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Track 3 – Streamlining IFRS Reporting with XBRL
Conceptual Framework for Financial Reporting Taxonomies
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Wednesday October 26, 2.30-3.00pm

Agenda

- Need for a conceptual framework for modeling taxonomies used for external reporting
- Objectives of conceptual framework
- Process for developing conceptual framework
- Specific modeling issues the conceptual framework seeks to address
- Conceptual Framework at work at the FASB
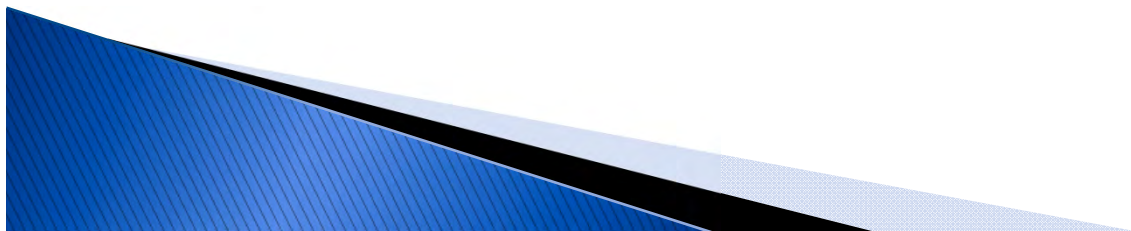
Need for a Conceptual Framework

- Presently, a logical data model for external financial reporting does not exist
- Filers use the US GAAP Financial Reporting Taxonomy as a *guide* to build their own data models
  - Pitfalls:
    - 8,000 filers with 8,000 different data models
    - US GAAP Financial Reporting Taxonomy (UGT) is not modeled consistently
   - Filers are not required to follow the data modeling in the UGT
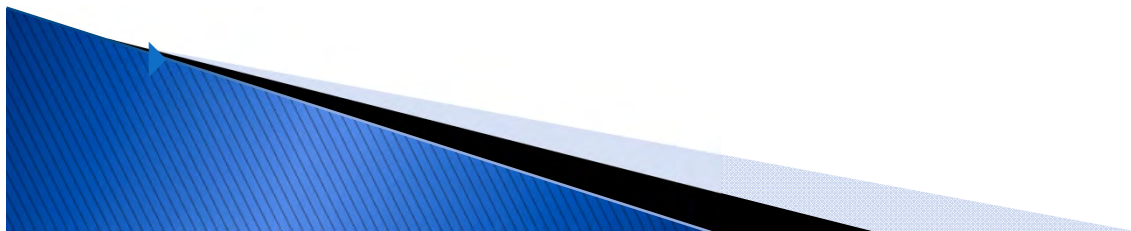
Need for a Conceptual Framework

- Complexity of the financial reporting domain and variation in reporting practices across filers
    - Need an abstract data model that shows the general modeling approach and provides principles to instantiate the generalized model
- Need to remove ad-hoc data modeling for external financial reporting
- Resolve data modeling debates in a consistent manner
- Reduce data modeling complexity

Objectives for a Conceptual Framework

▸ To set forth objectives and fundamentals ("building blocks") that will be the basis for the development and maintenance of financial reporting taxonomies which reflect GAAP and financial reporting practices.

