XBRL Japan

Standardize to Enhance: Process & Controls, Analytical Insights, Economics

October 1, 2013

pwc

Discussion Topics

Trends

- Around the World

- Implications
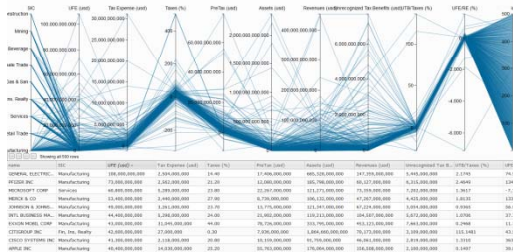
- Analytical Insights

- Lessons Learned

Standardize to Empower Reporting Professionals:

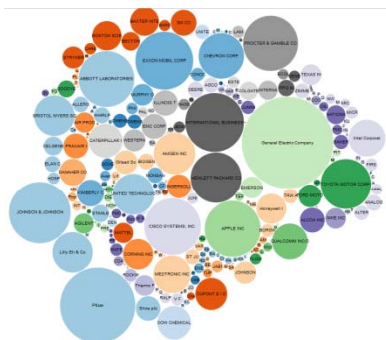- Enhancing Reporting Process & Controls Agility, Effectiveness, Economics
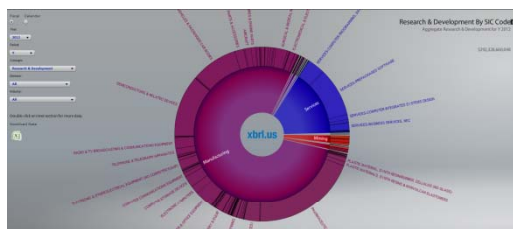
Next Steps

Trends

Examples of More Granular Transparency / Insights

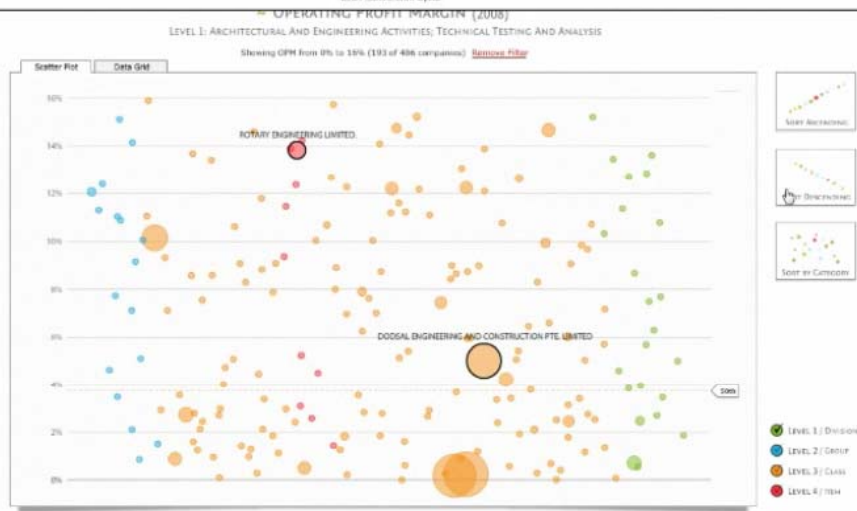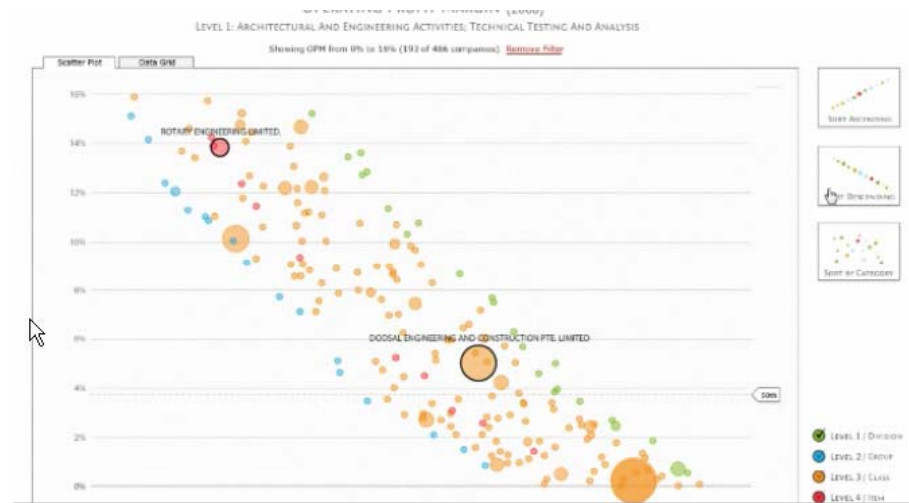"A comparison of Income, Revenue, and Taxes of various companies"

