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Attendance

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Division of the Office of the Chief Accountant
Paul Munter

Division of Corporation Finance
Mike Stehlik

Office of the General Counsel
Alexandra Ledbetter
Introductions

• Mike Willis opened the meeting with introductions of the participants. Mike provided an SEC disclaimer for the meeting. Campbell informed the group that Joan Berg retired, and Shelly Wavrin has taken over the role of Chair of the DQC. Campbell asked members to introduce themselves.

Validation Rules and Guidance Update

• Shelly introduced the validation rules for Versions 16 and 17.
• Version 16 includes 8 new DQC rules which apply to US GAAP filings. These rules were released for public comment through August 31, 2021. The DQC approved version 16 rules to become effective November 30, 2021. The rules include:
  • DQC_0117 - Financial Statement Tables Dimensional Cross Check - The rule evaluates if the dimensional values reported in the financial statements are equal to the reported sum of these dimensional values. The axis aggregations checked by the rule are as follows:
    o StatementClassOfStockAxis
    o ProductOrServiceAxis
    o PropertyPlantAndEquipmentByTypeAxis
    o LongtermDebtTypeAxis
    o RelatedPartyTransactionsByRelatedPartyAxis
    o StatementBusinessSegmentsAxis
    o FinancialInstrumentAxis
    o LimitedPartnersCapitalAccountByClassAxis
    o PartnerTypeOfPartnersCapitalAccountAxis
    o FiniteLivedIntangibleAssetsByMajorClassAxis
    o InformationByCategoryOfDebtSecurityAxis
  • DQC_0118 - Financial Statement Tables Calculation Check of Required Context - This rule evaluates each line in the financial statements representing an aggregation based on the elements defined in the calculation linkbase. If the sum of the child elements does not equal the value reported for the aggregation, then an error is reported.
  • DQC_0119 - Income Before Tax Equity Method - This rule is intended to identify those cases where the company uses the element IncomeLossFromContinuingOperationsBeforeIncomeTaxesMinorityInterestAndIncomeLossFromEquityMethodInvestments in an inappropriate manner.
  • DQC_0120 - Incorrect Line Item Reference - This rule is intended to identify those cases where the company uses an extensible list item that refers to a balance sheet line item that does not exist on the balance sheet. The rule checks that the values provided for the following extensible list items are legitimate balance sheet line items that appear in the calculation linkbase of the balance sheet:
    o FinanceLeaseLiabilityCurrentStatementOfFinancialPositionExtensibleList
    o FinanceLeaseLiabilityNoncurrentStatementOfFinancialPositionExtensibleList
    o FinanceLeaseRightOfUseAssetStatementOfFinancialPositionExtensibleList
    o OperatingLeaseLiabilityNoncurrentStatementOfFinancialPositionExtensibleList
    o OperatingLeaseLiabilityCurrentStatementOfFinancialPositionExtensibleList
    o OperatingLeaseRightOfUseAssetStatementOfFinancialPositionExtensibleList
  • DQC_0121 - Incorrect Transition Elements Used – This rule is intended to identify those cases where the company reports line items that have been transitioned
because of changes in accounting standards. The rule identifies those elements that should no longer be used by the filer.

- **DQC_0122 - Components of Equity on the Balance Sheet** - This rule is intended to identify those cases where the company reports the components of equity or partners capital on the balance sheet. If one of these two dimensions are included as part of the balance sheet, then the rule will return an error identifying the number of facts using the axis reported in the balance sheet.
  - StatementEquityComponentsAxis
  - PartnerCapitalComponentsAxis

- **DQC_0123 - Missing Components of Equity Axis** - The rule identifies where a company has reported classes of stock but has not indicated if they are common or preferred or treasury components of equity. The rule identifies facts reported using one of the following line items using the class of stock axis without any other dimensions:
  - StockholdersEquityIncludingPortionAttributableToNoncontrollingInterest
  - StockholdersEquity

- **DQC_0124 - Breakdown of Lease Liabilities & Assets Across Financial Statement Lines Items** - The rule flags an error when lease liabilities and assets are present but have not been included in the presentation linkbase of the financial statements. The intent of the rule is to allow filers to check that their filing is consistent with the FASB’s XBRL implementation guide and US-GAAP. If the extensible list item or Balance Sheet Location Axis is not used, then the rule will report an error.

