

Technical Line

Financial reporting development

Using the 2013 XBRL US GAAP Taxonomy

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What you need to know

- ▶ The SEC is expected to approve the use of the 2013 XBRL US GAAP Taxonomy by 20 May 2013, when the staff plans to update EDGAR to support it.
- ▶ The SEC staff plans to make the 2011 taxonomy unavailable for use on 20 May 2013. Registrants still using the 2011 taxonomy will need to make the transition to a newer version for XBRL exhibits submitted after this date.
- ▶ Companies should review their practices for selecting tags for their XBRL exhibits as they move to the new taxonomy.
- ▶ When selecting and reviewing tags, companies should thoroughly search the tags in the 2013 taxonomy.
- ▶ New tags were added to reflect accounting standards updates, common terms and leading practices, which should reduce the need for extension tags.

Overview

The Securities and Exchange Commission (SEC) is expected to approve the use of the 2013 XBRL US GAAP Taxonomy by 20 May 2013, when the staff plans to update EDGAR to support it. On 20 May, the SEC staff also plans to make the 2011 version of the taxonomy unavailable for use.

This is the fourth major update to the US GAAP taxonomy, the official list of codes or tags that registrants use to create computer-readable XBRL exhibits. Proper use of the taxonomies is important because when the limited liability provision expires later this year for the last group of registrants in the SEC's XBRL phase-in mandate, all registrants will have the same liability for their interactive data files as they have for the traditional financial statements.

To use the 2013 version, companies need to understand how changes will affect their existing XBRL tag selections. The Financial Accounting Standards Board (FASB) has updated the taxonomy to reflect new accounting standards and common reporting practices. The SEC has made minor updates to some sections that it maintains.

Registrants that are still using the 2011 taxonomy will need to make the transition to a newer version for periodic reports filed after 20 May 2013. For example, a calendar-year registrant will need to use the 2012 or 2013 version of the taxonomy when it files its second quarter 2013 Form 10-Q. Registrants may continue to use the 2012 taxonomy after the SEC approves the 2013 version, but the SEC staff strongly encourages companies to adopt the latest version.

This publication is designed to help companies make the transition to the 2013 taxonomy. We summarize the major changes and explain how to evaluate the effects on your company. We also summarize leading practices for searching and selecting the most appropriate tags. In the Appendix, we provide key considerations to help you select and review XBRL tags.

Key considerations

Companies should become familiar with the 2013 taxonomy by reviewing its contents using a taxonomy viewer (e.g., the FASB online taxonomy viewer). The release notes and supporting information on the FASB website describe the changes made to reflect accounting standards updates and highlight structural changes that affect existing tags.

Significant changes in the 2013 taxonomy

The 2013 taxonomy makes the following changes to the 2012 version:

- ▶ Adds tags for Accounting Standards Updates
- ▶ Removes references superseded by the Accounting Standards Codification (the Codification)
- ▶ Removes non-GAAP references that are no longer maintained
- ▶ Remodels segment disclosure to provide flexibility and accommodate different reporting practices
- ▶ Remodels certain areas related to the insurance industry
- ▶ Rationalizes elements related to disclosure of notional amounts of derivatives
- ▶ Eliminates redundancies in disclosure of unrecognized deferred taxes
- ▶ Adds elements to accommodate period ranges for aging of exploratory well costs and debt redemption periods
- ▶ Eliminates redundancies in disclosure of other operating income and expense
- ▶ Removes elements related to business combination disclosures that are no longer applicable

Tags have been added to reflect new accounting standards, common terms and leading practices.

Illustration 1 – Accounting Standards Updates reflected in the 2013 taxonomy

The following Accounting Standard Updates are reflected in the 2013 taxonomy:

- ▶ Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (2011-11)
- ▶ Health Care Entities (Topic 954): Continuing Care Retirement Communities – Refundable Advance Fees (2012-01)
- ▶ Technical Corrections and Improvements (2012-04)
- ▶ Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force) (2012-05)
- ▶ Entertainment–Films (Topic 926): Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (a consensus of the FASB Emerging Issues Task Force) (2012-07)

Transition considerations

Companies that intend to make the transition should develop a plan for implementing the 2013 taxonomy. They will need to:

- ▶ Read the FASB's release notes on the 2013 changes and identify areas that may affect them
- ▶ Identify any new accounting standards that will be adopted in 2013 and will affect financial statement presentation and disclosure
- ▶ Confirm that any software they use to create XBRL exhibits in-house has been updated to fully leverage the 2013 taxonomy (e.g., by supporting all tag data types)
- ▶ Read the FASB's XBRL Implementation Guides, which are designed to help users understand how certain disclosures are structured and to provide examples of common disclosure presentations
- ▶ Consider any updated SEC guidance related to tag-selection requirements

Assess current US GAAP taxonomy tags

The first step is to compare tags a company uses now with the FASB's updated definitions. A number of tools, including the free FASB XBRL Extension Taxonomy Change Application (TC App), are available to help companies make this comparison.

Due to structural changes in the 2013 taxonomy, companies might need to significantly restructure their tags for some disclosures. A company might have to change its approach and use dimension members rather than line-item tags or use a combination of line-item and member tags rather than a line-item tag.

To assess its current tags, a company should take the following steps:

- ▶ Obtain or run a change report (available from service providers, software vendors and the FASB TC App) to identify tags that are changing or have been deprecated (i.e., are no longer valid)
- ▶ Consider the effect of changes on the annual financial statements because the effects will generally be greater than in interim periods
- ▶ Compare newly deprecated tags with existing tag selections and select new tags as appropriate
- ▶ Check deprecated tag labels to see whether they suggest alternatives
- ▶ Compare the tags currently used with significant definition changes and assess whether continued use is appropriate
- ▶ Review the FASB's list of significant changes, especially those the FASB says resulted from "Best Practices, Public Comments, and Internal Analyses"
- ▶ Consider more narrowly defined tags, which generally are found in new tag additions
- ▶ Identify any line-item tags with balance type (i.e., debit or credit) changes and carefully assess the sign values (i.e., review amounts with a negative balance because most amounts are entered in XBRL with a positive balance)

Assess current extension tags

Companies create extension tags when they cannot find a suitable tag in the taxonomy. This reduces comparability of financial statements. To assess their current extension tags, companies should:

- ▶ Consider whether new tags can replace existing extension tags
- ▶ Filter for new tags (i.e., 2013 change label)
- ▶ Find new tags that reflect new accounting standards, new industry-specific content and best practices
- ▶ Compare extended tag types (e.g., integer) with new tag types and determine whether a new tag type (e.g., per unit) should be used

Characteristics of a good tag search and review

Using the US GAAP taxonomy

Due to the size and complexity of the US GAAP taxonomy, companies need to focus on how to find, review and select the most appropriate tag for each financial reporting concept in the XBRL exhibit. Thoroughly reviewing the US GAAP taxonomy can result in more accurate selection and higher-quality XBRL exhibits.

The right tools for reviewing tags

When reviewing tags, reviewers generally should use the following three items:

- ▶ To-be-filed financial statements in HTML format so they can review tag captions and understand the information in the right context, including Management's Discussion and Analysis and other information
- ▶ XBRL review worksheets or other mechanisms, such as software viewers, that can be used to document the thought process behind a tag's selection
- ▶ A taxonomy viewer (e.g., the FASB's online viewer, viewers provided by software vendors, the spreadsheet format of the taxonomy) to navigate and search the taxonomy

Understanding the criteria for tag selection

Tag definition

A tag's definition generally describes its basic concepts, including any restrictions on its use. Reviewing the definition helps you determine whether a tag is appropriate. Using the most narrowly defined standard tag is preferable to extending a tag and creating a new one as long as the standard tag captures all significant information.

The tag must be consistent with the financial reporting concept in all significant respects, but it is not necessary for the definition to be an exact match. Not every item mentioned in a definition has to be included for the tag to be a valid selection, but the definition must not explicitly exclude significant components of the amount.

For example, a tag that is only for derivatives that are cash flow hedges should not be used to tag an amount that includes other types of derivatives along with cash flow hedges.

Data tag type and period type

The data tag type and period type also must be appropriate. The tag type identifies the kind of information being reported (e.g., monetary, share, per share), while the period type indicates whether the item is reported at a point in time (e.g., a balance sheet concept) or over time (e.g., an income statement concept). A tag that appears to represent a desired financial reporting concept should not be used if the tag type or period type is not appropriate.