"Visual template representation - a comparison of unremitted taxes based on earnings made overseas"
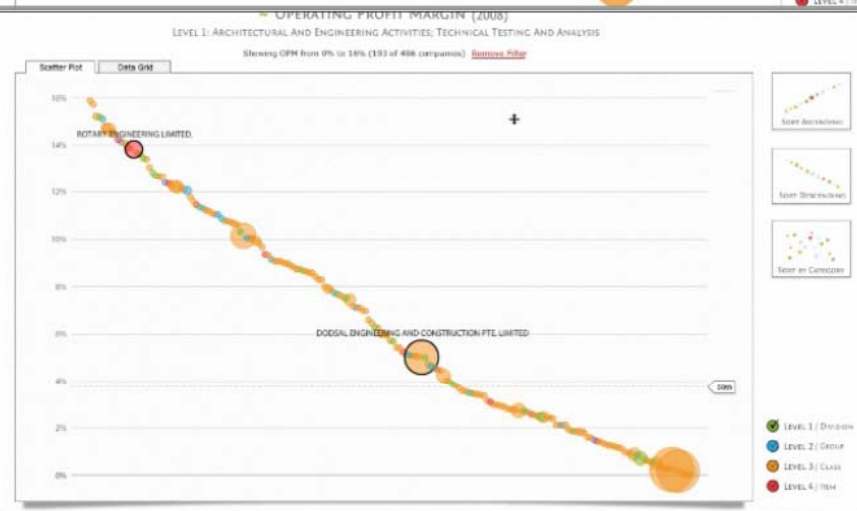

"XBRL Data in Use - Accumulated values of key items"

Open Analytics at ACRA in Singapore
Enhancing Analysis of Business Reports

Adoption is accelerating around the World

Mandate XBRL filing

Voluntary XBRL filing

XBRL in development

XBRL Around the World: Latin America

Panama – Banking Supervision

Columbia (in development)

Peru – Banking Supervision and Securities Regulation

Brazil National Treasury: Public Sector Accounting and Fiscal Information System - 2014

Chile – Corporate Reporting and Insurance Regulation

Uruguay – Central Bank (in development

Argentina – Central Bank (in development)

XBRL Around the World: Europe

Norway – Oslo Stock Exchange

Finland – SBR (2014)

Belgium

Sweden

Lithuania

Denmark

Netherlands - SBR

UK HMRC

Germany

Ireland Customs House

Poland – National Bank

France – Central Bank

Ukraine – Corporate Reporting (in development)

Switzerland

Spain

Turkey – SBR (2014)

