

PROJECT	Webinar Transcript
NAME	Avoiding Common Errors in XBRL - with Special Guest Mike Willis, PwC
DATE	October 6, 2011 1:00 PM ET
ADDITIONAL INFO	Moderator: Raul Varela Related documents: Webinar Recording - Avoiding Common Errors in XBRL - with Special Guest Mike Willis, PwC Key words: XBRL, Rivet Software, Raul Varela, Mike Willis, Phil Mennona



Raul Varela:

Welcome to the webinar, Avoiding Common Errors in XBRL, with special guest Mike Willis. My name is Raul Varela, and I am the Vice President of Strategic Initiatives here at Rivet Software, and we're excited to share some great information with the group here via this webinar.

First, let me open with a few logistics. The right-hand corner of your WebEx application allows you to ask questions. There will be a Q&A session at the end. Throughout the entire webinar, please feel free to type your questions to the host. And we will get those in the queue, and we will answer as many questions as we can at the end of the webinar. We've scheduled this for 45 minutes, with Q&A at the end, so we should have a good amount of time to answer questions on any of the thoughts that the attendees have, so that should be good.

Also, we will be sharing these slides with all of the attendees in the webinar, so feel free to take notes, but we will be sharing the slides, so you'll have this information with you.

Let's first talk about our agenda. I am going to do a very brief introduction of PwC and Rivet Software. We will then jump into defining some of the common errors. We'll talk a little bit about the bolt-on XBRL structure versus built-in XBRL structure. We'll do that from a Rivet perspective, and then we will do that from an auditor's perspective. And that's where Mike Willis from PwC will join in and talk about that, as well as some additional errors.

Mike will then go into talking about the role of auditors in XBRL, which I know a number of folks that I've talked to recently are very interested in that, so we'll be excited to hear Mike's views on that. And then again, as I mentioned, we will have Q&A at the end.

And just one more plug for the process. Please, if you have any questions, put them in the comments section, or the Chat section of the webinar, which is in the lower right, and you can send those questions to the host, and we will get them in the queue and save time at the end for questions.

First, let me introduce PwC and Mike Willis. We're very excited to have Mike with us here today. PwC--PricewaterhouseCoopers--is an active member of XBRL US, XBRL International, and other territories around the world. They have a group of XBRL specialists in the US and around the world that are experts in XBRL mandates and the usage of XBRL. One of the things that PwC targets are process and control enhancements, report quality assurance, and other related matters.

Mike Willis is a CPA, and we're lucky to have Mike join our webinar today. He's founding chairman of XBRL International. He's also a partner at PwC and, along with Eric Cohen, a colleague at PwC, a founder of XBRL.

Mike has been involved in XBRL since the beginning. He's really looked at, for those of you that don't know Mike, really looked at as one of the leaders of XBRL and been involved in and working with it for a very long time, so we're very excited to get his viewpoints on some of the topics here today.

Mike Willis:

Thanks a lot, Raul.

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Raul Varela:

Rivet Software. Rivet Software is a market leader in XBRL filing. Rivet has created over 3,500 SEC filings with Rivet Software solutions. Rivet offers a variety of XBRL software to support bolt-on, built-in creation applications as well as applications for XBRL review.

Our second expert here that I'd like to introduce is Phil Mennona. Phil Mennona is with Rivet Software. He is a CPA. His title is Senior XBRL Compliance Manager, and Phil has been involved since the beginning of this mandate, and he's worked with Rivet at all aspects of the creation side of our business, from packing, actual filing, to now being an expert in a number of areas, including the Edgar Filer Manual rules, as well as XBRL structure, taxonomy, et cetera. Phil sits on the XBRL Best Practices Committee, and we're excited to have Phil join us here today.

And with that, Phil, I'm going to hand it over to you.

Phil Mennona:

All right, thanks, Raul. So before we can talk about approaches to reduce common errors, we need to discuss and understand what constitutes an error first. Errors are usually defined as some aspect being out of compliance with some rule or guidance from an authoritative source. And so this slide here lists some of those authoritative sources. The first is XBRL International, which is a nonprofit consortium in charge of maintaining the XBRL language. They define the specifications and technical requirements constituting valid XBRL.

The next one listed is the SEC, which has its own additional layer of rules and requirements for submitting XBRL files as part of their interactive data program. I think probably most registrants use some sort of validation tool prior to submitting their files to the SEC. And obviously, while these tools are very helpful in providing comfort that some standards are met, it's important to understand that validation is limited to only those rules and requirements that can be programmatically addressed.