Secondary tag attributes

Secondary attributes are not key criteria for selecting a tag. A tag that meets the primary criteria of definition, type and period need not match all secondary attributes. Examples include standard labels, references to the Codification and a tag's natural balance (debit or credit). However, if a secondary attribute is inconsistent with the concept, the element should be examined carefully to determine whether it is the best selection.

Identifying when member tags (dimensions) are needed

Member tags represent complete financial reporting concepts when combined with line-item tags and dimension (axis) tags. Understanding when member tags are needed can be challenging. The SEC staff recommends that companies follow the structure in the taxonomy. If the taxonomy does not cover the information, a company must determine whether it needs to create a new member tag (using the

Using the most narrowly defined standard tag is preferable to creating a new one, as long as the standard tag captures all significant information.

taxonomy as a reference). Appropriately applying dimensions results in a more accurate representation of the financial information and makes it easier for users of the data to compare financial statements.

The structure for a given table, note or statement in the taxonomy consists of either line-item tags only (e.g., income tax disclosures) or a combination of line-item and member tags (e.g., property, plant and equipment). Reviewing the notes and how they are structured in the taxonomy can help you understand when member tags are appropriate.

Some concepts require a line-item tag and a collection of member tags along a classification dimension (axis). A key step in assessing tags is to understand which approach the taxonomy takes (or which approach is needed if the taxonomy does not explicitly state an approach).

Some notes are structured with multiple dimensions requiring separate sets of member tags to convey the concept. Consider a company that is tagging a note on the fair value of its pension plan assets. The company would first need to tag each amount with a single line-item tag for the fair value of plan assets. To fully reflect the disclosure, the company would then add an axis and a member tag for each of the following:

- ▶ The fair value measurement (level 1, 2 or 3 of the fair value hierarchy)
- ▶ Type of plan (US or foreign)
- ▶ Asset categories (e.g., cash and cash equivalents)

Avoiding common tag-selection pitfalls

Common errors and the steps companies can take to avoid them include the following:

- ▶ Companies fail to read the entire definition and choose tags that do not apply. A software company, for example, selected the tag for “research and development expense” even though the definition specifically excludes “software research and development (R&D),” which was a significant component of the company’s R&D expense.
- ▶ Companies limit tag searches to certain areas of the taxonomy. For example, if a company reports work-in-progress inventory on the face of its balance sheet, a tag search of just the balance sheet section of the taxonomy would not identify the most appropriate tag located in the inventory disclosure section of the taxonomy.
- ▶ Companies ignore additional information in financial statement notes that could help them choose the narrowest tag. One company selected a general inventory tag defined as including raw materials, finished goods and work in progress, even though the text of its disclosure said only finished goods and work in progress were included. The company should have chosen a narrower inventory tag.
- ▶ Companies reject a tag because the definition is not an exact match. An appropriate tag could include a broader array of items than the amount being tagged or could exclude immaterial components of the amount.
- ▶ Companies choose tags that do not include all “significant” information. For example, it is inappropriate to use a tag that represents non-current accounts payable if the line item being tagged represents current and non-current accounts payable.

Navigation and search techniques

Consider the following to help you navigate and thoroughly search the taxonomy:

- ▶ Taxonomy views: The taxonomy has several industry views that present tags with common industry relationships. To identify all tags to be considered, use the “Entire Taxonomy” view in the FASB’s online viewer.
- ▶ Taxonomy trees: The taxonomy is divided into a number of views (or trees) that generally represent a primary statement or note disclosure. In the section on the statement of financial position, for example, the balance sheet line-item tags are organized by assets and liabilities, while the assets section is organized into current and non-current. The location of some tags is more obvious than that of others. For example, cash-related tags are generally found in the cash and cash equivalents section of the statement of financial position. Tags for investments and derivatives require searches of the entire taxonomy because they can be found in several locations.
- ▶ Software-assisted searches: Always perform a software-assisted search and search the entire taxonomy for keywords in the tag’s label and definition. Some viewer software allows users to filter and search by tag attribute (e.g., period type), data type (monetary, shares or text block), deprecated status (i.e., the tag should no longer be used) and other attributes (e.g., line item, member, abstract). The use of logical operators (and/or), wildcards (*.*) and synonyms (e.g., net income, net earnings, net profit), along with the basic type of tag (e.g., member, text block, abstract), can help narrow the results of an automated search.
- ▶ Search terms: Start with a narrow search and broaden as necessary. Doing this can increase the likelihood that the most appropriate tag will appear closer to the top of the search results. For example, “available for sale securities” is a narrower criterion than “investments.”