1. Impose a systematic approach for building base and extension taxonomies so as to minimize subjective and ad-hoc reasoning.
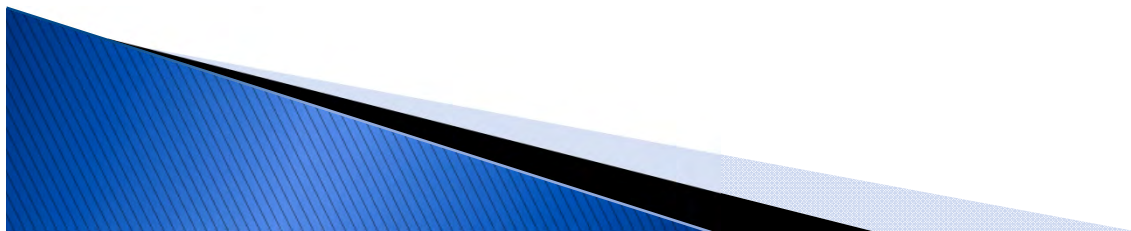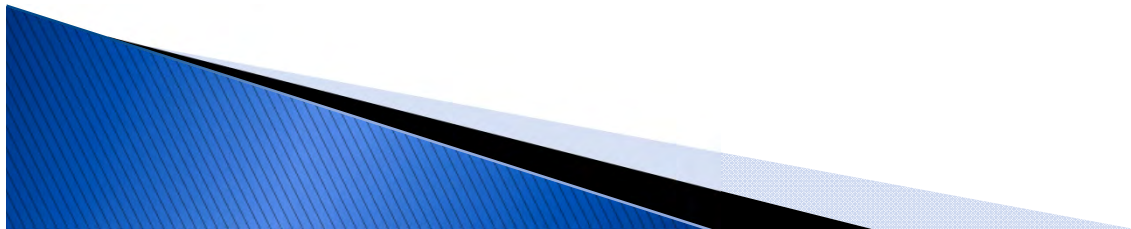
Objectives for a Conceptual Framework

2. The end result is that:
   a. Fact values are tagged consistently so that software tools can consume this data to facilitate user decision-making.
   b. The instance document represents faithfully the (tagged) information presented and disclosed in the original filing.
   c. The tagged data facilitates user-driven consumption – that is, users can reassemble the data to meet individual needs.
   d. The tagged data facilitates cross-sectional and time-series analyses.
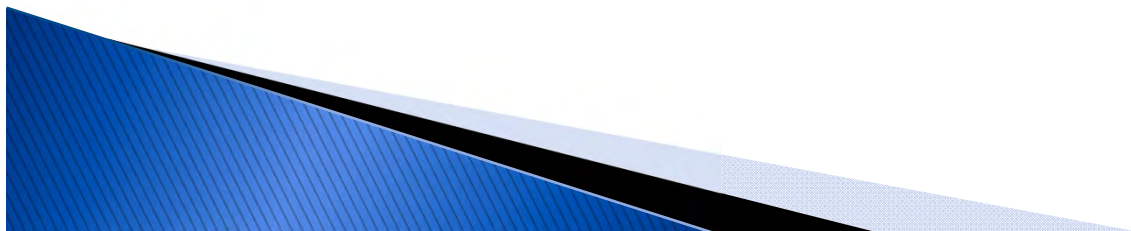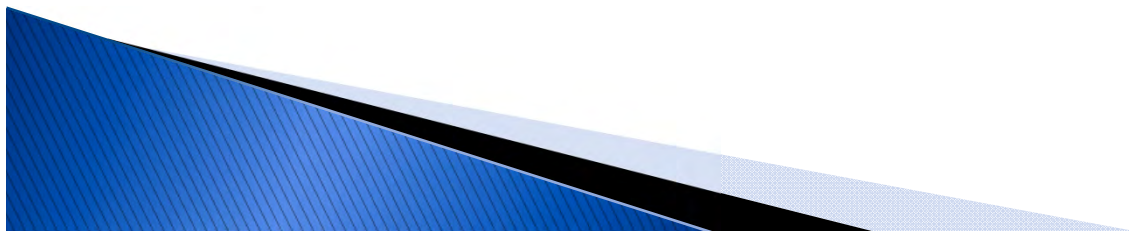
Objectives for a Conceptual Framework

3. Develop a conceptual framework with no constraints (future horizon)
4. Develop a conceptual framework with present constraints
5. Business requirement for the data model:
   a) Flexibility
   b) Extensibility
   c) Applicability
   d) Stability
   e) Facilitates data consumption