Many of the SEC's rules, for example, require accounting judgment and input that can never be validated by simply pushing a button. Probably the most obvious example of this is element selection. As much as we'd all like one, there's no validation tool that can tell you that you selected all the right elements for your disclosures. For this reason, it's important to understand the significant aspects of XBRL filings and evaluate some measures that can be taken to decrease risk.

Some specific areas you want to make sure that you understand can be found in the latest SEC staff observations. The most notable of these included improper negative values, extended elements, units of measure, and calculation relationships. The SEC provides a lot of good details around each of these issues, but to summarize briefly, negative value is a really critical issue. When there's a mistake with the sign of value in XBRL, that means the data that's being reported is inconsistent with its meaning from the source document, meaning a debit was reported as a credit, or a credit reported as a debit. It doesn't take a lot to realize that this is a really significant issue. Imagine if your income tax expense has been incorrectly reported as an income tax benefit to the SEC and uses your financials (inaudible).

The next one is extended elements. And that's one where the SEC's noted that many filers have extended elements for insignificant differences available (inaudible) elements. So the SEC has added some guidance in those staff observations that will help filers with those decisions.

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The next one relates to units of measure. This relates to filers, including disclosures of such things like area of total retail space, but not including a unit of measure to communicate that the disclosure was presented in square feet as opposed to square yards or any other type of unit.

And then the last one listed here is for calculation relationships, which relates to some filers not including the required calculation hierarchies.

And so the SEC has a lot of good information out there. It's definitely something that should be looked at.

Also, when using a validation tool, you really probably want to understand what validation rules apply to these key areas highlighted specifically by the SEC, so it will help you determine what remaining manual reviews would be necessary to address these types of things.

When thinking about XBRL errors, it's important to realize that the errors themselves are not the root problem. They're really just a consequence of a gap in the process. XBRL filers often choose between bolt-on and built-in solutions. Both solutions can be part of a successful XBRL filing process, but the appropriate review measures implemented will likely be different.

As described in this slide, in bolt-on solutions, there's usually a large amount of manual work. Tags are manually applied to the financial disclosures, and multiple review cycles are common. This has been a pretty popular option, because it's quick to implement and has a low cost.

In built-in solutions, many of the processes can be automated. The XBRL filing is created as an integrated step, and the tags are embedded into existing financial reporting systems. The review cycles common in bolt-on solutions usually can be reduced to a minimum, and a lot of companies are making this shift to built-in solutions due to the added level of control.

The most common XBRL errors are inherent risks from using a lot of these manual processes. Since bolt-on solutions do not integrate the financial information with the XBRL data, usually the reviews must be performed on Excel mapping schedules and renderings, which does not expose many of the underlying details that are important to review. When these underlying details are exposed, it's often a really confusing format, because these details aren't really connected to the accounting information in any intuitive way. And because of that, it requires a lot of XBRL education to try and understand and review some of these schedules.

In addition, bolt-on solutions usually require an iterative process, which provides more opportunities for errors slipping through the cracks between the review rounds.

Organizations that choose a bolt-on solution can definitely build a successful process that results in a quality filing. A helpful step can be to get your auditors involved. They can perform specific XBRL agreed-upon procedures. The ASCPA has some great guidance in SOP 09-1, which is specific to these XBRL engagements. Understanding the procedures and findings of these reports can really help filers implement important review steps that need to be part of the review process.

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Also, there's a lot of validation and review tools on the market, which can make the review process easier. I think filers using bolt-on solutions should really go out and consider what's out there in terms of these software tools. In addition to validation of some of the objective rules and guidance, these tools can also provide a number of different views for the necessary manual procedures. Some views may be more intuitive than others, but filers can usually find tools that make sense to them.

While bolt-on solutions can certainly be successful, there's no doubt that that can include a lot of effort and time. Organizations that switch to built-in solutions can decrease the risk of a lot of these common errors through automation. Integrating the XBRL with existing financial reporting systems provides automated controls that enhance reporting quality. Built-in solutions also offer access control and authorizations for increased security surrounding sensitive reporting information and provide transparent work for those to enhance corporate governance.

