its selection of appropriate elements from the more than 13,000 elements in the U.S. GAAP Taxonomy is essential for ensuring the accuracy of its interactive data files. Obtaining a solid working knowledge of the content and organization of the U.S. GAAP Taxonomy can make this process less challenging. The following are some recommendations related to mapping, element selection, and extension elements:

- *Avoid creating unnecessary extension elements* — When a registrant maps its financial statements, it should understand that using a standard element from the U.S. GAAP Taxonomy may be appropriate even if the element's definition is not exact. The EDGAR Filer Manual provides guidance on selecting elements; namely, "an element should be interpreted by the substantive meaning provided in its definition. . . . As important as they are, all definitions have limitations, so preparers should not base their choice of an element simply on minor, immaterial differentials in definitions." The SEC staff echoed this guidance in its observations, noting that "using

A number of filers in the first phase-in group unnecessarily created new elements to differentiate common financial statement line items used by different entities within the consolidated organization.

the narrowest standard element is generally preferred to creating a new element.” The SEC staff also advised registrants to use multiple taxonomy search strategies to ensure, before creating a new element, that no suitable standard element already exists in the taxonomy. In addition, the staff has advised registrants to be diligent in reviewing standard elements’ definitions, labels, and attributes. Filers were reminded that certain elements for line items in a given face financial statement may be found in the taxonomy in the section for a different face financial statement or within one of the “Disclosure” sections in the taxonomy.

- *Use appropriate context references³ instead of creating extension elements* — The SEC staff also observed that a number of filers in the first phase-in group unnecessarily created new elements to differentiate common financial statement line items used by different entities within the consolidated organization.

Example

A filer may have had a “services revenue” line item both in its consolidated income statement and in the income statement of an operating segment. Instead of using the same taxonomy element to tag both line items and relying on context references to differentiate between the entities, the filer may have incorrectly created a new element for that line item in its operating segment disclosures.

The staff emphasized to registrants that “[w]hen filers present consolidated financial statements and separate financial information for subsidiaries, businesses, or segments using the same [financial statement] line items, they should use the same elements for those common line items and create unique context references to differentiate and designate the elements among each presentation.”

- *Provide a definition for all extension elements and debit/credit balance attribute information for monetary extension elements where required* — The SEC staff has seen a number of instances in which a filer created a new monetary element (extension) but did not provide a required debit/credit balance attribute for that element. In other instances, filers did not include required definitions for extension elements. Completely defining a new extension element is critical as it allows users to understand the meaning of the element and provides them with additional context (e.g., whether the default balance is a credit or debit).
- *Be consistent in the use of extension elements* — Some registrants have renamed or replaced one or more of their extension elements in subsequent submissions. Renaming an extension element creates a new extension element for the related financial item. In addition, renaming or replacing extension elements prevents comparison of the tagged data from period to period. To maintain comparability, registrants should not rename or replace any extension elements in subsequent submissions unless such a change is warranted by a change in the nature of the related financial item.
- *Avoid selecting elements that are overly broad or overly narrow* — The SEC staff noted that the EDGAR Filer Manual directs filers to “select the element with the narrowest definition that captures all material information.” When reviewing the taxonomy to map a specific financial statement line item or disclosure, a registrant should not simply select the first element that could reflect the financial reporting concept. Rather, it should look at all related elements to determine whether a more narrowly defined element is a better match.

Example Cited by SEC Staff

If a filer is searching for an element to use to tag a financial statement line item that represents additional paid-in capital associated with the filer’s common stock, it is more appropriate for the filer to use the element “Additional Paid-in Capital, Common Stock” than to use “Additional Paid-in Capital.”

³ The SEC staff observations note that the “context reference, in combination with a selected element, defines a fact or value in the financial report. Context references provide specific information (such as reporting periods or particular businesses) that allows tagged information to be understood in relation to other information presented.”

The filer still should be mindful that the selected element captures all material information encompassed in the financial statement line item or disclosure.

Example Cited by SEC Staff

A filer inappropriately used the “Consolidation Policy” element to tag a block of text that includes information about consolidation as well the filer’s basis of presentation. The “Organization, Consolidation, and Presentation of Financial Statements Disclosure” element would have been the correct choice, as it has a broader definition that incorporates both disclosures.