A variety of search techniques can help you navigate the taxonomy, find the most appropriate tags and avoid the unnecessary use of extensions.

Next steps

- ▶ Understand the changes made to the 2013 taxonomy and the steps necessary to implement it
- ▶ Determine when to make the transition to the 2013 taxonomy and talk to your service provider or software vendor about developing a transition plan
- ▶ Run a change report to assess the effects of the new taxonomy on your existing XBRL exhibits

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Appendix: XBRL transition and tag review considerations

Here are some questions you should ask yourself when you make the transition to the 2013 taxonomy or when you select and review tags.

Planning process:	Assessing tag definitions and other attributes:
<ul style="list-style-type: none"> ▶ Did I consider when I should adopt the new taxonomy? ▶ Do I have all relevant information to review of my tags (e.g., tag selection information including axis and member tags)? ▶ Am I involving the right resources (subject matter, technical) in the selection and review processes? ▶ Did I consider the tag selection of other companies in my industry for similar content (e.g., extension tags)? ▶ Do I understand what steps my third-party service provider is taking to prepare me for the new taxonomy? ▶ If I create my XBRL exhibit in-house, did I confirm that my software fully supports the new taxonomy? ▶ Did I review the new taxonomy documentation? ▶ Did I run a change report for deprecated tags and other changes that affect my XBRL exhibit? 	<ul style="list-style-type: none"> ▶ Am I familiar with the current SEC guidance and requirements for tag selection? ▶ Did I read the entire tag definition? ▶ Did I incorrectly reject a tag because it excluded "non-significant" components from its definition? ▶ Did the definition for the tag I selected contain all significant components of my financial reporting concept? ▶ Did I select the most narrowly defined tag I could find in the taxonomy? ▶ Did I make sure the tag type and period type are appropriate for the amount I am tagging? ▶ Did I consider the label and other tag attributes? ▶ If I am extending a tag, did I extend it for the right reason (e.g., no suitably defined standard tag, concept was an aggregation of two separate tags, unique company-specific concept)? ▶ Are all aspects (e.g., dimensions) of my financial reporting concept captured in my tag selection? ▶ Did I fully understand the financial reporting concept being tagged (e.g., did I consider relevant information in the notes or MD&A)? ▶ Did I make sure I did not select a deprecated tag? ▶ When tagging the notes, did I consider the structure of the tags used in the US GAAP taxonomy (e.g., line item, axis, member tag)?
Transitioning to a new version of the taxonomy:	Navigating and searching the taxonomy:
<ul style="list-style-type: none"> ▶ Did I conduct a comprehensive review (e.g., consider all tag selection criteria, review tag selection of others)? ▶ Do I understand which of my existing tag selections are now deprecated? ▶ Did I review and assess the effect of the newly added accounting standards updates? ▶ Did I review the new taxonomy for replacements for my existing extension tags? ▶ Did I consider any major structural changes to any financial statements or notes made since the previous taxonomy that may affect my current tag selections? ▶ Did I consider whether there are new tags that are more narrowly defined in the new taxonomy? ▶ Did I consider any significant definition changes to my tag selections that may affect their use? ▶ Did I consider any tag attribute changes that may now allow me to use a standard tag (e.g., decimal to per unit)? 	<ul style="list-style-type: none"> ▶ Did I review the search functionality guidance for the taxonomy viewer I am using? ▶ Did I navigate the taxonomy trees? ▶ Did I search the entire US GAAP taxonomy? ▶ Did I use the available filters to view newly added or altered tags? ▶ Did I perform various keyword searches of the taxonomy and use available tag filters? ▶ Did I use synonyms when searching tags?