Your auditors or XBRL advisors will probably still be involved, but rather than determining procedures based on manual reviews, they can assist in more value-added type things like implementation advice surrounding automatic controls or utilizing the XBRL data to assist decision-makers throughout the organization.

Some built-in solutions have powerful XBRL analytic components. These tools can be used to look at XBRL tags at a competitor and industry level, kind of like accounting trends and techniques on steroids, as well as alerts that can provide customized competitor information, you know, the delegate files. So I have to say I think there's a lot of exciting opportunities that come along with built-in solutions. That's something you'd want to look at.

And with that, I think now we'll pass it over to Mike Willis at PwC.

Mike Willis:

Great, thanks a lot, Phil. If we could go to the next slide. I think there's a number of common errors that are beyond the SEC listing of common errors. These are other things that we see all the time in company reports.

But as Phil just said, these are not really the issue. The issue is the process, and the manual assembly idea, the manual review idea, and looking at the haystack trying to find the needle idea, those are the process problems. And I think maybe it was Albert Einstein who said, "Insanity is expecting different results when you keep doing the same thing over and over again."

So the punch line on this idea around these common errors is to fundamentally change the process, and that's what supply chain standardization enables for companies. But these types of errors are, again, endemic of a manual idea, and the search for the error is in the haystack. And the tools that Phil outlined a few minutes ago really help you to do two things—one, the built-in tools help you to systematize and automate what you're currently doing manually, which will lower your cost and time and improve your quality because you've systematized things, just like you systematize consolidation with consolidation app versus doing it manually.

And then the analytical tools allow you to find the needle in the haystack very quickly. They're color-coded. You can do queries. You can begin to see the subjective assessments that only

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accountants can determine on a judgment basis if it's correct or not. And so it's that use of those two ideas that allow you to actually produce a more high-quality report in a more efficient way.

Now, rather than going through all these common errors, suffice it to say, again, these are largely the outcome of a manual process with a lot of opacity around the review cycle. I think many companies believe that because XBRL is structured and because it's automated, then the testing can be automated. That's not the case. That's not the case.

You cannot automate your validation of an XBRL document, because over half the rules are subjective and require an accountant's judgment. And therefore, it becomes a problem of how do you actually look at this information in an efficient way to allow you to see these errors? And that's where the analytical tools come in.

And so when I say "analytical tools," they can look like even Excel plug-in that color-codes certain types of issues or arranges things in certain ways, and it's just a more efficient way of looking at your information. It almost makes your balance sheet and income statement three-dimensional through the use of colors and other attributes.

And so, instead of thinking about this idea as a problem, from a process perspective, it really brings your report to life and allows you to see some obvious errors, but also allow you to identify some things that may not be so obvious to you in the regular non-structured format. Can I have the next slide, 12?

So the role of auditors in the XBRL situation here in the US is the SEC has not mandated assurance on XBRL documents. And I think that's largely due to the fact that the SEC did not want to put another Sarbanes-Oxley like pin in the hands of the auditors until people have figured out what's this going to cost, how long is it going to take, is it doable?

And so the SEC, I think in this case, very wisely said, "Let's let the market sort this out, and then we'll begin to think about assurance several years down the road." And so that's beginning to now occur, because with the end of the modified liability provisions, companies are now facing a situation in which management is liable for these XBRL documents which, as we've said earlier, have a lot of common errors in them--errors that if they were in the traditional reports, you know, numbers backwards and things not adding up and the metadata being wrong--those types of errors would never see the light of day in a traditional HTML or PDF format. But yet here they are in a very pervasive way in the XBRL documents.

And so with the end of the modified liability provision, we're seeing a lot of our clients--it's a hockey stick type of idea--that are coming to their auditors and asking for some level of agreed-upon procedures or some level of test services on the quality of some of the disclosures and structures that are in their reports. It's not mandated, but certainly companies, because of the liability ramifications, they are seeking out a third party to look over their shoulder and give them some guidance and thoughts on that.

So this is all part of a migration, on a broader sense, of migrating the business reporting supply chain and business information from what's largely traditionally been a paper-based, part of

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that stone tablet idea, onto the Internet, and going from paper, which had to be consumed largely manually by humans and parsing tools, into a structured environment, XBRL, which can be automatically uploaded by other consumers, whether it's analysts, bankers, creditors, or even your peers.

And so that idea is simply a transition underway. And so in order to do that, assurance also has to transition, so the standards need to be developed and enabled for auditors to provide assurance on these types of disclosures. And those standards don't yet exist in the US, and they're under development, but it will probably be at least a little while before we see those.

