

XBRL US Webinar 2017-05-31



Efficiency and Effectiveness Review *GAAP Taxonomy*

Re: SEC Order Regarding Review of FASB
Accounting Support Fee for 2017 Under Section
109 of the Sarbanes-Oxley Act of 2002

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The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations

Background

Why Efficiency & Effectiveness Review

- Respond to SEC budget order request
 - **What?** Conduct an assessment of the “Efficiency and effectiveness of the U.S. GAAP Financial Reporting Taxonomy” (Taxonomy)
 - **For Who?** Report the findings, including suggested improvements, to the Commission
 - **By When?** Prior to the FAF's approval of the FASB's 2018 budget and associated accounting support fee for review by the Commission.

Outreach

- Invitation to Comment (ITC)
- Constituency feedback
 - Committees and advisory groups
 - External organizations
- Public roundtable meeting on July 18, 2017
- Other outreach efforts

ITC Coverage

- Background
 - Major responsibilities
 - Other Taxonomy uses including IFRS, XBRL US Projects, earnings releases
- Potential improvements to usability of Taxonomy
 - Design
 - References to Codification
 - Implementation resources
- Potential improvements to Taxonomy processes
 - Issuing proposed Taxonomy changes concurrent with issuance of FASB's proposed and final ASUs
 - Replacing 60-day comment period with process that allows:
 - Feedback for Taxonomy changes concurrent with development of ASUs
 - Feedback for projects identified by FASB Taxonomy staff as developed
 - Alleviation of staff resource constraints

Major Responsibilities

- Keeping Taxonomy current with GAAP disclosure requirements
- Publishing revised Taxonomy as an Annual Update
- Communicating changes in Taxonomy
- Ensuring an open process
- Testing each Annual Update