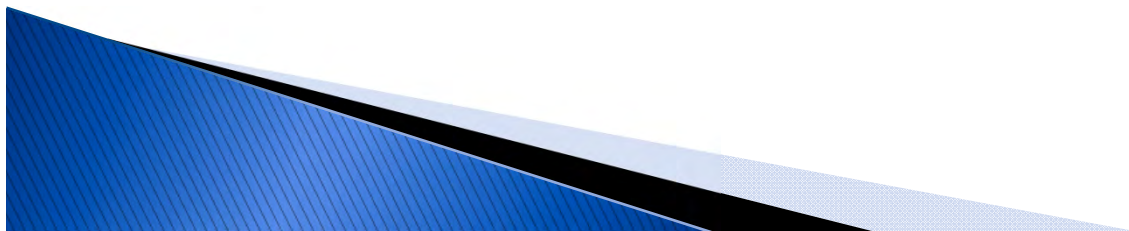# Process for Developing a Conceptual Framework

1. Financial Reporting Domain
   ◦ Define and scope the financial reporting domain
     - Identify the fundamental building blocks (concepts) in the financial report
     - Identify the fundamental relationships in the financial report
   ◦ Objective: To provide an overview of the 'reality' that is being modeled. Provide an articulation between concepts and also between the Statements and Footnote disclosures

Process for Developing a Conceptual Framework

- ◦ Build on the overview provided
  - • Expand on the fundamental building blocks in the financial report to the next level of granularity
  - • Expand on the fundamental relationships in the financial report to the next level of granularity
    - • Examine recursive relationships, etc.
- ◦ Objective: To build upon the overview and draft a more detailed framework of the financial reporting domain

Process for Developing a Conceptual Framework

2. Logical data model
    ◦ Using the detailed framework for the financial reporting domain, develop a data model that reflects the financial reporting domain (financial concepts and relationships and interactions between concepts)
        • Data model with no constraints (future horizon)
   • Data model with present constraints (present)

3. Physical data model
    ◦ Operationalize the logical data model for the XBRL 2.1 specification (present)

Process for Developing a Conceptual Framework

- Conceptual Framework with no constraints
  - Logical data model that is one large hypercube?
- Conceptual framework with present constraints
  - Existing data model in the UGT
    - Combination of hypercubes and line-items
    - Limitations of XBRL specifications
- Strategic plan to get from where we are now to where we want to be
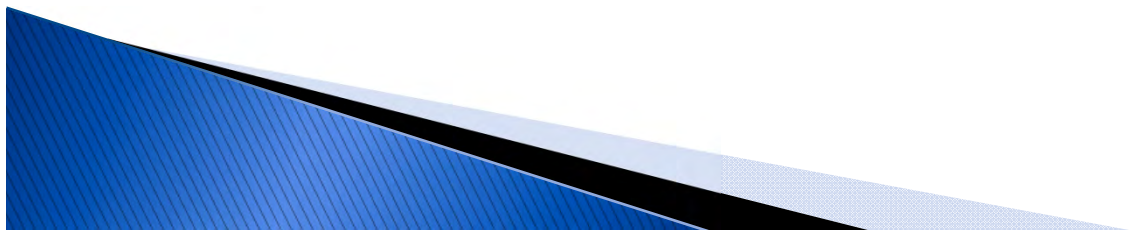
Some Specific Modeling Issues

▸ The Conceptual Framework seeks to help address the following modeling issues:
- The role of dimensions in data modeling
  - Do dimensions simply provide a mechanism to disaggregate information?
  - Can dimensions be used to assign attributes?
- What types of concepts can be a member element?
  - Can member elements be accounting concepts (e.g., Revenues, SG&A?)
 - Non-financial concepts (e.g., PP&E, Inventory)
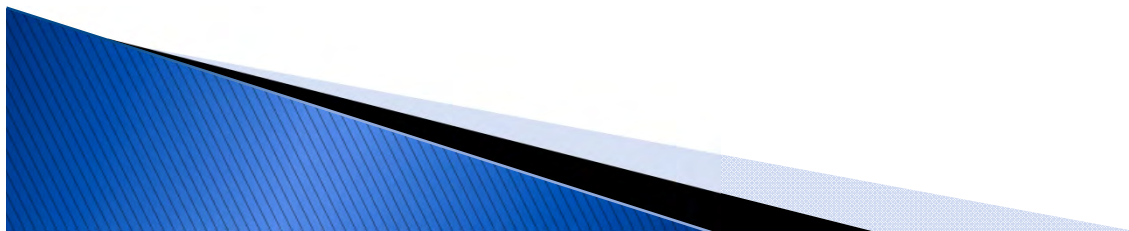
Some Specific Modeling Issues