In other jurisdictions that many of the companies participating on the webinar may be operating in, in the Netherlands or India or China, your XBRL documents today and in the very near future will need to have assurance on them. And so if you have statutory accounts--not registration accounts, but statutory accounts--in these countries, they do have an assurance mandate that goes into place at different points in time. India's are current today, China will be next year, and then the Netherlands in 2013.

Other jurisdictions, like the UK or Japan, don't have an assurance standard in place. They're kind of in the same boat as the SEC, but I think they are looking at what the market's doing and seeing the appropriateness of that kind of idea.

So big picture, the role of auditors, it's really on a voluntary basis, another set of eyes to give you some guidance and thoughts on many of these subjective and judgmental topics. In other markets, we're seeing assurances moving a little bit more rapidly. And then in some of these markets, they're even going to a convergence idea in which XBRL and IFRS are enabling a single data drop with the government. So instead of having multiple agencies all asking you for forms and different standards to produce those forms, these countries have gone to something called standard business reporting, which is a convergence idea.

And so big picture, this is not about the SEC only. This is about a transition of reporting and disclosure from a paper, manual process into an Internet standardization supply chain that, over time, will allow you to reduce your cost of compliance, and probably even reduce some of your insurance costs related to many of the manual validation efforts that take place, specifically around your reports. Next slide.

We can begin to see the idea here in terms of the transition away from bolt-on and outsourcing to built-in with this slide. And the pain associated with the Year 2 detailed mapping, it really begins to drive companies towards a built-in approach. And these numbers here are actually very conservative, because many of the software vendors--some of the software vendors--haven't yet branded their XBRL reports. And so those are absent from this list.

And so this is also only those companies who have used the built-in applications to actually submit their XBRL filing to Edgar. I think it's September, based upon discussion with many of these vendors, I think this bar will begin to approach, maybe even exceed, 1,000. And so we're seeing a very rapid adoption of built-in applications, which enable you to realize quite a few process benefits. In fact, in the next slide, I'll walk through some of those.

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So these are some of the processes that most companies do today manually. And the built-in applications allow you to automate them. And so just like a pre-Henry Ford production process, in which highly skilled craftsmen manually assembled the cars by hand, that's traditionally been the way that reporting works.

So a common question that I may ask companies is, "What do you use for reporting?" And Hyperion, SAP, Oracle PeopleSoft, JD Edwards, everybody uses all these applications. And then I'll say, "Well, wait a minute. You may use that for consolidation, but what software application do you actually produce the report in?" "Well, that's Word and Excel." "Well, then, how does the information get from SAP, Oracle, Hyperion, BCP, into Word and Excel?" "Well, Johnny types it in," or, "Sally puts it in there, and we have a bunch of people, and we have a golden copy, and we email that around." And that's the manual last mile.

And so this idea of the built-in application allows you to automate and streamline many of those manual assembly ideas with a physical connection, a logical connection, back to your source systems, whether it's a consolidation application or an ERP system or even an Excel worksheet, to create that connection, so when the source system updates, so do your reports. And so that enables you to begin streamlining, automating, the stuff you're doing manually today.

There's also benefit in the collaborative review process. So instead of distributing a document that everybody works on individually, you can begin to have collaboration around how people actually think about that. And so there's a lot of noise in the market around social technologies. Well, here's a good example of how a social technology, collaboration, can benefit you in your report assembly and review process.

The other thing we see is it's not just about the K and the Q, because the problem here isn't really XBRL. The problem is really the manual assembly process. And it's not just your K and your Q; it's literally every report you produce. And so these built-in applications for companies who have already put them in, they're beginning to see, "Okay, I've got my Board package, my audit committee package, my press release, other corporate actions. I've even got internal accounting memos that I'm beginning to produce because I'm able to connect it back to the source systems. And in some cases, it makes a lot of sense for me to submit my earnings releases, my press releases, in the XBRL format so that I can communicate directly to the analyst in a complete, concise fashion."

And so these are some of the ideas we see around companies actually automating this last mile, and they are removing a lot of cost and time and headache from their current manual assembly process.

Validation is another one. How do you know your balance sheet floats? How do you know it ties out to your inventory note? Well, because Johnny and Sally, they blue check it, or they can tie it out, and they do that for reversion.

