Canadian XBRL Perspectives

Advanced Data Management - From XBRL Canada

Up-to-date News and Information on XBRL as it affects Canada

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SECTION 1 EDITORIAL

The Need for XBRL Analytical Tools

Ever since XBRL began, an important concept behind it has been that it would facilitate the analysis of corporate financial reports by enabling greater technological functionality and reducing the burden on analysts to enter and re-enter data drawn from numerous sources. This would lead to better analysis and stronger capital markets.

Now in many countries, and notably in the US, we have two or more years of XBRL data available for analysts. While some of the largest intermediaries are using this information well, nevertheless, tools that are affordable and can be used by analysts and investors, even individual ones, are scarce. This situation needs to be remedied.

The real benefit of XBRL to investors is its capability to make financial reports of all companies in which they invest readily available and transparent for analysis. With automated import capability from websites, automated analysis and instant comparability of information, the whole world of financial reporting stands to be turned on its ear.

But the tools need to be in place and readily available. So it is with pleasure that we are able to introduce our newest member, a small Canadian venture that has produced a new XBRL Analysis tool. Ilya Vadeiko, one of its founders, introduces their tool in the next article in this issue of the Newsletter.

It's good to see new tools coming onto the market. With this and other tools to come, perhaps XBRL can realize its dream of revolutionizing the transparency of corporate reporting.

SECTION 2 LEVERAGING XBRL DATA IN FINANCIAL ANALYSIS

by Ilya Vadeiko

Back in August 2003, Timothy Koller wrote in McKinsey Quarterly an article "Numbers investors can trust"[1], where he emphasized the importance of "genuine disclosure" of financial information by public companies. It was a call to corporations that wished to regain the trust of investors after the 2000 dot-com collapse. Since 1998 the AICPA was working on a new standard for financial reporting called XBRL, which was meant to address that problem of transparent and detailed disclosure. In 2008, SEC began implementing the new standard for financial reporting. By strange coincidence, that year was marked by a new crisis of sub-prime mortgages, which was again partly related to the lack of proper disclosure of business and financial information.

Today, we observe how the XBRL standard approaches its maturity stage. There exist a number of different validation layers/tools developed by the government and private organizations for improving the quality and consistency of XBRL data. The filers themselves have gained from 2 to 4 years of experience working with the new standard and the US-GAAP Taxonomy underwent a series of improvements. In June 2013, the limited liability for misstatements in "Interactive Data" filings (XBRL) in the US will expire[2]. All these factors indicate that it is time for financial analysts to draw their attention to XBRL, which provides a powerful and flexible framework for investigating companies' financial performance in ultimate detail and enforcing the outliers to become more transparent.

At FinDynamics.com, which stands for Financial Dynamics, we believe that one thing is still missing today – a simple and easy-to-learn tool for working with XBRL filings. What can be more familiar to the analysts and investors than Excel?! So, we decided to close this gap with our free Excel Add-in called XBRLAnalyst. It provides a seamless integration of Excel with XBRL filings and allows fetching the XBRL data in your existing workbooks and templates without any modifications to the latter. Moreover, we added Excel built-in functions that help pulling XBRL data together with other financial information provided by such aggregators as Bloomberg, Yahoo, and Google. In order to promote a more *dynamic* expansion of XBRL usage, we encourage users to collaborate by developing and sharing their Excel models leveraging XBRL. We believe that the full potential of XBRL reporting standard can be unearthed through interaction and collaboration and our XBRLAnalyst is intended to facilitate that. We collaborate with a research team from the University of Waterloo Centre for Information Integrity and Information System Assurance. They will use our software for performing data quality analysis on the XBRL filings of all the public companies in the US.

SECTION 3 XBRL FILING REQUIREMENTS FOR THE OIL AND GAS INDUSTRY

In August, 2012, The Securities and Exchange Commission adopted rules mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring resource extraction issuers to disclose certain payments made to the U.S. government or foreign governments. The disclosures must be made by filing a new form with the SEC called Form SD in XBRL Format. Filings must be made for year ends commencing with September 30, 2013.

The new rule will directly impact Canadian extractive companies that must file with the SEC.

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[1]

https://www.mckinseyquarterly.com/Corporate_Finance/Valuation/Numbers_investors_can_trust_1327

[2] http://www.datatracks.com/blog/expiry-of-limited-liability-clause-xbrl-filers/

The rule follows up on the Dodd-Frank Act, which directs the Commission to issue rules requiring the disclosure of certain payments made to the federal government or foreign governments by resource extraction issuers – companies engaged in the development of oil, natural gas, or minerals.

The new rules require a resource extraction issuer to disclose payments made to governments if:

- The issuer is required to file an annual report with the SEC.
- The issuer engages in the commercial development of oil, natural gas, or minerals.

The types of payments related to commercial development activities that need to be disclosed include:

- Taxes
- Royalties
- Fees (including license fees)
- Production Entitlements
- Bonuses
- Dividends
- Infrastructure Improvements

A resource extraction issuer would be required to file the form on the SEC public database EDGAR no later than 150 days after the end of its fiscal year.

An XBRL taxonomy has been released which can be used by filers to meet the requirements. Further details are found on the SEC website.

SECTION 4 THE SEC LOOKS TO ADOPTION OF IXBRL

The Sec has been considering the adoption of Inline XBRL (iXBRL) for its filings from companies. iXBRL is a form of XBRL authorized by XBRL International that effectively integrates XBRL with HTML. What that means is that the XBRL instance documents that are presently being used for filings would become more human friendly. The instance documents as presently designed were never intended for direct human consumption; rather they were meant for computer consumption.

However, this has meant that the filers have had to prepare and file two documents for each form involved. One in the traditional format and one in XBRL form. Under iXBRL, only one form would be required.

The ability to file only one form would be very helpful to filers because it would eliminate the requirement to maintain two separate documents and keep them in sync during the closing process. In other words if a change is made in a note on the traditional document, the same change needs to be made in the XBRL document. With iXBRL, only one documents would need to be maintained.

It is expected that this change will come relatively soon. It brings the SEC in line (no pun) with requirements in some other jurisdictions, notably the UK, where inline XBRL is required for corporate tax returns and for filings with companies House.

ADDITIONAL INFORMATION

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