Review Area 1—Taxonomy Usability

Taxonomy Usability

Stakeholder priorities identified in 2014 outreach

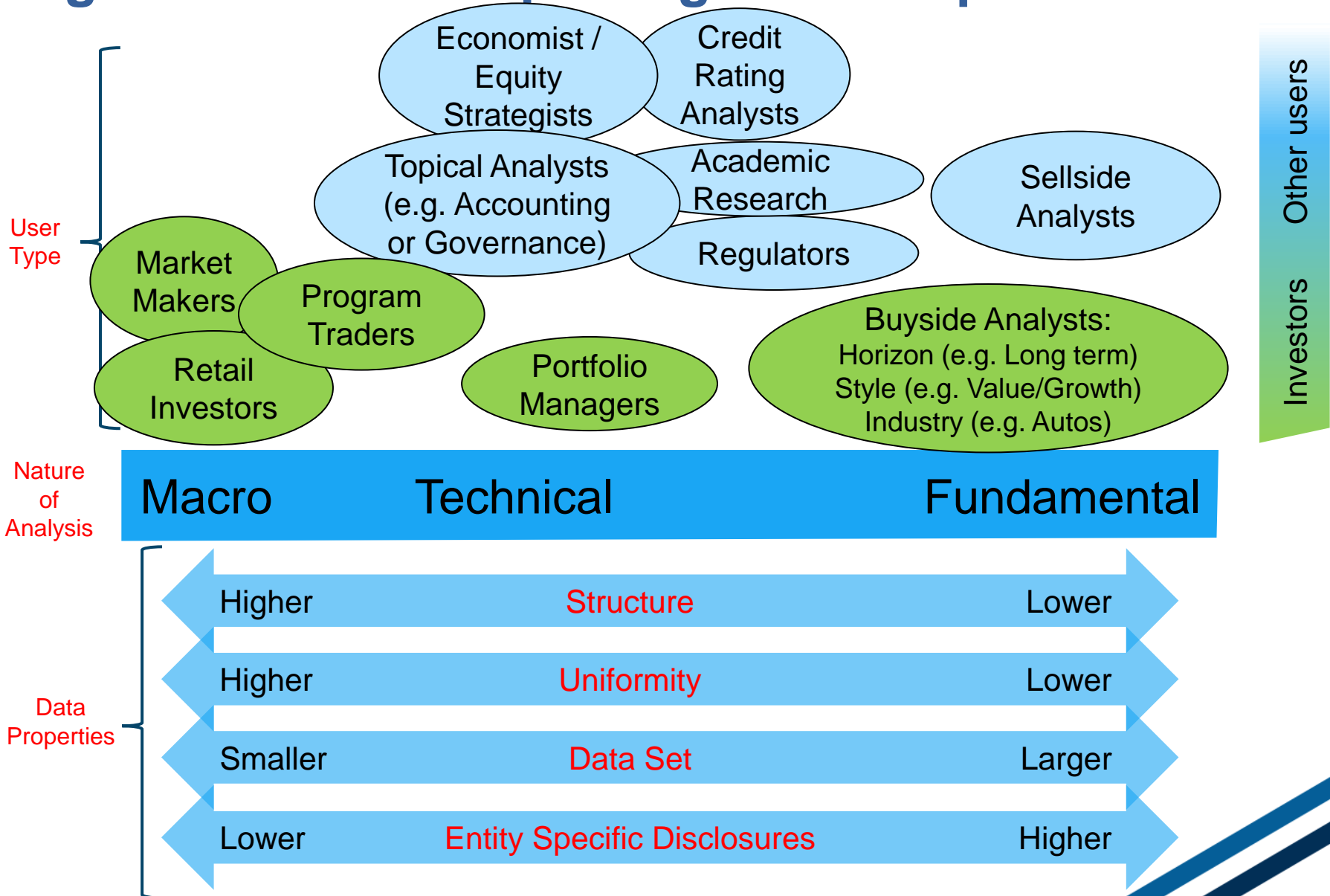
Top registrant priorities

- Taxonomy navigation concerns
- Inconsistent modeling across the Taxonomy
- Multiple ways to tag the same facts

Top data user priorities

- Inconsistent modeling across the Taxonomy
 - Multiple ways to tag the same facts
 - Extension management
 - Granularity
-

Digital Financial Reporting User Requirements



Taxonomy Usability—Design

Improvements made

- Simplification initiatives
- Various technical improvements
- Implementation resources
- Codification reference improvements
- Topical focus projects
- Development of design principles

Concerns that persist

- Elements with low usage
- Dimensions used in multiple ways
- Multiple ways to tag same facts
- Modeling inconsistencies across Taxonomy topics
- Entity Specific Disclosures (ESD)

Taxonomy Usability—Design

- Low-use elements
 - Inhibits navigation and appropriate element selection
- Dimensions used in multiple ways
 - Using dimensions for disaggregation and non-disaggregation makes data more difficult to process
- Elements providing multiple ways to tag same facts
 - Results in data inconsistencies between registrants
- Modeling inconsistencies across topics
 - Adversely affects users' ability to directly analyze data
- Unrestrained and unconnected ESDs
 - Creates obstacles to efficiently consume such data programmatically

Taxonomy Usability—Design

Potential improvements that address multiple issues

Proposed Solutions		Issues Addressed				
		Low Element Usage	Dimensions Used in Multiple Ways	Multiple Ways to Tag the Same Facts	Modeling Inconsistencies across Taxonomy	ESD
	Use dimensions on primary financial statements	S		P	S	S
	Dimensions for disaggregation only		P	P	P	

Primary (P) or Secondary (S)

Taxonomy Usability—Design

Dimension use on primary financial statements

- Advantages
 - Eliminates multiple ways of tagging
 - Reduces number of elements
 - More effectively contains ESDs
 - Reduces modeling inconsistencies

- Disadvantages
 - Calculation inconsistencies may result from lack of report-wide values
 - Risk of registrant misapplying dimensions
 - Visual mismatch when registrants disclose multiple components of disaggregation

Taxonomy Usability—Design

Dimensions for disaggregation only

- Advantages
 - Data users could rely on dimensions as further disaggregation of fact and not additional information about fact
 - Simpler hypercubes with fewer dimensions easier for data users to understand and consume automatically
- Disadvantages
 - Current modeling approach adopts modeling changes prospectively for new ASUs and topical projects
 - May increase modeling inconsistencies in practice
 - Alternative to make all changes at once throughout Taxonomy could have significant effect on stakeholders
 - Not all users are concerned about using dimensions for non-disaggregating properties

Taxonomy Usability—Design

Questions for respondents

- **Question 1:** Should dimensions be used in tagging the primary financial statements?
- **Question 2:** Should dimensions be primarily used for disaggregation, with a limited set of known exceptions?