With the built-in applications, you automate that, you systematize that. And when you do that, it's a very similar idea to when you systematize consolidation. You have controls, you have processes, and you can begin to secure those and ensure that you have a process and a workflow that you can rely upon.

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And so when you ask people who have done this, “What’s the benefit? What’s the punch line?” The punch line is, they go home at five o’clock and they sleep well. They’re not working all night trying to make sure the thing’s vouched and valid, and if they have a last-minute change, it’s changed in the source application and automatically reflected at a whole range of reports, from the board package to the K’s and the press release, et cetera.

The other thing that’s going on here is that the analyst community is using the XBRL standardization concept to facilitate the use of intellectual property in what we call a model. So if I can standardize a formula, I put a bunch of formulas together, I put that in a YouTube library kind of idea, where I can collaborate on it, just like I do with standardized video files, that’s what Morgan Stanley calls ModelWare, and they deployed it five years ago. Edgar Online’s I-Metrix platform is a similar idea.

So social analytics enabling people to collaborate on models. And so if that’s going on, and people like the SEC and others are using these kinds of tools, then from a practical perspective, the phobia—the bad guys in the Cold War scenario, they had nuclear weapons, and the good guys—in this case, the preparers—they are using bows and arrows. And so another benefit of the built-in applications is your ability to consume XBRL from Edgar and other sources to put into analytical risk models to help you understand where the company’s position is on the bell curve of their peers, and that may influence some of your narrative disclosures.

You can also consume narrative disclosures for analysis, so when Phil was talking earlier about accounting trends and techniques, that’s exactly what we’re talking about here, is your ability to consume and analyze your peers as part of your graphing process and not something you do with the intern once a summer.

There’s a long list of things here. I’m just trying to wet your whistle and get you to understand and perceive that it’s what Albert Einstein said. It’s fundamentally about doing things differently and using the standardization idea as a way to automate and streamline your processes to your benefit. And that’s what the grocery store managers sorted out with the barcode 30 years ago, and now the accounting profession has the opportunity to do some of those same things. And these are just tools that allow you to do that. Next slide, please.

Speaking of tools, this last slide is a list of some of the differentiating features. So if I could have Slide 15, please. So in looking at your various built-in applications, this is a short list of some of the differentiating applications, things that you want to talk to the software vendors about. And when you talk to a software vendor, and I’m a software industry person, if you ask a software vendor, “Does your software slice and dice tomatoes?” the answer is going to always be yes. And so the key way to ask a question is, “How does your software slice and dice tomatoes?” And always use the word “how,” and understand the process implications, because that’s the key idea here.

So how does your application connect an information source as an application? And which ones do they connect? How does that work? Is it painful or very easy to do? How does your collaborative processes work? And do you have validation tools? How do they work and how often are they updated? When was your Edgar Filer Manual 17 version actually live in your software application? How do you support multiple taxonomies? Which ones are they? Do you

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support the end life specification that's required in other countries today, like the UK?

Taxonomy mapping--how does that work? Do you give me some ideas of what my peers are doing so I can do benchmarking, or am I out there trying to find a word in the dictionary without any spell checker?

So I think the taxonomy mapping wizards are really one of the very interesting features because there is a maturity curve there, and that's one that will really help you manage how you manage the taxonomy and the changes. So really strong taxonomy mapping wizards, I think, is a very interesting idea. Does it give you some options? Then does it also tell you of those options, which of those options are your peers using over the other ones? So benchmarking.

To use some of that, it requires the consumption of XBRL. So I think many of the software vendors, from a development perspective, have been very quick to export XBRL, because that's what's required of the SEC.

The ability to consume XBRL turns Office into a browser idea, a data browser where I can suck up data from anywhere. Now you've got Excel that's sort of the Dyson version of Excel. It could suck up data from anywhere, a very innovative way to think about XBRL. It's not just about producing the information; it's also about consuming it. So Excel becomes a browser for data, and you can build templates and other types of things, and you can see those ideas in many of these built-in applications.

Then there's other abilities. Can I get at it on a cloud? Public cloud, private cloud? Does it do my authorization? Does it handle these other types of factors?

So these are some of the key enabling features that you can discuss with the built-in vendors. It's certainly not a complete list, but it will definitely get the ball rolling.

