**Data Quality Committee**

**Webcall**

**April 19, 2017**

**Meeting Notes**

**Attendees**

Committee Members

Mike Starr, Chase Bongirno\*, Emil Efthimides, Pranav Ghai, Sarah Powell\*, Campbell Pryde, [Lou](file:///C:\Users\abeers\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.IE5\UYIOHRRP\lou.rohman@merrillcorp.com) Rohman, Mohini Singh, Steve Soter\*, Amit Varshney\*, Christine Tan (representing Emily Huang)

Absent

Craig Lewis

Staff

Ami Beers, David Tauriello, Susan Yount

Observers

Louis Matherne, Andie Wood\*

**Welcome**

* Chair welcomed Committee members. Introduced Sarah Powell as a new Committee member.

**Minutes Approval**

* Motion to approve minutes from February 15, 2017 DQC meeting, by Emil Efthimides, seconded by Pranav Ghai.
* Vote (For 11, 0 Against)
* Motion passed February 15, 2017 DQC meeting minutes approved.

**Cash Flow Guidance**

Campbell presented the topics from the guidance document on statement cash flows.

* Identification of the cash flow statement use cashflowabstract element
* Open/close balance on cash flow
  + Guidance recommends element used for opening and closing balance should always be the same and includes the broader element including restricted cash.
  + There was a discussion of whether it is appropriate to use different elements on the balance sheet from the cash flow statement when no restricted cash is included in the balance.
  + Data consumers agreed that cash/cash equivalents on balance sheet is consumed separately from net change in cash and reconciling items on cash flow statement.
  + Consistent element selection over time is important for consumers.

***Action item - Confirm with FASB technical staff meaning of new guidance for 2017 (what is intention of the new guidance in standard?).***

* Report gross items on cash flow statement.
  + There is an EFM rule that requires filers to use the same element when a concept is reported on the same line in the financial statement. (e.g., proceeds/payments are reported gross but on the same line over 2 periods; therefore, filers use a net element to report the information for both periods).
  + Guidance requires issuers to use separate line items that represent gross amounts for each period.
  + Net elements are used for common practice when subtotals are shown.

***Action item – Recommend to SEC that EFM rule to require the same element to be used when a concept is reported on a line over multiple periods be removed.***

* Movement of elements between classes on the cash flow statement
  + Elements should not be moved from one activity classification to another section (financing v investing).
  + Different elements should be used for different reporting requirements.
* Issuance costs on equity issuance
  + Proceeds are received in one period and costs are paid in a later period.
  + Same issue due to EFM rule, report gross amounts.
* Noncontrolling interests
  + Do not extend. Instead, when there are reduction in holdings use ProceedsFromSaleofSubsidiarytSockOwnership element or if increase use PaymentstoPurchaseSharesofSubsidiary.
* Aggregate movements in cash flow statement
  + Guidance stipulates which elements to use for aggregate increase and decrease.
* No accrual items in cash flow
  + Accrual items should not be used in the cash flow statement (these include items defined in the income statement or movement in the shareholders equity statement)
* Net income reconciliation
  + When presenting an indirect cash flow statement, the filer reconciles from net income to operating cash flows for the period.
  + Use element ProfitLoss as starting point in the cash flow statement
* Calculation weights and balance attribute
  + Net Cash provided by (Used in) Operating Activities should be treated as a debit balance
  + Guidance and rules make it clear that expenses (e.g., depreciation) must be added to net income.
* Calculation Linkbase
  + Calculation associated with cash flow statement must be included in the role associated with cash flow statement.
  + Calculation linkbase must start with a single duration element representing increase or decrease in cash for period.
* Increase/Decrease items with different balance type
  + Increase/Decrease items defined in rollforwards without balance attributes should not be used on the statement of cash flows.
* Discontinued Operations
  + When a filer includes discontinued operational line items in the operating activities section of cash flow statement, use elements from the taxonomy where they exist (e.g., DepreciationAndAmortizationDiscontinuedOperation)
  + If no line items are defined, create extensions with the suffix “DiscountinuedOperations” and link to base taxonomy element.
  + Guidance for links to base taxonomy elements will need to be defined.
* Dimensions on cash flow statement, use when
  + dimension applies to all values (separate legal entities).
  + disaggregating into company specific items that match members already used in another part of the filing and the implicit default equals the total.
* Foreign exchange
  + Guidance stipulates which element to use whether or not exchange rate effect is reported.

***Action item – Note if any other issues should be covered in Cash Flow Guidance.***

**Analytics and SEC Viewer**

* Demonstration of Idaciti tool to show potential uses of inline XBRL using SEC inline XBRL viewer as a base.
* Provides trend analysis of tag selection over time using visuals.
* Points out areas where filers change tags over periods.

