Management Assertions in the Interactive Data Environment: A Framework for Filers and Assurance Providers

Ken Dalton

Doctoral Student in Accounting
The University of Kansas

Rajendra P. Srivastava

Ernst & Young Professor and Director of E&Y CARAT
The University of Kansas

23rd XBRL International Conference
October 27, 2011

Risks of Material Misstatement

- The auditor should identify and assess the risks of material misstatement at:
  - the financial statement level
  - the assertion level (for classes of transactions, account balances, and disclosures)

PCAOB, Auditing Standard No. 12

(IAASB, International Standard on Auditing 315)

Existing financial statement assertions

- PCAOB adopted SAS 31

- IAASB adopted SAS 106

- Inadequate for addressing XBRL-specific risks of material misstatement

SAS No. 31 Assertions	SAS No. 106 Assertions
Existence or occurrence	Occurence (transactions)
	Existence (balances)
Completeness	Completeness (transactions)
	Completeness (balances)
Rights and obligations	Rights and obligations (balances)
Valuation or allocation	Accuracy (transactions)
	Cutoff (transactions)
	Classification (transactions)
	Valuation and allocation (balances)
Presentation and disclosure	Occurrence and rights and obligations (Presentation and disclosure)
	Completeness (presentation and disclosure)
	Classification and understandability (Presentation and disclosure)
	Accuracy and valuation (presentation and disclosure)

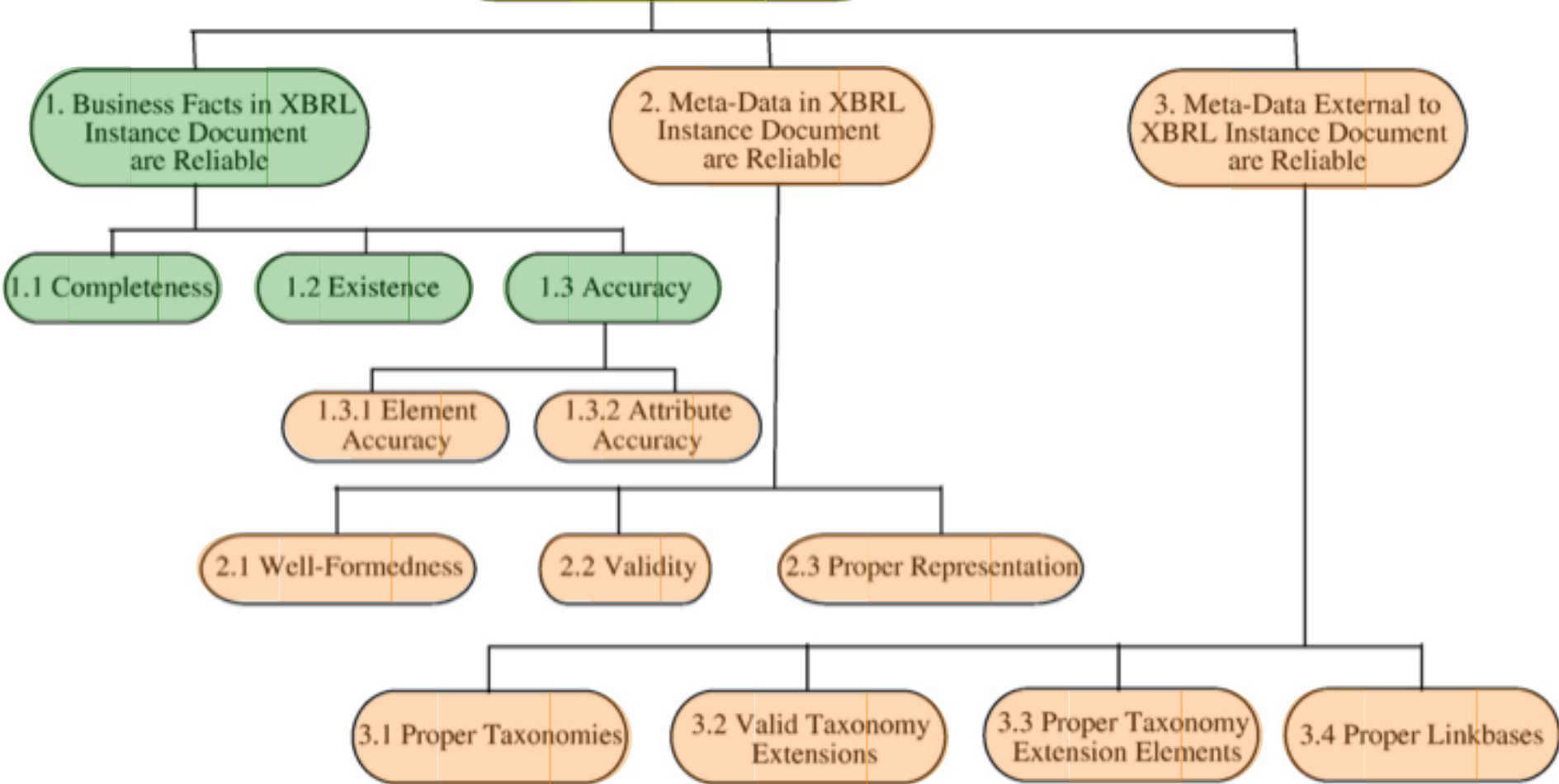Source: Archambeault (2007), Tennessee CPA Journal