So with that, that's sort of a 50,000-foot overview, I think, of some of the built-in ideas, some of the considerations for auditors. I would suggest that as you do the built-in application and you think about the process and controls, that that will impact your documentation of your reporting controls and your processes from a Sarbanes-Oxley perspective, possibly. And also, it would be something that would be very interesting from a management certification perspective to ensure that your management team is aware that you've not only enhanced your control environment and automated many of the standard controls, but that you've got it well documented and they can rely upon it.

So Phil and Raul, that's an overview for me. Maybe you'd like to open up the Q&A?

Raul Varela:

Great, Mike. Thank you very much. That was perfect. Let me remind the audience that we do have a way to submit questions via the Chat at the bottom right of your screen. We've already received a number of questions. We'll work through all these questions, if we can. And if we don't, please feel free to follow up with Rivet. We'd be happy to help answer your questions.

Let me start with a question for you, Mike. I think this will probably be an easy question for you. You talked a little bit about that there is no current auditing requirement or assurance

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Mike Willis:

requirement from the SEC for the SEC's external mandate. Do you think there will be a mandate for auditing XBRL at some time in the future?

Yes, I do, the short answer. I think we're already seeing that in other countries. I think, as I mentioned, that it's wise of the SEC to let the market sort that out and to come up with relevant standards and an economic model that makes sense and not put an unlimited compliance pin in the hands of the profession, like was the case with Sarbanes-Oxley, but to actually have a more methodical and economically based idea around assurance.

And I think, big picture, if you think about the idea of the barcode in the grocery store or containers or anything that represents a supply chain standard, railroad gauges, they all resulted in a much more efficient supply chain. And I think that's what we'll see here.

So in an efficient supply chain, trust is a key component. So yes, I do think assurance is part of that, but I don't think it's going to be some huge economic win for the audit firms. I think it's going to allow the companies to win, because they'll get efficient service, and I think the audit firms will win because they'll have much more enhanced risk management capabilities. So I think there's a win-win for both, and that's typically the way things work in supply chain standardization.

Raul Varela:

Great, Mike, thank you. The next question, I'm going to group a couple of them together here. Some of the folks were interested in expanding on what built-in external processes consist of, how it might work, and if we could provide an example. I'll take this question.

Mike went over a few examples and talked through a few things. I'll just talk briefly about it from Rivet's perspective. Our Crossfire application was built on the premise that financial reporting was the key. So with our application, you're able to author your document, whether it's your 10-Q, your 10-K, earnings scripts, accounting memos, whatever the case may be. You're able to author those with aggregated data, whether that data is coming from an underlying general ledger system, consolidation system, or even just other spreadsheets, being able to aggregate all that together, and then even do some of the analysis. And Mike talked briefly about some of the analytics. Be able to do all those things in one application, and then be able to export to those required document types—XBRL, Edgarization at HTML, et cetera. So the ability to kind of do it all in one. So hopefully, that answers the question about an example, how it might work, and what that process consists of.

I guess I'll make one more point on the process. It's really your close process, so it's integrating it into the close process and not being something that's after the fact. So you're actually utilizing XBRL as a mechanism through that entire close process.

Mike, did you want to add anything there?

Mike Willis:

Yes, if I could, Raul. If you think about the reporting, the closing reporting cycle, most companies can close their books in hours or days, but yet it takes weeks to actually issue a report. And so I think, from an overall macro idea of closing and reporting, this concept of built-in is really attacking that last mile and enabling you to strip a lot of time and cost out of that reporting piece, which I think is where all the days are, at least for the companies I talk to. And that allows

PROJECT	Webinar Transcript
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Raul Varela:

you to get the information out there more accurately, more timely, so people can make better decisions.

That's great, Mike, thank you. And to just add to that, I really like what you said about going home at five o'clock instead of having to work all night to make sure things are right when you get it integrated in your process. We have clients that have actually shown savings exactly like that, where they can actually have a life during a reporting period. So thank you.

Okay, next question. I think I'm going to give this one to Phil. If the SEC accepts a filing with no errors or no warnings, do you still need to seek other validation? And this particular question was relating the fact that it might be a marketing strategy from the vendors that's kind of related to this whole validation. Let me let Phil take that one.

Phil Mennona:

Yes, and I think that some of them might be confused by other filers. I think it's a good question. And really, that SEC validation is really just a very minimal validation that it passes some kind of like syntax type requirements that it will get accepted on the Edgar database. But in no means does it check or validate against the many, many rules that are required by the SEC.