- Shelly explained that the DQC is working on Version 17. These rules will be published for public review in November 2021. Version 17 include the following rules:
  - **DQC_0125 - Lease Cost Cannot be Negative** - Lease costs can be negative in those cases where the lease is subleased to another party and the sublease income exceeds the lease cost. This rule identifies those cases where the lease cost is negative and no sublease Income is reported.
  - **DQC_0126 - FS Calculation Check with Non Dimensional Data** - This rule identifies those cases where the calculations defined for the face financial statements (Statement of Changes in Shareholders Equity is not covered) in the company provided calculation linkbase do not match the actual values reported. The rule works through every element in the statement and checks if it has any calculation children. If it does, it takes the values of the children in the default and checks that they add to the parent value.
  - **DQC_0127 - Incorrect Dimensional Item Used on Financial Statements** - This rule identifies those cases where the dimensional structures defined for the face financial statements (Statement of Changes in Shareholders Equity is not covered) in the company provided definition linkbase do not match the actual values reported.
  - **DQC_0128 - Dimensional Values Larger than the Default** - The rule identifies a list of dimensions that should not have negative values and determines if any of the dimensionalized monetary values are greater than the default value. This uses the same list of elements used by rule DQC_0015 for validating negative items. The rule only checks dimensionalized values that appear on the following axes:

  **US GAAP**
  - PropertyPlantAndEquipmentByTypeAxis,
  - StatementClassOfStockAxis,
  - LongtermDebtTypeAxis,
  - srt:ProductOrServiceAxis,
- FiniteLivedIntangibleAssetsByMajorClassAxis,
- DebtInstrumentAxis

IFRS

- ClassesOfPropertyPlantAndEquipmentAxis,
- ClassesOfOrdinarySharesAxis,
- ProductsAndServicesAxis,
- ClassesOfIntangibleAssetsOtherThanGoodwillAxis,
- BorrowingsByNameAxis

- DQC_0129 - Dimensional Equivalents IFRS - This rule evaluates whether a fact expressed with no dimensions is equal to the same fact expressed in a table with dimensions. In addition, this rule determines if the dimensional value should be the inverse of the same value represented as a line item. This is equivalent to DQC_011 for US GAAP filings.
- DQC_0130 - Earnings Per Share Calculation IFRS - This rule evaluates if the value reported for earnings per share metrics matches the value calculated from its components.

Trends in Filings

- Shelly presented three trends that the group have seen in actual filings. Many of these issues are addressed in version 16 and 17 rules.
  - Transition elements – many filers use line items that should no longer be used after adoption of new accounting standards. New elements have been added to the US GAAP taxonomy which are not being used correctly. Shelly provided an example of a filer that continued to use transition elements after adoption of the new accounting standard. DQC_0121, DQC_0086 and DQC_0067 check transition elements are used appropriately.
    - Shelly mentioned that the FASB is proposing standard tagging for filers to indicate the status of adoption for accounting standards.
    - Louis explained that an explicit policy declaration, that a filer would make, allows different tools to flag when filers use incorrect elements.
    - There was a question as to whether there were any other insights noted on this topic. Detailed analysis on the errors have not yet been performed.
  - Inconsistent dimensions – many filers have dimensional values on the face financial that are not well behaved (not a breakdown of line items). Shelly provided an example of revenues reported on the income statement with different line items used in the same dimension where the dimension default value was not equal to the dimensional breakdown (calculation inconsistency). Shelly stated that a number of rules in version 16 are being implemented to detect inconsistent dimensions (DQC_0117, DQC_0118, DQC_0122, DQC_0123).
  - Inline filings – lack of review of EDGAR renderer – many filers have moved away from utilizing the renderer to review their filings. Some tagging errors are easy to capture when reviewing the XBRL rendering, while these errors may not be easy to catch when reviewing the tagging in the inline document. Shelly provided an
example of a structural error causing the value not to be rendered due to lack of review. DQC rules in version 16 and 17 (DQC_0127, DQC_0117, DQC_0118) will help detect these structural errors.

- There was a question as to how systematic this error is. Campbell mentioned that through a review of approximately 1,000 files, 15% of the filings had errors.
- Campbell mentioned that the SEC may move away from use of the EDGAR renderer, these rules are meant to test for these structural errors.