AICPA Statement of Position 09-1

- Guidance for agreed-upon procedures engagements performed under AT section 201 that address XBRL-tagged data
- Restricted-use report (i.e. not for public consumption)
- Assertions discussed:
  - **Completeness**
  - **Accuracy**
  - **Consistency**

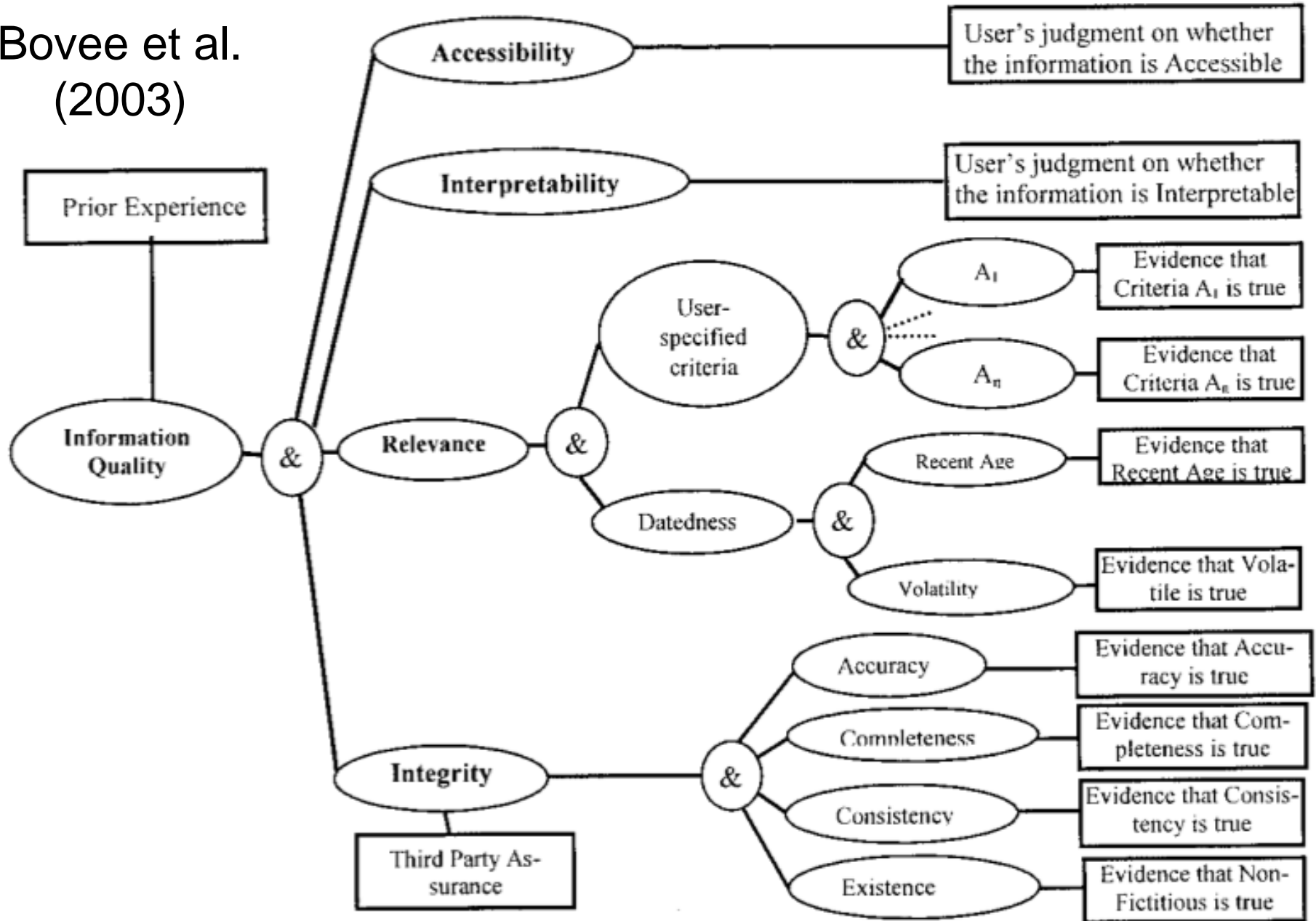Srivastava & Kogan (2010)