And so, for example, in one of the earlier slides we talked about the SEC staff observations and the many errors that they've noted in filings. Many of those errors are not caught by the SEC's validation system, but those are still things the SEC's identifying and reminding filers that they need to comply with.

And many of the validation tools, whether it's XBRL or US Consistency Suite, they can help you with those types of things, like the example I gave with negative values, where maybe a company is reporting income tax expense as income tax benefit. XBRL Consistency Suite does a lot of stuff with those negative values.

There are other tools that work and will identify issues with calculations and other EFM citations. The Magnify tool provides a checklist that actually has each EFM and then shows the validation, whether it's a pass or fail, by each item.

And so it is really important to understand that that SEC validation is really just a very minimal validation just to see if it will get accepted to be posted on the Edgar database. It doesn't validate all the many rules.

Mike, is there anything you'd like to add to that?

Mike Willis:

Yes, absolutely. Last week at the XBRL US Conference, there was a representative from the SEC there, and the kind of question that I get all the time is, "Is the SEC issuing comment letters on the XBRL errors?" And so that idea was sort of settled the last week. The rep from the SEC said basically in substance, "No, we're not issuing comment letters, but just calling the CFO who signed the report."

So I think they're clearly aware of these errors. The staff are writing about them, and now they're starting to pick up the phone and call CFOs and ask them to amend their submissions.

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Raul Varela:

Great, thank you, Mike. We have maybe a little over five minutes left, so let me try to get to these last couple of questions here. I'm going to group a couple together here for you, Mike. The first part is somebody asking, "What am I liable for after the limited liability provision expires for me?" And then a related, maybe second part of the question, the attendee's asking about, "With the push for auditor involvement, some auditors are not necessarily excited about jumping in and getting involved. Do you see a shift in the way firms are handling and processing, going forward, especially with limited liability going away?"

Mike Willis:

Yes, so the first one, what the companies are liable for, is that these documents now have the same standing as a traditional report. So as I said earlier, envision if you're a traditional report, that your numbers were backwards and things didn't add up and it basically was a mess. That's what's going on in some of these XBRL documents, and as the SEC staff were saying, these are very common errors. So something like a negative value, where the balances that you think are debits are actually credits or vice versa, that is a very common error.

And so let me just define "common" here. "Common" would mean somewhere in north of 99.9% of all company reports have that kind of error in them today. And so what if you had that error in your traditional report? And the plaintiff's lawyer had you on a deposition, you're a CFO, and started asking those kinds of questions. If somebody relied upon that information, it's material, then the company would be liable for damages. And that's in substance what the final rule is getting at.

I think the idea of the SEC issuing fines for this is not the way that they outlined in the final rule. I think they're going to allow the market to take its time here.

In terms of the auditors, I think it's a matter of helping their customers produce high-quality reports. It's as simple as that. And this information is not about just availability; it's about reusability. And so in order for the reusability to be working, the information has to be structured properly so that it can be timely and accurately reused. That's sort of the new definition of transparency. It's not about available only; it's about reusable. And so auditors, in my opinion, can and should help their customers enhance the quality of their reports.

Raul Varela:

Great, thank you, Mike. I think we have time for a couple more questions. I'm going to group two more together, and then I'll answer, and then, Mike, if you have any comments, please chime in. "Are clients using XBRL for other purposes? Are they consuming it? How are they using it? And do you actually hear from the investment community on using some of this information?"

From Rivet's perspective, I'll tell you where the biggest usage is with our application. As part of our Crossfire platform, we have a number of clients that are using XBRL from other filers to compare their tag selection to their competitors. So really using XBRL data for tagging analytics is kind of what we call it here at Rivet, where I'm Company A. I can bring in filings from Company B, C, D, E, F. As many companies as I want, I can look at their balance sheet, their income statement and, more importantly, their footnotes. And I can see exactly which tags they'd use, how they have structured their disclosures, and I'm able to make sure that if I don't want to be an outlier in my industry, I can make sure that I'm not doing something that would point me out as an outlier. So that's one way that people have been using it here today and even beyond.

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Mike Willis:

As far as the investment community goes, we're getting more and more interest from the investment community, from individual analysts, both on the buy side and the sell side, from data providers themselves, that want to see if they're able to utilize some of the streamlined information into their data aggregating processes. So in our eyes, that's going to continue to grow, and we see it every day. So Mike, do you have anything to add there?