Italy

Luxembourg

XBRL Around the World: EU

Solvency II

Basel II

Business
Registers

CRD IV

XBRL Around the World: Asia and Oceana

Japan
China
Korea
Thailand
Singapore
Australia
UAE
Saudi Arabia
Malaysia
India
Indonesia
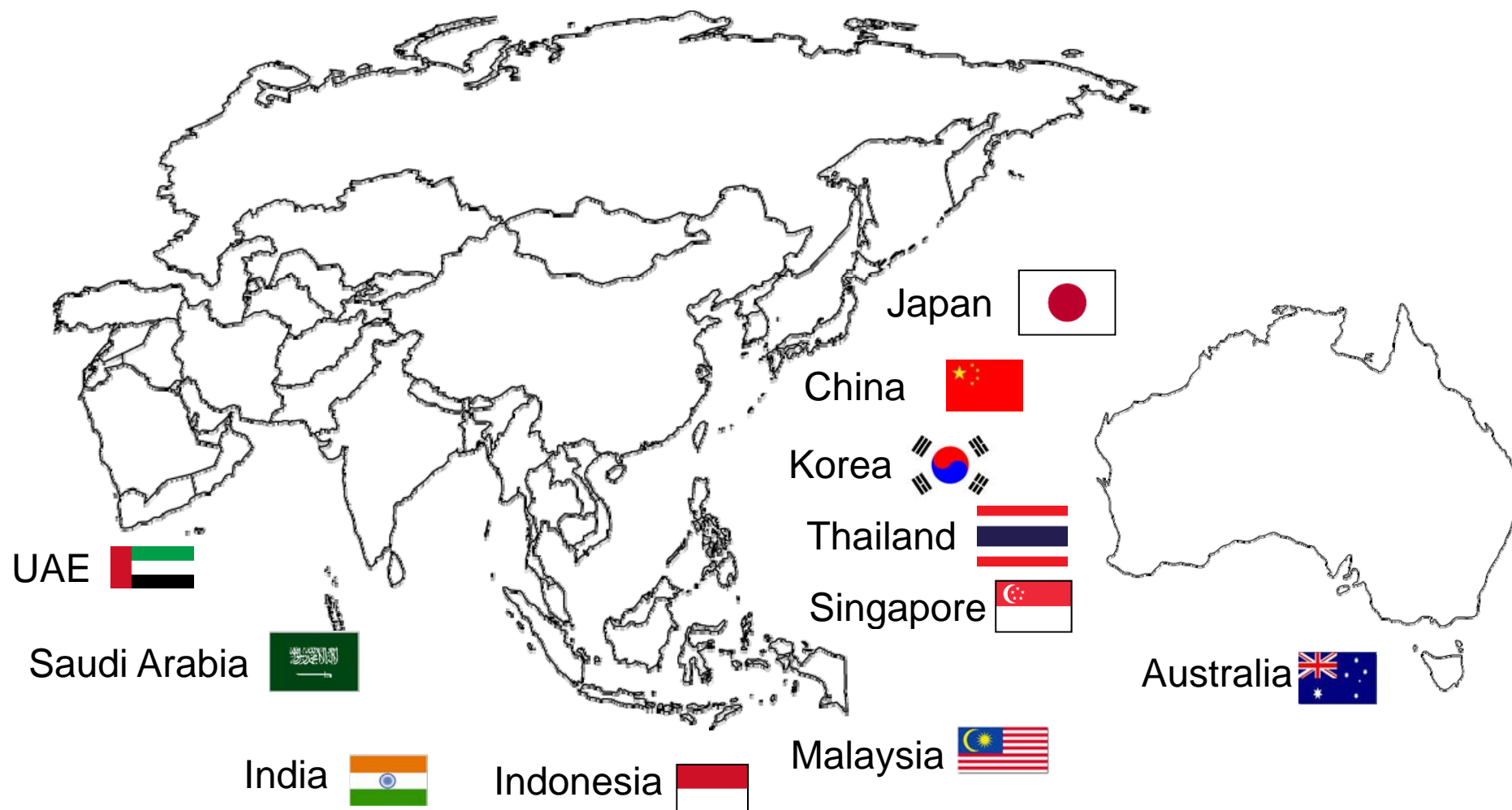
Trends

'Big Data'

Migration from unstructured to structured information accelerating; driven largely by economics and transparency demand

Expansion of existing programs (e.g. Australia, Japan, Singapore, etc.)

New regulatory territory adoption (e.g. Brazil, Malaysia, Russia, Saudi Arabia, etc.)

New disclosure areas (e.g. Solvency II, CDR, WICI, CSR/GRI, Corp Actions, etc.)