Taxonomy Usability—References

- Stakeholders have suggested element selection should be based on reporting requirements in Codification
 - Result in more efficient and accurate element selection with fewer extensions or incorrect selections
- Phased approach to improvements

Establish criteria for reference addition

Identify missing references on explicit disclosure requirements

Review elements with more than a certain number of references

Review references with more than a certain number of elements

Update categories of elements based on criteria (i.e. text blocks, table text blocks)

Review references topically for appropriateness

Review common reporting elements

Develop tool to search by reference

Taxonomy Usability—References

Taxonomy references to Codification

Questions for respondents

- **Question 3:** Would the completion of the reference project increase the efficiency and effectiveness of the Taxonomy? Given the existing resources, should the completion of the reference project be a high priority?
- **Question 4:** Are there other methods to simplify element selection that you would suggest? How would those methods improve the usability of the Taxonomy?

Taxonomy Usability—Resources

- Improve element selection and assist with implementation of Taxonomy
- Additional information provided within Taxonomy and externally
- Potential issues
 - Information in multiple locations difficult and time consuming to identify:
 - All information needed to understand intended modeling
 - Select appropriate elements
 - Incorporating all supporting implementation information within Taxonomy:
 - Provides single, contextually sensitive source
 - Structure of Taxonomy may limit type of information included
 - External resource may be more suitable.
 - Amount of time needed to develop and maintain implementation resources
 - Increases with amount of implementation resources provided
 - Other priorities may delay development of implementation resources or slow improvements to other areas of Taxonomy