**Proposed Framework to Ensure Consistency and Comparability of XBRL Data**

* Updates to document based on comments received from SEC Professional Group, XBRL US Board members, FASB Taxonomy staff and Bob Hertz, former FASB Chair.
* Comments received from SEC Professional Group
  + Support for Framework and disclosure-driven approach to select elements and standardize modeling.
  + Necessary to revise taxonomy to enable consistent tagging; multiple ways to tag the same information is challenging.
  + Use of extensions should be limited; link custom tags to a standard element.
  + Approach will enable tagging by those responsible for preparation of financial statements.
  + Support for selecting standard elements using the same materiality judgments used when preparing printed financial statements.
  + Concerns about how to tag entity specific information that is not required to be disclosed
  + Challenging to tag aggregations of immaterial items.
* Comments received from FASB staff
  + Concern about loss of information where there is a difference between the standard element used for an item and how the filer describes the item.
  + Use of extensible enumerations or dimensions might be better way to capture information rather than custom label. Committee recommends use of custom label; however, this will need to be validated.
  + Use of extensions should be consistent with design of taxonomy.
  + Reporting requirements are not specific resulting in different interpretations and some disclosures of numeric information that is not common.
  + Reg S-X permits the combination of immaterial with material amounts (open question to SEC staff).
* Framework will not be issued as a standalone document; instead, guiding principles will be used to develop future guidance on topic areas.

**Rule Results**

* DQC rule results from Q42015 through Q12017 show increased number of errors checked.
* Potential errors have decreased by 74%

**Guidance for Income Statement and Analysis of Revenue**

* Analysis shows there are 3 different elements that are used to tag net income although the elements represent different requirements under Reg S-X reference. Guidance will recommend to use Net Income Loss, including Portion Attributable to Noncontrolling Interest. The element in the taxonomy currently has 5 references to the Consolidation topic with no reference to Reg S-X or Income Statement topic. Will make a recommendation to add reference.
  + Existing EFM rule to use most specific tag causes confusion for filers will recommend removing this rule.
  + Element selection criteria in EFM will need to be revised.
* Revenue Analysis
  + Desired end state
    - Filers are able to use element selection process from Framework to select standard elements that are consistent with reporting requirements.
    - Users are able to rely on calculation structure of the taxonomy to identify revenue at any level of aggregation or disaggregation.
  + Impact of applying guidance on revenue
    - Reduction in extensions.
    - Changed 20% of standard elements to another standard element
    - Inconsistent use of standard elements has bigger impact on use of data than use of extensions.
  + Guidelines for modeling revenue
    - Every reporting requirement should have an element associated with it.
    - Every element should have a clear purpose that is consistent with the Framework.
    - Every revenue element should have only 1 reference.
    - Every revenue element should have 1 calculation parent.
  + Findings of existing revenue elements in taxonomy include 390 elements.
    - Elements roll up to more than one parent.
    - There are disconnected nodes where elements do not roll up to revenue, cannot use calculation structure to find total revenue.
  + Preliminary analysis of revising elements in the taxonomy to align with Reg S-X, reduces total amount of revenue elements and all roll up to total revenue.
  + Preliminary review of IASB criteria for common practice elements may be a good starting point.

**Extensible Enumerations**

* User feedback to FASB
  + Prefer line items over dimensions.
  + String elements provide no structure.
  + Enumerated lists cannot be augmented.
* Explanation of extensible lists:
  + Are line items.
  + Can be augmented.
  + Reuse existing elements as facts.
  + Provides less complex hypercubes (need fewer dimensions).
  + Values are constrained to a specific list.
  + Connects lists to line items using dimensional structure.
  + Enables multiple values to be applied.
* When to use
  + Dimensions should be used to disaggregate information.
  + If not a disaggregation, use line item element with extensible list to provide additional information.

**Entity Specific Disclosure Task Force Update**

* Task Force is writing a paper that will be published that will include use cases and recommendations.
* Recommendations include:
  + Use inline xbrl as a practice when working with entity specific disclosures.
  + Scenarios when not using a preparer extension taxonomy.
  + Scenarios with open systems.
    - Calculations relationship are most useful.
      * Mitigation actions suggested when calculations do not work that will be passed to specification working group (i.e., inconsistencies due to incomplete calculations).
      * Recommend policies for using calculations.
* Anchoring concept is open.
  + Link entity specific disclosure to base taxonomy element.
  + Recommendations will be business focused (i.e., not syntax)
  + Limited ways to use existing specification to anchor.
* A draft will be available for Europe meetings in June.

**XBRL US comment letter**

* XBRL US conducting surveys of issuers and service providers to incorporate results into comment letter.
* Draft will be distributed to Committee to obtain feedback from data consumers.

***Action Item – Schedule calls to review draft of XBRL US letter***.

**FASB Exposure Draft**

* SEC published approval of 2018 FASB Advisory fee with a request for a study of the efficiency and effectiveness of the taxonomy.
* FASB will issue a request for comment.
  + Improvements of process – recommend exposure of new elements for ASUs concurrent with ASU exposure.
  + Improvement of taxonomy
    - Allow use of dimensions on face financial statements
    - Use dimensions only for disaggregations.
    - Reference project to align elements for disclosure driven element selection approach.
    - Additional guidance
  + Other
    - Taxonomies used for other purposes outside of SEC submissions. Does FASB have responsibility (i.e., earnings releases)?
    - Discussion of audit requirements.
* Outreach to various groups in May.
* Public roundtable in July.
* Formal response to SEC in September.
* DQC will respond to invitation to comment.

**SEC Meeting**

* Meeting with staff on April 20.

Meeting adjourned 5:00.