Editor’s Note: The filer should also adjust the element’s label to match its financial statement presentation. This would clarify to users of the information that the filer’s disclosure does not include information on the organization.

The registrant must carefully consider each element’s “balance” attribute to ensure that the amount is properly tagged as a debit or a credit.

- *Do not select deprecated elements when mapping* — When updates to the U.S. GAAP Taxonomy are released by XBRL US, a “deprecated” label is added to certain elements that have been removed or replaced in the taxonomy. Registrants need to be aware that deprecated elements are no longer usable, and they should refrain from selecting such elements in future interactive data submissions. Typically, an element will be “deprecated” to reflect changes in accounting standards, correction of errors in the taxonomy, the removal of duplicate elements, and similar updates.
- *Be diligent about documenting selected elements and the reasons for their selection* — Documentation should be properly maintained and updated as element selection decisions are revised or changes are made in subsequent submissions to reflect taxonomy updates or the identification of more appropriate elements. Such documentation should be an important component of a registrant’s internal review process and will be a key resource should the registrant’s selection of elements later be called into question.

Tagging

Registrants are expected to ensure the accuracy of their data when submitting interactive data files to the SEC. Although accuracy is not difficult to achieve, certain items may require particular attention. Recommendations include the following:

- *Ensure all amounts are entered correctly (i.e., as a positive or negative balance) and that decimal attributes are correctly set.*
 - *Debits or credits/positive or negative values* — It might not be obvious which sign a registrant should use when tagging a financial statement amount. The registrant must carefully consider each element’s “balance” attribute to ensure that the amount is properly tagged as a debit or a credit. Otherwise, the registrant’s interactive data files could inadvertently contain errors, such as depicting a cash inflow as an outflow in the statement of cash flows. The SEC staff observed that most elements in the taxonomy are designed so that related amounts generally are entered as positive values; however, this does not relieve a registrant of its obligation to perform sufficient analysis. In particular, a filer may need to focus greater attention on determining the correct sign to use when tagging amounts recorded in the statement of cash flows or statement of changes in stockholders’ equity because the default sign for such elements may not be as intuitive.
 - *Decimal attributes* — In XBRL, a number’s decimal attribute specifies the degree to which the number is rounded (or the number’s precision). For example, if a number is rounded to thousands, the decimal attribute is set as “-3.” Alternatively, a decimal attribute can be set as “INF,” indicating that a number is accurate as shown and not rounded (e.g., 1 million shares authorized). Registrants need to be aware of the decimal attribute for each tag to ensure that all tagged amounts are reported correctly.

Registrants whose financial statements include significant tabular disclosures should understand that the complexities and specific rules governing the creation of dimensions may require that registrants devote extra time and attention to ensuring such information is accurately captured in the interactive data files.

Example

A number of errors were associated with some registrants' share and earnings-per-share amounts. These errors arose because such amounts typically are rounded to a different degree than other amounts included in the financial statements. The decimal attribute for tagged earnings-per-share amounts should be set as "2" to indicate that those amounts are rounded to two decimal places (e.g., \$1.05). Some registrants mistakenly set the decimal attribute to "-2" (i.e., rounded to hundreds) instead of "2." Also, the decimal attribute for some weighted-average share outstanding amounts was erroneously set to "INF" instead of "0."

- *Be aware that converting information in financial statement tables to an XBRL format introduces complexity and may require additional time and resources* — The process of converting information in financial statement tables to an XBRL format can be challenging and could be viewed as being comparable to creating "pivot tables" in spreadsheets. Understanding how to define and organize the rows and columns of financial tables (or "dimensions," to use XBRL terminology) often requires a level of expertise that goes beyond the knowledge a registrant needs to map and tag stand-alone (i.e., nontabular) information. Registrants whose financial statements include significant tabular disclosures should understand that the complexities and specific rules governing the creation of dimensions may require that registrants devote extra time and attention to ensuring such information is accurately captured in the interactive data files.
- *Be sure to tag parenthetical amounts shown on the face of the financial statements* — The SEC staff noted that a number of filers did not tag parenthetical amounts shown on the face of their financial statements. The EDGAR Filer Manual requires such amounts to be separately tagged.

