XBRL Japan

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

October 1, 2013
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
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)
- **Sweden**
- **Denmark**
- **UK HMRC**
- **Ireland Customs House**
- **France** – Central Bank
- **Switzerland**
- **Spain**
- **Luxembourg**
- **Belgium**
- **Lithuania**
- **Netherlands - SBR**
- **Germany**
- **Poland – National Bank**
- **Ukraine – Corporate Reporting (in development)**
- **Spain**
- **Turkey – SBR (2014)**
- **PwC**
XBRL Around the World: EU

Solvency II
Basel II
Business Registers
CRD IV
XBRL Around the World: Asia and Oceana
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

ISSUER

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

EXCHANGE, WIRE SERVICES, REFERENCE & TRADING DATA SERVICES

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

INVESTOR

REGULATORS, SHARE REGISTER, ANALYTICS COMPANY

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.
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”
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.

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

* - Not drawn to scale.
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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.

"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

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
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
- 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

25% to 50% cost and time enhancements
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
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