- Can the financial statements and the footnotes be modeled as one large hypercube?
- Should we model the credit and debit side of the transaction?
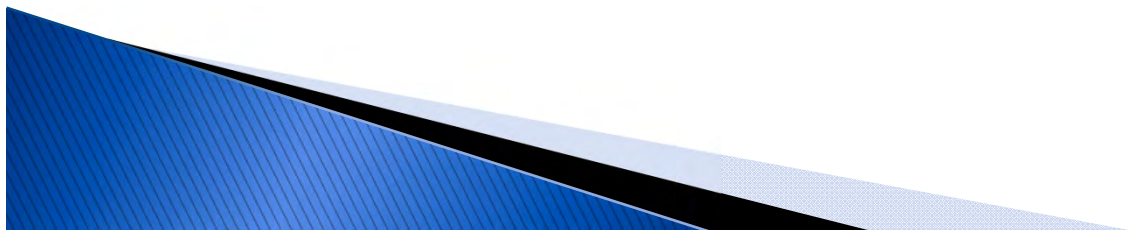- When do we use dimensions?
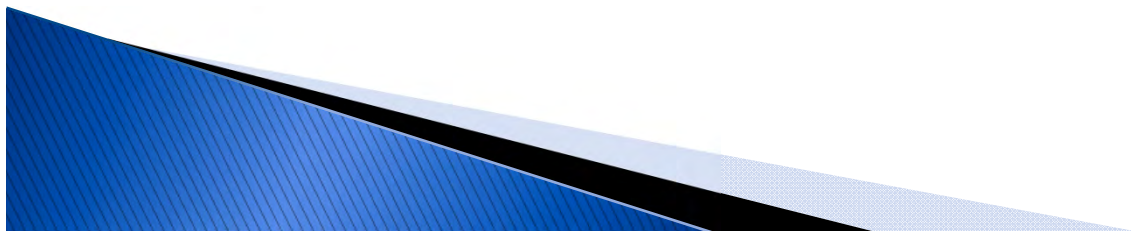
Conceptual Framework at work at the FASB

- Development of the Conceptual Framework is still in its infancy
- However, we are applying some basic principles/ideas from our work on the Conceptual Framework
  - Best Practice efforts
    - Understanding the Codification requirements and thinking about the one-one, or one-many relationships between concepts
    - Part of the phase to map out the financial reporting domain
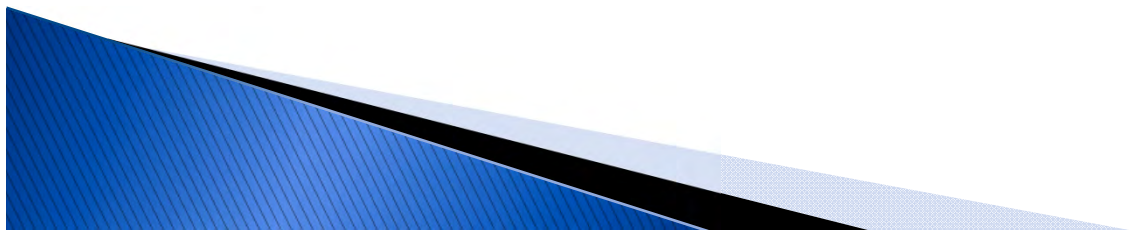
Conceptual Framework at work at the FASB

- Definitions work on axes and member elements
  - Identifying different categories of member elements
  - Examples: Accounting concepts (cost of goods sold), financial concepts (derivatives), general business (building)
- Avoid modeling both sides of the transaction
- Rationalizing axes
- Focus on data consumption

QUESTIONS?