Assurance mandates on XBRL reports increasing (e.g. Netherlands, India, etc.)

Alignment with other relevant standards (e.g. LEI, RIXML, ISO, etc.)

Internal applications at GL and sub-ledgers (e.g. Data Act, Brazil, companies, etc.)

Emergence of new enabling software

  Production / Disclosure Management / Mapping

  Consumption / analytical applications

Standardized analytics enable collaboration among analysts / persistent analysis

And then there is the next thing.

Corp Actions – closing gap between Issuer & Investor

LAWYERS, ADVISORS, LEAD MANAGERS, REGISTRARS, TRANSFER/FILING/INFORMATION/PUBLICATION AGENTS

REGULATORS, SHARE REGISTER, ANALYTICS COMPANY

ISSUER

INVESTOR

EXCHANGE, WIRE SERVICES, REFERENCE & TRADING DATA SERVICES

CENTRAL DEPOSITORY, CUSTODIANS, SUB-CUSTODIANS, GLOBAL CUSTODIANS, BROKER-DEALERS

FUND MANAGERS, FUND ADVISORS, INVESTMENT MANAGER INSTITUTION, OFFSHORE INVESTORS

Standardization enhances Analytics (Social Analytics)

Standardized Data, Formulas/Models, Relationships, Presentations

Deeper levels of analysis and insights as more data is immediately 'reusable'

Enables collaboration by analysts on models ('YouTube' for modeling)

Shift in Time / Resources applied to:
Accessing data
Inputting data into analytical applications
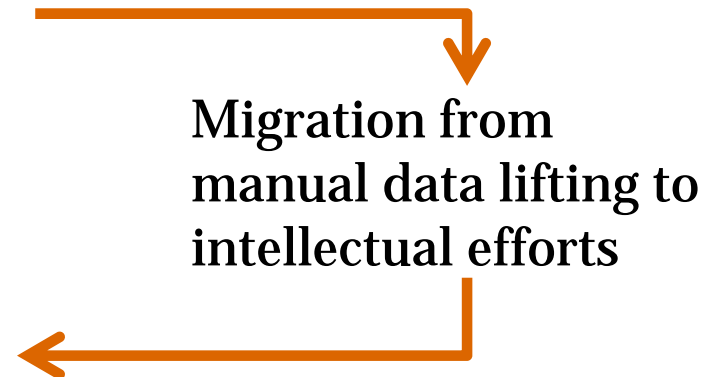Correcting validation and input errors
Performing analytics
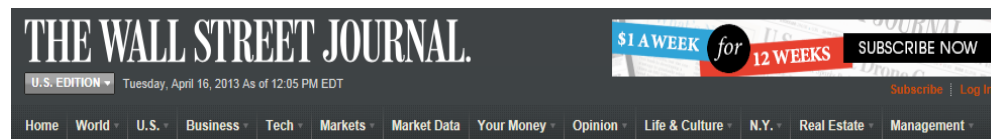Analyzing analytical results
Asking follow-up questions
Analyzing answers to questions
Making decisions

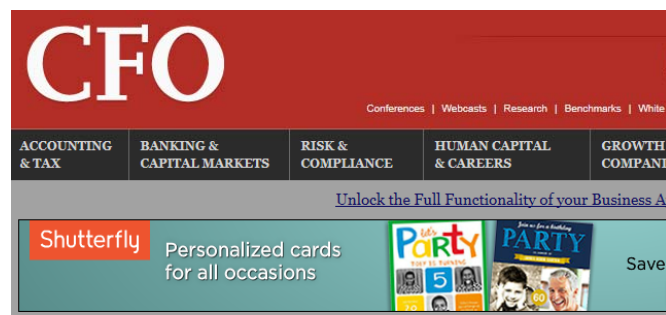Migration from manual data lifting to intellectual efforts

US SEC's Analytics have been Standardized & Improved

Here are examples of how the SEC has used standardized data and standardized analytics to enhance their risk assessment capabilities.

THE WALL STREET JOURNAL.