Other Recommendations

- *Obtain sufficient knowledge about EDGAR Filer Manual requirements* — The SEC staff's technical requirements for the interactive data files are included in section six of the EDGAR Filer Manual. Many of the manual's requirements are very technical; however, it is important for registrants to have a working knowledge of the content to ensure they comply with the rules. The registrant's team of preparers and reviewers, including designated finance and accounting professionals, should possess a level of awareness and understanding of these technical requirements that is sufficient to enable them to effectively prepare and review the interactive data files.
- *Establish a sustainable and repeatable process for creating interactive data files concurrently with preparation of the traditional financial statements* — The key to establishing a sustainable XBRL reporting process is to build sufficient preparation and review time into the external reporting calendar. Preparing interactive data files can be time-consuming, and a registrant's financial reporting time line must allow appropriate levels of management to perform a detailed, substantive review of the interactive data files. Such reviews should be a critical component of the registrant's controls governing interactive data file creation. Establishing a realistic time line and creating a sustainable process becomes even more important after a registrant's initial adoption of the SEC rules (i.e., after the registrant uses the grace periods provided by the rules). A registrant also should consider:
 - *Embedding interactive data file preparation into the external reporting process and implementing proper controls* — As it drafts its financial statements, a registrant should also update its interactive data files; the two documents should be worked on concurrently. Leaving XBRL-tagging until the end of the financial reporting process could cause submission delays if significant revisions are required. The mapping and tagging process should include proper controls, including thorough reviews by the appropriate levels of management.
 - *Building time into the schedule for last-minute changes* — Registrants no longer can process changes to their Form 10-Q or 10-K filings right up until the filing due date. Although some changes to the traditional financial statements may

Early preparation of draft interactive data files also gives reviewers sufficient time to understand their structure and content and enables them to provide meaningful comments and observations that can be resolved before submission of the files.

easily flow through to the interactive data files, most will require that registrants take time to process them to ensure the accuracy of the data files and to avoid corrupting other data in the process.

- *Starting early and planning for sufficient review* — Just as a registrant may prepare a shell filing document for its traditional financial statements before its final numbers are available, it also should prepare shell interactive data files that can be populated once the financial statements have been completed. Starting this process early and having management complete its reviews of the structure of the interactive data files as early as possible will make the preparation of the final files run more smoothly and reduce the amount of XBRL review needed during “crunch time.” Early preparation of draft interactive data files also gives reviewers sufficient time to understand their structure and content and enables them to provide meaningful comments and observations that can be resolved before submission of the files.
- *Additional considerations for third-party tagging* — Registrants should understand that they are ultimately responsible for the accuracy of the interactive data files, regardless of who actually tags the data. Using an outside vendor with the appropriate experience, expertise, and capacity can mitigate some of the challenges of adopting the SEC rules. However, management still must understand the SEC’s requirements, the U.S. GAAP Taxonomy, and certain technical aspects of XBRL to perform an effective, detailed review of the interactive data files and to take ownership of them. In addition, a registrant that retains a filing agent or other vendor to prepare its interactive data files as well as its other EDGAR files needs to remember that the agent or vendor will require extra time to process the interactive data files. For example, a traditional EDGAR filing that may have taken 8 hours to turn around may take 24 to 48 hours if the agent also prepares the interactive data files. Accordingly, if third parties are used, registrants should establish up-front process and time line expectations for the vendor and ensure that sufficient processing and review time is built into the external reporting calendar.
- *Do not overemphasize trying to conform the rendering of the interactive data exhibit to the presentation of the traditional financial statements* — The EDGAR Filer Manual establishes a number of requirements that help to ensure that rendered versions of the interactive data files will “virtually” mirror the traditional financial statements. Although adherence to these requirements is important, some filers in the first phase-in group appeared to overemphasize the appearance of the rendered interactive data files. XBRL is meant to be read by computers; the appearance of this data in a form that is readable by people is of secondary importance to the accuracy of the data itself. Moreover, a rendering of the interactive data files that appears to mirror a registrant’s traditional financial statements provides no guarantee that the underlying data is accurate.

