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THE FUTURE OF BUSINESS REPORTING

Creating IFRS XBRL the Right Way – Experiences in Tagging IFRS Financials

SPEAKER:

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How to create IFRS XBRL the right way

- Need knowledgeable XBRL individual(s) involved that understands:

Regulator's rules

IFRS Taxonomy

XBRL Structures

Accounting disclosures

Critical aspects to create IFRS XBRL the right way

Use the proper approach to creating XBRL

- ~~Fulfilling a compliance requirement~~
- Disclosing financial information in a computer-readable format for public consumption

Both approaches should have the same result, however...

Critical aspects to create IFRS XBRL the right way

Many filers using a compliance approach will provide the lowest quality XBRL that the regulator will allow

- Bad quality results if no enforcement by regulator
 - Automated quality checks are needed
 - Non-automated quality checks are needed
- Does XBRL audit assurance change the quality?

Critical aspects to create IFRS XBRL the right way

Make the proper choice of insourcing/outourcing

- Each filer must have knowledgeable individual(s) involved
 - Can be either inside or outside the company

Critical aspects to create IFRS XBRL the right way

Make the proper choice of insourcing/outourcing

- Filers should assess their knowledge of XBRL components
 - Software
 - Regulator's rules
 - IFRS Taxonomy
 - Frequency of use (daily, quarterly, annually)
 - XBRL structures
 - Accounting disclosures

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Critical aspects to create IFRS XBRL the right way

Understand the IFRS Taxonomy – and its pros and cons

- Pro – Taxonomy follows IFRS standards closely
- Con – Not a significant amount of public filings using the IFRS Taxonomy, so creating tags for common practice disclosures is difficult
 - SEC IFRS filings in Spring 2018 will shed light on whether more tags are needed for common practice disclosures

Critical aspects to create IFRS XBRL the right way

Extensions – to extend or not to extend?

Sales

Hardware	\$ 2,850
Services and other	8,621
Total sales	<u>11,471</u>

Critical aspects to create IFRS XBRL the right way

Extensions – What's the appropriate % of extensions

- SEC analyzed extensions in US GAAP XBRL filings
 - Approximately 20% for annual financials (US GAAP)
- Are extensions consumable by users of the data?
 - Anchoring extensions – XBRL US Data Quality Committee favors the use of extension for SEC filings

Critical aspects to create IFRS XBRL the right way

Avoid common errors

- Examples of common errors
- To date, one IFRS XBRL filing has been submitted to the SEC

Different meaning in XBRL versus traditional financial statements

Disclosure in traditional financial statements:

Sales of property, plant and equipment resulted in a gain of €120 million and a loss of €80 million for the years ended 20X2 and 20X1, respectively.

Erroneous meaning conveyed in XBRL:

Sales of property, plant and equipment resulted in a gain of €120 million and a **gain** of €80 million for the years ended 20X2 and 20X1, respectively.

Different meaning in XBRL versus traditional financial statements

Disclosure in traditional financial statements:

At 31 December 20X2 the company had a loss contingency liability of €40 million related to asbestos litigation and a loss contingency liability of €100 million related to patent litigation.

Erroneous meaning conveyed in XBRL:

At 31 December 20X2 the company had a **total** loss contingency liability of €40 million and a loss contingency liability of €100 million related to patent litigation.

Different meaning in XBRL versus traditional financial statements

Disclosure in traditional financial statements:

€10,000 Total long-term debt
 1,500 Less current portion
€ 8,500 Noncurrent portion of long-term debt

Erroneous meaning conveyed in XBRL:

€10,000 Total long-term debt
+1,500 **Plus** current portion
€ 8,500 Noncurrent portion of long-term debt

How to create IFRS XBRL the right way

Need knowledgeable XBRL individual(s) involved

- The right approach
- The right use of insource/outsource
- Understand IFRS Taxonomy
- Use extensions properly
- Avoid common errors

Create IFRS XBRL the right way!