The Wall Street Journal news department was not involved in the creation of this content.

PRESS RELEASE | April 16, 2013, 12:05 p.m. ET

SEC Chief Economist Offers Insight Into XBRL Data Tools Designed to Discover Accounting Anomalies and Improve Financial Disclosures

LEGAL/REGULATORY | WHITE COLLAR WATCH | JUNE 3, 2013, 11:38 AM | 11 Comments

The S.E.C. Is 'Bringin' Sexy Back' to Accounting Investigations

BY PETER J. HENNING

In April 2003, a New York Times article discussed the push by federal prosecutors to crack down on accounting fraud in which one expert said, "These have become the hot, sexy cases."

What followed were the convictions of chief executives including Jeffrey K. Skilling of Enron, Bernard J. Ebbers of WorldCom and John J. Rigas of Adelphia Communications.

The attraction seems to have worn off. The number of corporate accounting cases at the Securities and

Jeffrey K. Skilling, Enron's former chief, in 2006. The number of corporate accounting cases at the S.E.C. has declined in recent years.

CFO

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Unlock the Full Functionality of your Business Ap

Fraud | July 16, 2013 | CFO.com | US

SEC Eyes Data Mining to Boost Fraud Detection

The "drastically reduced cost" and increased power of analytics are driving efforts to track down companies that seem to be doing a whole lot better than everyone else.

Forbes

New Posts · +7 posts this hour | Most Popular · What 20-Year-Olds Don't Get | Lists · America's Top Colleges

Janet Novack, Forbes Staff
I write from D.C. about tax and retirement policy and planning.

+Follow (288) Follow 119k

PERSONAL FINANCE | 8/09/2013 @ 1:26PM | 391 views

How SEC's New RoboCop Profiles Companies For Accounting Fraud

Explicit Demand from Investors

CFA Institute
"The Irreversible Trend toward Greater Connectivity and Data in Financial Reporting"
Recommendation: "The SEC should move forward with its 21st Century Disclosure Project"

FINANCIAL REPORTING DISCLOSURES

Investor Perspectives on Transparency, Trust, and Volume

Examples of Poor Report Quality

Examples of Report Quality Issues in Company Reports (2012 10ks):

"Quality means doing it right when no one is looking." – Henry Ford.

Type	XBRL Report	Correct
Fact Problem	UFE $4.3B	UFE $17.2B
Fact Problem	Settlements -77910000 (dr)	Settlements 77910000 (dr)
Fact Problem	Public Float $6.3 Quintillion (17 zeros)	Public Float $6.3B
Fact Problem	Accumulated Amortization - $28.5B (cr)	Accumulated Amortization $28.5B (cr)
Extension Problem	xxx.Cash and Cash Equivalents	US GAAP Term: Cash and Cash Equivalents
Report Problem	Net Cash Provided by Ops of $1.3B	Net Cash Provided by Ops of $1.0B

Learning's

Few like change / uncertainty

Perceptions drive reality – "No one is going to buy anything over the Internet"

Regulatory Mandate (Bad) .... OR .... Supply Chain Standard (Good)

Implementation approach dictates initial cost/benefit – perception

       Bolt-on adds cost/time.............OR ....Build-in reduces cost/time

       Review procedures need to address structures (not just presentation)

Process changes (and related benefits) follow the "Bell Curve"

Investor demand for

       Structured disclosures is strong

       Report quality is high; however, actual report quality is poor

Enabling software

       Critical to benefit realization; most still early stage but maturing

       Development based upon customer demand/request

There are many more supply chain applications (e.g. Corporate Actions, WICI, etc.) that are now emerging

Empowering Reporting Professionals

Perspective Question: What software application is most commonly used by companies for reporting?