The SEC staff encourages filers to perform an EDGAR test filing of their interactive data files.

Example

The element “Allowance for Doubtful Accounts Receivable, Current” is defined in the U.S. GAAP Taxonomy as having a credit balance. A registrant’s traditional financial statements have the following presentation:

| | |
|---------------------------------------|--------------|
| Accounts receivable | 5,000 |
| Less: allowance for doubtful accounts | <u>(250)</u> |
| Accounts receivable, net | <u>4,750</u> |

In a desire to mirror this presentation, the registrant tags the allowance amount with the “Allowance for Doubtful Accounts Receivable, Current” element and incorrectly enters the \$250 value as a negative number.

Because the element is defined as having a default credit balance, entering the associated value as a negative number indicates that the amount in the computer-readable interactive data files has a debit balance. Therefore, even though the rendering of the “allowance for doubtful accounts” line item may look identical to the presentation in the registrant’s traditional financial statements, XBRL-reading software would treat the allowance as an additive amount — not as a reduction of the overall accounts receivable balance. Furthermore, entering the allowance amount in such a manner might cause a calculation error because the \$4,750 amount tagged as “Accounts Receivable, Net, Current” would not equal the total of the component amounts, as incorrectly tagged by the registrant (i.e., the debit balance of \$5,000 plus the negative credit balance of \$250 equals \$5,250, not \$4,750).

The SEC staff reiterated in its observations that “there is no requirement that the rendered files appear identical to the HTML/ASCII filing In addition, filers should not deviate from the guidance in the rule release and [the EDGAR Filer Manual] solely in an attempt to correct rendering issues.”

- *Perform an EDGAR test filing before transmitting the live submission* — As noted above, the SEC staff recently expanded the tests that the EDGAR system uses to validate information in interactive data file submissions. The EDGAR system will automatically assess compliance with many of the more than 200 requirements described in the EDGAR Filer Manual. Further enhancements are expected in the future. As a result, interactive data files that previously might have been submitted successfully now could fail validation and be “dropped” from the related filing. The SEC staff encourages filers to perform an EDGAR test filing of their interactive data files. Submitting a test filing allows filers to identify and correct certain errors in their interactive data files before the filing deadlines. Registrants that use third-party vendors to facilitate their interactive data submissions also should determine whether their vendor has taken appropriate steps to ensure that their submissions comply with the most current validation requirements.
- *Be sure to post a complete interactive data file on the corporate Web site in the required time frame* — The SEC staff has indicated that a number of registrants had not posted complete interactive data files to their corporate Web sites, as required by the SEC rules. Filers are reminded to post the interactive data files by the end of the day on the earlier of the submission date or the required due date.
- *Use the “Amendment Flag” element correctly* — The SEC staff noted that “[t]he element, ‘Amendment Flag,’ should be set to ‘true’ only if the Interactive Data File is an amendment to a previous Interactive Data File.” Some filers have incorrectly set the flag to “true,” or have set the flag to “false” and then incorrectly provided an “Amendment Description” element. Registrants should verify that the flag is set correctly when submitting their interactive data.

Appendix — How the SEC Rules Will Affect Registrants in 2010

The phase-in of the SEC rules will continue to affect most registrants in the upcoming year. The table below provides details.

| Who Will Be Affected by XBRL in 2010? | |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Large accelerated filers that were in the first phase-in group | These registrants will face the challenge of creating interactive data files for their Form 10-K filings. Also, their interactive data file submissions must include detailed tagging of financial statement footnotes and schedules, beginning with quarterly filings for periods ending on or after June 15, 2010. ⁴ |
| All other large accelerated filers using U.S. GAAP | Initial interactive data file submission required for first quarterly filing for a period ending on or after June 15, 2010. ⁵ |
| All remaining filers subject to the rules | Need to prepare for initial interactive data file submission in 2011. |

⁴ For certain foreign filers, the initial interactive data file exhibit incorporating detailed tagging of the financial statement footnotes and schedules may be submitted with an annual report on Form 20-F or Form 40-F.

⁵ For certain foreign filers, the initial interactive data file exhibit may be submitted with an annual report on Form 20-F or Form 40-F.

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