**DQC Errors**

- Shelly presented the analysis of the trends of DQC rules through Q2 2021. The analysis showed a 33% reduction in total errors Q1 2020 vs. Q1 2021. However, errors for the second quarter 2021 increased by 6,800 errors from the first quarter of 2021. This primarily related to new IFRS rules which became effective in May 2021 (version 14). Shelly indicated that 2 filers accounted for 8,800 errors (DQC_0104) in the second quarter of 2021. Without this anomaly, the errors reduced. Shelly presented the top DQC errors for Q2 2021:
  - **Axis with Inappropriate Members DQC_0104 (IFRS filings)**
    - 2 filers made up 8,800 in errors for Q2. These filers used an inappropriate extension default domain member on the Consolidated and separate financial statements [axis]. The remaining errors under this rule are insignificant.
    - There was a question as to whether this anomaly occurred in other quarters. This has not been found to this extent in the past. This rule has been updated, to account for this error so that results are not skewed in the future for one error which causes all values on one axis to produce errors.
  - **Axis with Inappropriate Members DQC_0001 (US GAAP filings)**
    - Errors have reduced since the rule has been included in the DQCRT. The most common axes with errors include Statement of Business Segments [axis], Equity Components [axis], Range [axis] and Fair Value, Hierarchy [axis]. This rule is included in the DQCRT.
  - **Negative Values DQC_0015 (US GAAP filings)**
    - Errors for this rule have decreased over time. There were 2,099 errors in this rule which is a decrease from approximately 5,000 errors in Q1 of 2020. DQC_0015 was included in the 2020 DCQRT. The most common errors relate to values that are presented with brackets in html documents.
  - **Negative Values DQC_0080 (IFRS filings)**
    - There have been reductions in errors over time with errors similar to DQC_0015.
  - **Sibling Child Relationships DQC_0081**
    - There has been a significant decrease in errors for this rule (approximately 9,000 errors in Q1 2020 vs. 3,200 in Q2 2021). Common errors include:
      - Cost of Goods and Services Sold being presented as a child of Operating Expenses
• Convertible Notes Payable, Current being presented as a sibling of Notes Payable, Current
  ▪ Guidance has been added to rule message to assist filers to correct these errors.
  ▪ There was a question regarding whether the calculation link is correct when there is this error. A large amount of the calculations are incorrect and some of the new DQC rules detect those errors. This rule detects the presentation errors.
  o Financial Statements with No Associated Calculation DQC_0099
    ▪ The rule became effective January 2021 for US GAAP filers. Approximately 1,400 errors in Q1, 2021 and Q2, 2021. Some common errors include: when new line items are added to presentation link but not to calculation link, no calculation for Preferred Stock Value, no calculation for Equity section of balance sheet (due to use of dimensions for different classes of stock), parenthetical values not tagged in the parenthetical link role but rather they are tagged in the financial statement roles (this may need more guidance).
    ▪ DQC will continue to add language to rule messages to help filers correct errors.
• Campbell presented error results for DQC_0043 Incorrect Calculation Weights in Operating Cash Flows, and noted that one vendor accounted for the majority of errors (total errors for the rule is increasing over the past few quarters and have turned the results of the rule to a negative trend). XBRL US has tried to outreach to the vendor. This rule will be going into the DQCRT and results will be monitored.

SEC Introduction of DQC Rules Taxonomy
  ▪ Campbell stated that DQC continues to work with FASB to implement new rules into the DQCRT.
  ▪ Louis mentioned that the FASB is taking a deliberative approach to add rules to the DQCRT. The FASB is proposing to add 9 new rules for the 2022 taxonomy.

Anchoring for US GAAP
  ▪ Campbell explained that relationships provide semantic information for elements. The main relationships that are available are presentation and calculation relationships that give information for understanding the meaning of an element. The European ESEF has requirements for all extensions to have an anchor using wider-narrower relationship.
  ▪ Campbell explained that the DQC rules are developed using certain relationships as part of the process. DQC would like to analyze different mechanisms for anchor types. Campbell has added some relationship types into the XBRL International specification for review.
  ▪ DQC will analyze different options for US GAAP filings.

EDGAR Filer Manual (EFM)/FAQs
Campbell reminded the group for need for forever period and calculations defined in multiple places. This has been on previous agendas, it has been put on this agenda as a reminder.

**IFRS/ESEF Alignment**

- Campbell explained that ESEF filings in Europe using the IFRS taxonomy may not use DQC rules. There is a concern that when IFRS filers submit to the SEC there will be errors on these filings. There has been a discussion with XBRL International for formation of a DQC group in Europe to leverage the IFRS rules that have been developed under XBRL US DQC.
- Iza disclaimed participation in development of the DQC rules for IFRS filings. She stated that she only observes the DQC meetings.
- It is important that there is alignment so that ESMA rules and EFM rules are consistent. Ideally, companies should be able to file consistent filings in multiple jurisdictions.
- There is no DQCRT equivalent for IFRS rules. DQC would support initiatives.

**Other Q&A/Comments**

- Campbell noted that the proposed DEI taxonomy included new elements for information related to auditors.
- There was a comment that the SASB released the taxonomy and it includes LEI taxonomy.
- There was a question as to what other ESG-related work is happening. Campbell mentioned that XBRL US is not aligned to any standards but is supportive of all efforts to develop taxonomies for ESG standards. He mentioned that XBRL US has a working group to develop examples of how to capture ESG information (e.g., graphical information) in XBRL.