Sure. I talked earlier about the business reporting supply chain. And so in the XBRL community, that's how we think about it. It goes from origin--in other words, before the transaction--all the way through to analysis and policymaking. And so the use of XBRL, both at the ledger and sub-ledger level for things like governance, risk and compliance, that's something we're now seeing probably a dozen companies in the US beginning to pilot.

On the analytical side, reporting side, there's a consortium called RIXML, Research Information XML. It's comprised of people like Morgan Stanley and JPMorgan Chase and Raymond James and Fidelity and about 100 of the buy-side/sell-side name firms. That consortium uses XBRL for their own purposes, and many of their vendors, like BlueMatrix, does the same thing. So these are built-in application vendors for the analytical community, buy-side/sell-side guys.

As I mentioned earlier, Morgan Stanley's ModelWare platform is an XBRL-enabled idea, because it allows their analysts to collaborate on models, not just the data. Inside of PwC, we have a platform that's very similar called IDP; 65,000 of our people use that every month.

If you were to ask them, "Do you use XBRL?" they'd said, "No, I use ModelWare," "No, I use IDP," because to them, they are seeing an Excel interface. Where the data comes from, no idea. So I think there's a phenomenon going on here that would be very much like asking your mother or grandmother or your grandfather, "Do you use HTML?" "Nope, but I use Google every day." It's that kind of idea. And so I think, as you talk to your analysts, you may want to ask them, "Where do you get the data from?"

Raul, if I could turn this question around a little bit, and this is something that the companies on the call could go out and do themselves, is let's try and figure out who's using your paper reports, the traditional reports. And what I would ask you to do is to take your most recent report, K or Q, then go out to Google Finance or Yahoo Finance or MSN, and look at what they have on your balance sheet and income statement and compare it to what's actually in your document. And I think you'll probably need to do that tomorrow afternoon when you've got an adult beverage in your hand, possibly on Friday, because the differences are staggering.

And so there's a perception that the analyst community is actually using the traditional reports, and in fact they're not. They're buying that data from distributors and third parties who are parsing your reports and putting it in their own taxonomies and omitting and distorting what you're reporting. And that's what they're turning around and selling to the analyst community.

And so the reason the analysts want to use XBRL is because it's cheap, it's free, it's timely, and it's got a lot more data in it than what they can buy from the distributors and aggregators. So there's a real business case here from the analytical perspective. It's not about SEC; it's really about the economics of a more efficient supply chain.

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Raul Varela:

So, Raul, sorry for dragging on about that, but I think that's a way for the companies to actually see why it is that the analysts want to use XBRL.

No, that's great, Mike. And any of you companies out there that do that and want to learn more about the analytics information from Rivet, please reach out to us.

We are over our time. I'm going to ask one more quick question and, Mike, let you answer it, and then, unfortunately, we're not going to be able to get to a number of others. But we will make sure that our sales team can follow up and make sure that those questions get answered.

So the last question, Mike, is do you have any thoughts on if the SEC will require MD&A to be tagged in the future? And if so, when?

Mike Willis:

Yes, and I don't know when. I think that this is an idea that just moves beyond just K's and Q's. I think this is the first step. I'm going to be in Tokyo next month, and they're working on a sustainability CSR type report over there. So well beyond MD&A to lots of other things. The same thing is occurring in South Africa with the stock exchange there, well beyond MD&A. So do I think so? Yes. When that will occur, I don't know.

There is an MD&A taxonomy that's on the AICPA website, that if someone's interested, they can go look at that. I do not think it will be at the same level. It will be more of a conceptual idea-- "Here's my business description, here's my market description, here are some of my risks." I think the idea of every number in MD&A, that may be quite a ways off. So I think it may be a lot like your block text tagging of your notes as a starting place for MD&A.

Raul Varela:

Great, thanks for the answers. The last thing I'll add is just that there's also the Data Act, which was put out by Chairman Darrell Issa, which is going to require, if it gets passed, all federal funding agencies to document their receipts in XBRL. So there's more and more coming, as Mike mentioned, across the world and even more here in the US.

So with that, we're going to close our webinar. I'd like to thank Phil Mennona from Rivet for joining us, as well as Mike Willis from PwC. We really appreciate it, Mike. Thank you very much. And we will be sharing these slides with all the participants.

With that, we'll conclude the webinar. Again, thanks, everyone, for joining. Bye-bye.