

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

► SUBJECT

XBRL NEWS

On Monday, July 7, the SEC staff issued two documents of which XBRL filers should take note. These two documents are the first significant communications by the SEC staff on the quality of XBRL data, and they may indicate the staff's intention to focus more on the accuracy and quality of data in XBRL filings in the future. While it's too soon to know whether the SEC plans to begin issuing comment letters on XBRL data, registrants are advised to review their XBRL filings- not just for compliance with the rules, but also for the quality of the data, particularly with regards to the issues addressed in these documents.

The first is a "Dear CFO" letter sent by the staff of the SEC's Division of Corporation Finance to certain public companies (and posted on the SEC's Web site) indicating that that these companies are not including all the required calculation relationships¹ in their XBRL filings. While the actual letter was only sent to a select number of companies, the content of the letter is generally applicable to a much larger audience. The letter reminds registrants that "Acceptance of your filing by EDGAR does not mean that your filing is complete or in compliance with the commission's requirements," and says "We ask that you, in preparing your required exhibit with XBRL data, take the necessary steps to ensure that you are including all required calculation relationships." The letter advises companies to refer to Chapter 6 of the SEC's EDGAR Filer Manual (specifically Sections 6.14 and 6.15) for information on how to comply with the requirement to provide calculation relationships in XBRL filings.

The "Dear CFO" letter can be accessed [here](#).

The second document, *Staff Observations of Custom Tag Rates*, was issued by the staff of the SEC's Division of Economic and Risk Analysis. The document



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¹ Calculation relationships in an XBRL filing indicate the relationships between parent-child tagged items in financial statements. In the balance sheet, for example, a calculation relationship shows how current assets and noncurrent assets add up to total assets.

communicates the SEC staff's observations about the use of custom tags², from its review of XBRL exhibits submitted from 2009 through October 2013.

The staff noted a steady decline in the use of custom tags by large accelerated filers since the XBRL initial phase-in period, but it did not note the same trend among smaller filers³. In fact, despite their expectation that smaller filers would have less of a need for custom tags due to having less complex financial statements, the staff noted that smaller filers account for 96% of filers with high custom tag rates⁴. Further analysis revealed that while large accelerated filers were generally using custom tags appropriately (i.e. when no tag in the standard taxonomy correctly defined the financial statement item), smaller filers often create custom tags when an available standard tag exists. The staff also observed a strong correlation between the use of third-party providers to create XBRL documents and exhibits with high custom tag rates.

The document concludes by stating that the staff intends to continue monitoring the use of custom tags and may issue further guidance or pursue other action.

Staff Observations of Custom Tag Rates can be accessed [here](#).

² Custom tags, or extensions, are permitted to be used to define numbers in the financial statements where an appropriate definition does not exist in the standard GAAP Taxonomy.

³ A smaller filer is defined in that document as a filer who uses U.S. GAAP but does not meet the definition of "large accelerated filer."

⁴ A "High custom tag rate" is defined in the document as an XBRL filing with more than 50% of all tags being custom tags