AICPA Proposed Principles and Criteria for XBRL-Formatted Information

- Exposure draft
- Principles discussed:
  - **Completeness**
  - **Mapping**
  - **Accuracy**
  - **Structure**
- Principles can be thought of as assertions
  - e.g., management asserts that XBRL files are structured per the requirements of their reporting environment

Bovee et al. (2003)

Accessibility — User's judgment on whether the information is Accessible

Interpretability — User's judgment on whether the information is Interpretable

Prior Experience

Information Quality &

Relevance & User-specified criteria & A_1 — Evidence that Criteria A_1 is true / A_n — Evidence that Criteria A_n is true

Datedness & Recent Age — Evidence that Recent Age is true / Volatility — Evidence that Volatile is true

Integrity & Accuracy — Evidence that Accuracy is true / Completeness — Evidence that Completeness is true / Consistency — Evidence that Consistency is true / Existence — Evidence that Non-Fictitious is true

Third Party Assurance

KU SCHOOL OF BUSINESS
The University of Kansas

Bovee et al. (2003) (* = Domain-specific assertions)	Applicable Layers	AICPA SAS 31 / PCAOB AS 15 (♦ = from SAS 106)	AICPA SOP 09-1	Srivastava & Kogan (2010)	AICPA XBRL P&C	Hoffman
Interpretability						
* Structure	S, L, X	"Classification" S "Presentation" S	"Presentation and presentation linkbase" S, L "Labels and label linkbase" S, L "Identification and version of taxonomies" L	"Well-formedness" X "Valid taxonomy extensions" S, L "Proper taxonomies" L "Validity" L "Proper linkbases" S, L "Proper Representation" S "Attribute accuracy" L	"Structure" S, L, X "Mapping" L "Accuracy" S, L	"Clear business meaning" S "Rendering" S
Relevance						
User-specified criteria						
* Comparability	S, L		"Creation of extensions" S (Comparability implied)	"Proper extension elements" S (Comparability implied)	"Mapping" S (Comparability implied)	"Consistency with peer group" S, L "Justifiable extension concepts" S
* Granularity	S, L	"Disclosure" S ♦ "Understandability" S	"Granularity of tagging of note disclosures" L		"Mapping" S "Completeness" L (Granularity implied)	"Justifiable extension concepts" S
Datedness (reserved for future use, i.e. continuous reporting paradigm)						
Integrity						
Existence	F, S	"Existence" F		"Existence" F	"Completeness" F (Existence implied)	
Completeness	F, S, L	"Completeness" F	"Completeness of XBRL-tagged data" L	"Completeness" F	"Completeness" F, S, L	
Accuracy	F	♦ "Accuracy" F		"Element accuracy" F		
Consistency						
* Intra-document	F, S, L		"Calculations and calculation linkbase" S, L "Tagging is ... consistently applied" S, L		"Mapping" S, L	"Financial integrity" L
* Inter-period	F, S, L		"Tagging is ... consistently applied" S, L		"Mapping" S, L	"Consistency between periods" S, L
* Occurrence	F	"Occurrence" F				
* Cutoff	F	♦ "Cutoff" F				
* Valuation	F	"Valuation" F				
* Allocation	F	"Allocation" F				
* Rights	F	"Rights" F				
* Obligations	F	"Obligations" F				

Legend:
F = Fact values layer
S = Semantic model layer
L = Logical model layer
X = Syntax layer

Fact Values
- Numbers or text
- Primary audit focus

Semantic Model
- Business meaning
- U.S. GAAP/IFRS schema

Logical Model
- Relations
- Dimensions

Syntax
- Computer code
- XML/XBRL specifications

Accuracy · Rights · Obligations · Interperiod Consistency · Intradocument Consistency · Comparability · Structure · Granularity · Completeness · Existence · Occurence · Valuation · Allocation · Cutoff

KU SCHOOL OF BUSINESS
The University of Kansas