Taxonomy Usability—Resources

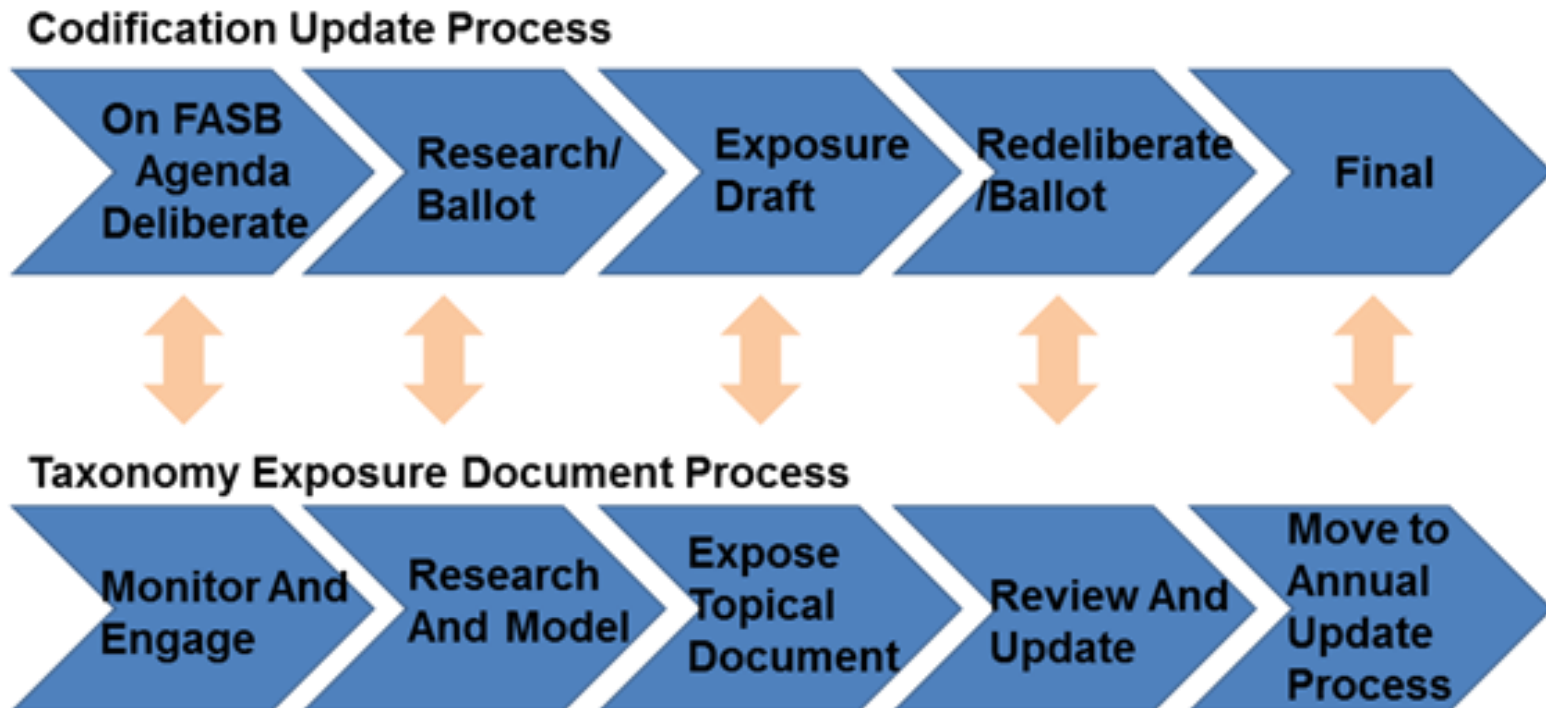
Questions for Respondents

- **Question 5:** What types of implementation resources supporting registrant use of the Taxonomy are most efficient and effective? How would you prioritize registrant need for the types of implementation resources listed in paragraphs 1.54 and 1.55 (as well as any others that you think should be considered)?
- **Question 6:** Questions 1–5 seek comments on specific areas described in Review Area 1. Do you have other suggestions that would improve the efficiency and effectiveness of the Taxonomy?