1. SAP
2. Oracle
3. Hyperion
4. Fujitsu
5. BAAN
6. IBM Cognos
7. JD Edwards
8. Microsoft Dynamics
9. Office

Common Report Assembly Manual Processes

While companies have significant investments in ERP and consolidation application, the 'last mile' of report assembly and review processes and controls are highly manual. 'Last Mile' process steps that are commonly manual include:

- Spreadsheet Aggregation
- Report Assembly from disparate sources
- Report Validation
- Narrative Text Generation
- Review Processes via emailing of Office docs
- Benchmarking / Peer & Best Practice Assessments
- References from disclosures to relevant standards, regulations, key accounting policies & memos
- Tagging of completed reports with XBRL taxonomy elements

Typical Report Assembly Process Last Mile (Manual)

Reports are created via a series of access and rekeying efforts manually replicating information contained in the company accounting records.

In a typical company process, there are 'no' to 'very limited' explicit connections between reported disclosures and company accounting records. As a result, report assembly and validation is largely a manual effort.

Form 10K

XBRL Exhibit

Press Release

Proxy

Board Report

Stat Report

Stat Report

Reports

The 'Last Mile'

Accounting Records

Consolidation Processes

Spreadsheet Aggregation*

Business Segment Systems Feeding Consolidation

PwC

* - Not drawn to scale.

Reports a...
a series...
rekeying...
manually...
informatio...
the comp...
records.

In a typic...
process...
'very li...
connec...
reported...
company...
records...
report...
validatio...
manual effort.

* - Not drawn to scale.

RMW2   this is the same as the prior slide; just with the excel worksheets expanded for effect.
R M Willis, 2013/09/27

Outsourcing may be common: But control is important

Google Earnings, Revenue Miss Wall Street Forecasts

By CNBC | CNBC – 8 hours ago

Google reported its quarterly earnings much earlier than expected Thursday, and the results missed analysts' expectations significantly.

After the earnings announcement, the company's shares (GOOG) fell sharply, and its market cap shed about $19 billion. (Click here to get the latest quotes for Google.) The company offered no explanation as to why it released earnings early. Trading was halted shortly after the announcement at the company's request pending news.

An employee rides her bike past a logo next to a Google building.

Following the earnings release surprise, the company issued a

"Earlier this morning RR Donnelley, the financial printer, informed us that they had filed our draft 8K earnings statement without authorization. We have ceased trading on NASDAQ while we work to finalize the document. Once it's finalized we will release our earnings, resume trading on NASDAQ and hold our earnings call as normal at 1:30 PM PT," the company said.

(More From CNBC: The Top 10 US States for Technology)

Net income was $3.01 billion, down from $3.18 billion in the year-ago quarter.

Many CFO's Moving to Build – in XBRL

Bowne / RR DONNELLEY
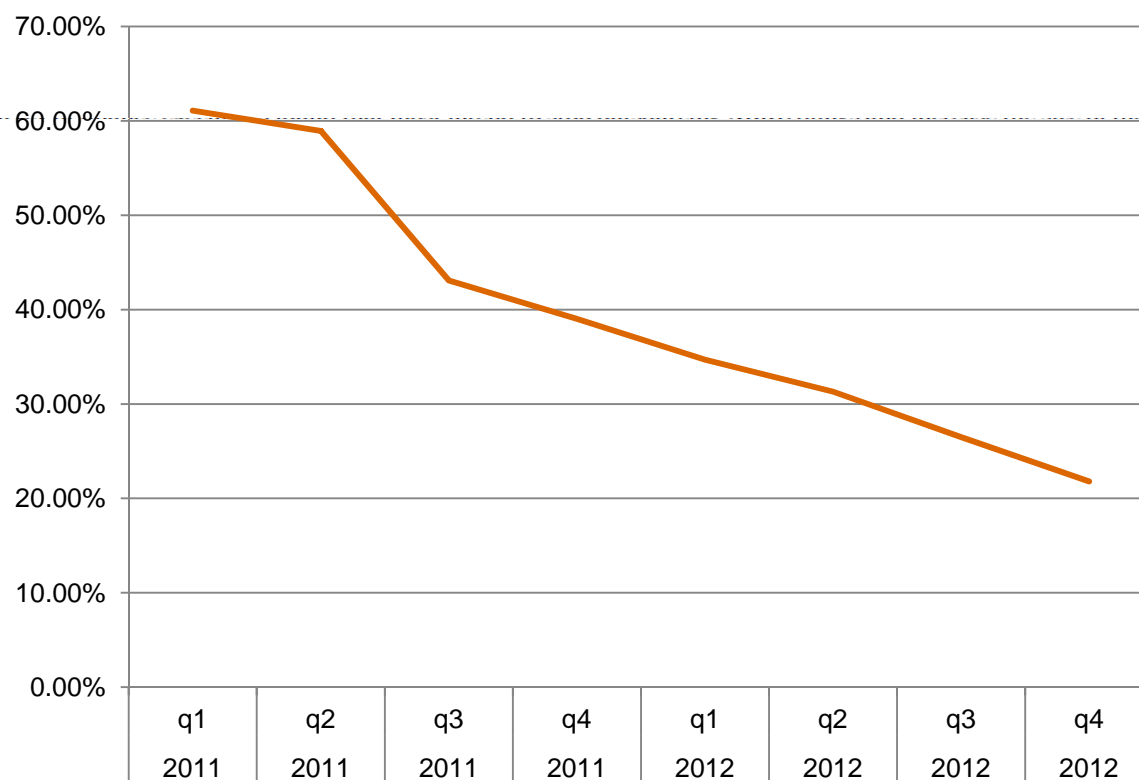
And the market share decline over the past 2 years for the major outsourcing vendor reflects this transition.