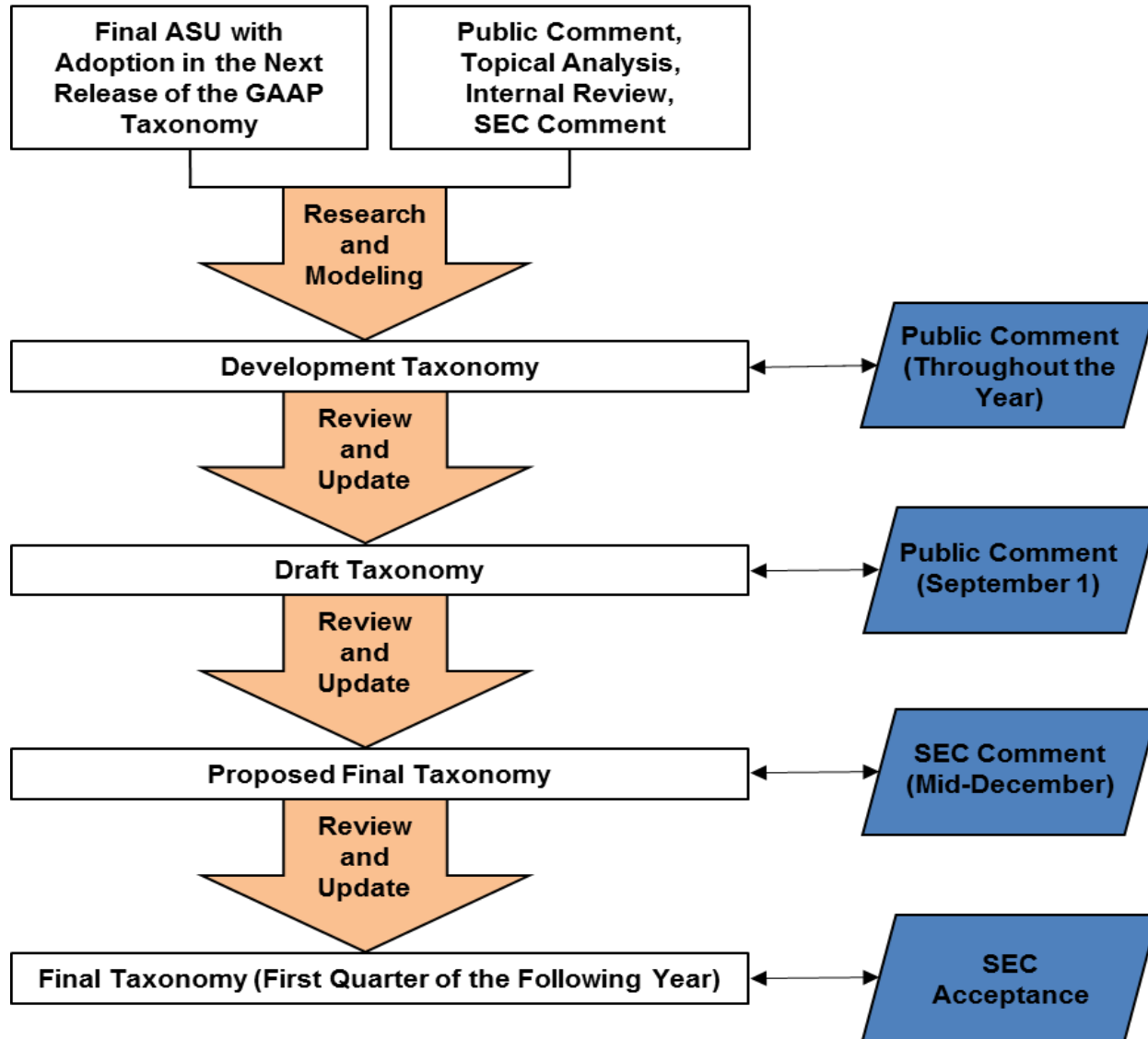
Review Area 2—Taxonomy Process

Taxonomy Process

Taxonomy Integration With Standard Setting



FASB Taxonomy Development Process



Taxonomy Process

Potential issues

- Improvements to GAAP may not be reflected in most recent Taxonomy
 - Requires registrants to create ESDs to reflect new reporting requirements
 - New accounting standards are issued and implemented throughout year
 - Changes to Taxonomy from GAAP improvements (“consequential changes”) are accepted by SEC only on annual basis

- 60-day comment period is insufficient to evaluate changes to Taxonomy
 - More effectively addressed throughout year
 - Taxonomy staff contribution to standard-setting process significantly limited before and during 60-day comment period
 - Presentation or disclosure of information requirements in consequential changes may be suboptimal for Taxonomy

Taxonomy Process

Potential improvements:

- Issue proposed changes to Taxonomy concurrent with issuance of FASB's proposed and final ASUs
 - Increasing symmetry with ASU-issuing process
 - Consideration of structured digital reporting requirements in standard-setting process
 - Timelier understanding of reporting requirements for modeling consequential changes
 - Expected elements and modeling structure available when registrant adopts (may be ESD until acceptance)
- Similar to IFRS Taxonomy process, which aligns IFRS Taxonomy Updates with issuance of IFRS Standards

Important that improvements to GAAP are responsive to stakeholder concerns and needs

Taxonomy Process

Potential improvements:

- Replace 60-day comment period with process that allows:
 - Feedback for changes to Taxonomy concurrent with development of ASU
 - Continual exposure periods avoids condensed public comment period
 - Allows registrants to more effectively evaluate proposed consequential changes with evaluation of proposed ASUs
 - Feedback for projects identified by FASB Taxonomy staff as developed
 - Exposing technical structure changes with sufficient lead time allows XBRL software developers
 - » More time to evaluate
 - » Consider incorporation into their process
 - » Provide feedback to FASB Taxonomy staff
 - Alleviation of staff resource constraints

Taxonomy Process

Questions for respondents

- **Question 7:** Does issuing proposed changes to the Taxonomy concurrent with the FASB's proposed and final ASUs lessen the timing issues between a registrant's adoption of GAAP updates and consequential changes to the Taxonomy?
- **Question 8:** Should the FASB Taxonomy staff replace the current annual 60-day comment period for the proposed Taxonomy Update with an exposure process that corresponds with the required adoption of GAAP improvements?
- **Question 9:** Do you have other suggestions related to the Taxonomy process that would improve the efficiency and effectiveness of the Taxonomy?