Transition to 'built-in' approach
Lowers Cost/time while enhancing control

Disclosure Management – Streamlining the Last Mile

New Relationships

Form 10K | XBRL Exhibit | Press Release | Proxy | Board Report | Stat Report | Stat Report

Reports

Accounting Records

Disclosure Management Apps

Consolidation Processes

Spreadsheet Aggregation

Business Segment Systems Feeding Consolidation

Mapping relationships between company report writer systems and the company report are explicit and access, reuse and some validation processes are automated within the built-in application. These explicit relationships now can exist between source system accounting records and company reports.

Disclosure Management process controls are critical and may include: application access controls; control over mappings (both incoming and outgoing); log of changes; report versioning controls and audit trail; and others.
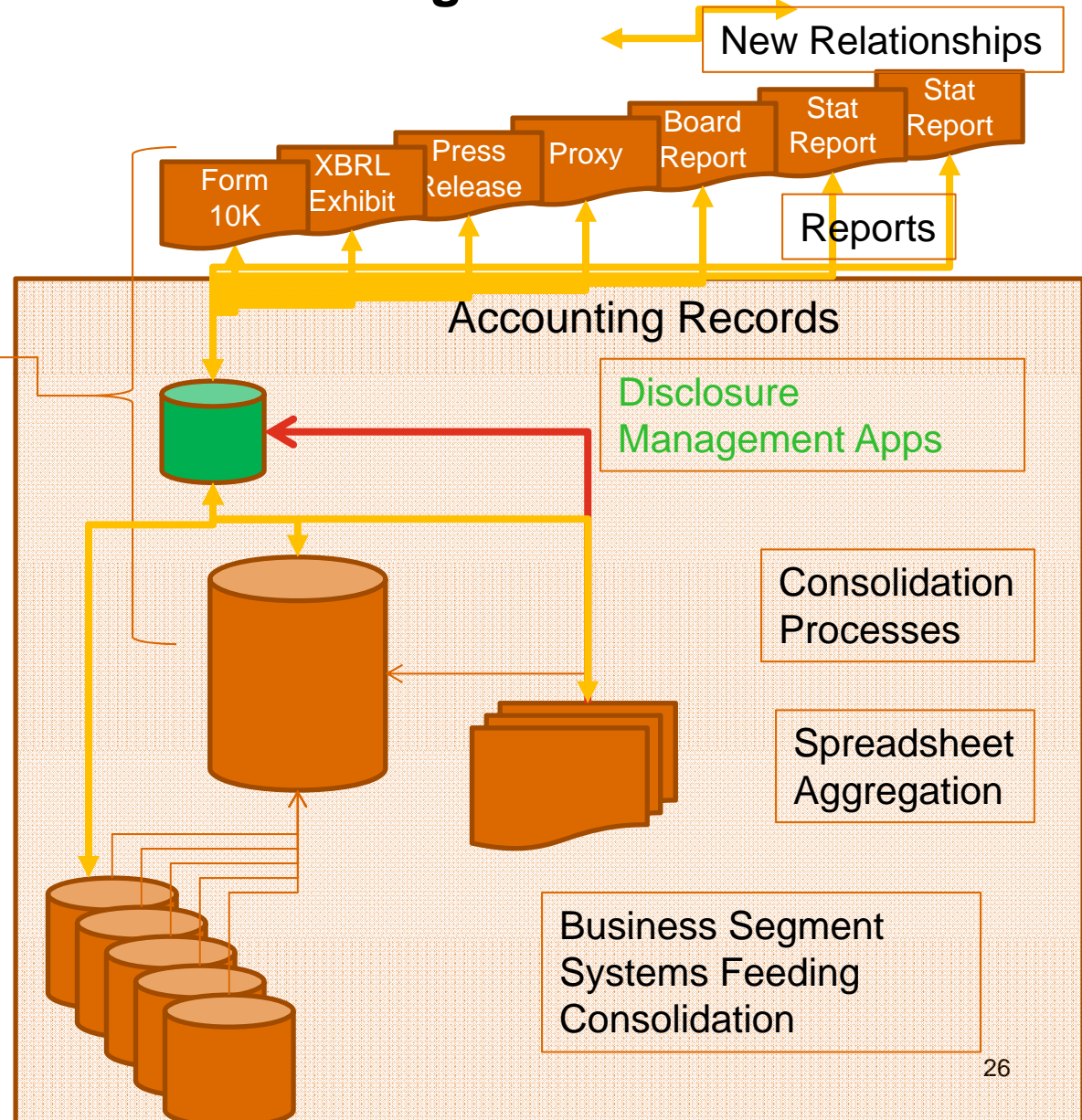
Disclosure Management Process Enhancements

'Last Mile' process steps that are automated and streamlined via effective Disclosure Management application implementation include:

- Spreadsheet Assembly is automated 'pulling' data from disparate source systems

- Report Assembly (& updating) is automated pulling data from disparate systems

- Report Validation is built into the DM application

- Some Narrative Text Generation is automated

25% to 50% cost and time enhancements

- Review Processes are collaborative and provide a 'topical' view

- Benchmarking / Peer & Best Practice Assessments are automatically loaded in context of the company disclosures (e.g. Income taxes)

- References explicitly link from reporting concepts to standards, regulations, key accounting memos, and company policies

- Virtual Reporting Service Center useful across all reporting types

- XBRL Reports are a by-product of report assembly and review

Disclosure Management Articles

"Disclosure Management: Streamlining the Last Mile" - Outlines general process enhancements enabled

"How to Differentiate Disclosure Management Features"

"Grocery Store Managers & Financial Executives: Bolt-on or Built-in to Realize Process Benefits?"

Next Steps

Next Steps for Producers

Enhance review of report structures to ensure report quality

Use Disclosure Management to Standardize Reporting Processes & Controls
- Apply the standardized reporting processes & controls across all content silos (e.g. Company reports, Corp Actions, IR, Internal, etc.)
- Migrate reporting content silos towards a Virtual Service Center
- Use Disclosure Management to enable process effectiveness and

Prioritize internal ERP instances for Standardization to enhance internal transparency

'Robocop' for your internal GRC, IA, BI, WICI, etc.

Next Steps for Consumers

Communicate demand for high quality structured disclosures

Use freely available granular disclosures to enhance:
- Timeliness / persistence of analysis
- Insights from more granular analysis
- Number of companies analyzed
- Cost of analysis

Standardize formulas / models to enhance:
- Institutional management of analytical intellectual property
- Institutional transparency of how, where and when analytics are applied

Thank you