
STAFF QUESTIONS AND ANSWERS

ATTEST ENGAGEMENTS REGARDING XBRL FINANCIAL INFORMATION FURNISHED UNDER THE XBRL VOLUNTARY FINANCIAL REPORTING PROGRAM ON THE EDGAR SYSTEM

May 25, 2005

Summary: Staff questions and answers set forth the staff's opinions on issues related to the implementation of the standards of the Public Company Accounting Oversight Board ("PCAOB" or "Board"). The staff publishes questions and answers to help auditors implement, and the Board's staff administer, the Board's standards. The statements contained in the staff questions and answers are not rules of the Board, nor have they been approved by the Board.

The following staff questions and answers related to attest engagements regarding XBRL financial information furnished under the XBRL Voluntary Financial Reporting Program on the EDGAR System were prepared by the Office of the Chief Auditor. Additional questions should be directed to Keith Wilson, Associate Chief Auditor (202/207-9134; wilsonk@pcaobus.org).

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Q1. What is XBRL?

A1. XBRL (eXtensible Business Reporting Language) is an open standard for electronic communication of business and financial data. The XBRL standard provides a format for tagging that data so users can extract, exchange, analyze, and present the information.

XBRL information is commonly distributed in the form of XBRL instance documents. These documents are electronic files consisting of financial data along with their corresponding XBRL tags.

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To facilitate electronic communication of financial information among many parties, XBRL instance documents must be created using a common set of standards that all parties can understand and use. In XBRL, this is accomplished through taxonomies and specifications. An XBRL taxonomy (or tag list) provides a data structure and vocabulary for interpreting financial information, such as all of the items comprising "net income." An entity may extend the taxonomy by creating additional custom tags for its own use. XBRL specifications have been developed by the XBRL Consortium for creating and extending taxonomies. (See the XBRL website, www.xbrl.org, for more information about XBRL.)

Q2. What is the XBRL Voluntary Financial Reporting Program on the EDGAR System?

A2. The Securities and Exchange Commission ("SEC") has adopted rule amendments^{1/} allowing issuers to voluntarily submit supplemental tagged financial information using the XBRL^{2/} format as exhibits to specified EDGAR filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940. The amendments include certain requirements regarding the information in those exhibits. This SEC initiative is referred to in the SEC Release as the "XBRL Voluntary Financial Reporting Program on the EDGAR System" (hereinafter referred to as the "SEC Voluntary Program").

The XBRL documents furnished under the SEC Voluntary Program are referred to in the SEC Regulations^{3/} as "XBRL-Related Documents." The XBRL-Related Documents must contain only certain specified content ("mandatory content" and "optional content") that appears in a specified format ("voluntary program format"), as set forth in the SEC Regulations.

^{1/} *Final Rule: XBRL Voluntary Financial Reporting Program on the EDGAR System*, Securities and Exchange Commission Release Nos. 33-8529, 34-51129, 35-27944, 39-2432, IC-26747; File Number S7-35-04 (February 3, 2005) [70 FR 6556]

^{2/} The SEC's website, www.sec.gov, has more information about the SEC's XBRL initiative.

^{3/} §232.401 of Regulation S-T, 17 C.F.R 232.401; and SEC Final Rule Release No. 33-8529 (February 3, 2005)

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According to the EDGAR Filer Manual,^{4/} issuers who file under the SEC Voluntary Program must create their XBRL-Related Documents using one of the US Generally Accepted Accounting Principles ("US GAAP") taxonomies, based on XBRL Specification Version 2.1. Issuers also may use one of the Stand Alone Add-on taxonomies provided in the US Financial Reporting Taxonomy Framework for certain content. Any company extensions of those taxonomies must conform to XBRL Specification Version 2.1.

Q3. May an auditor^{5/} examine and report on whether the XBRL-Related Documents accurately reflect the information in the corresponding part of the official EDGAR filings? If so, what are the primary engagement standards that apply to those engagements?

A3. Yes, an auditor may be engaged to examine and report on whether the XBRL-Related Documents accurately reflect the information in the corresponding part of the official EDGAR filings. That engagement is an examination under AT section 101 of the PCAOB's interim attestation standards, *Attest Engagements* ("AT section 101"), as amended.

Q4. The second general attestation standard in paragraph .21 of AT section 101 indicates that the engagement shall be performed by an auditor "having adequate knowledge of the subject matter." How does this general standard apply to examination engagements regarding XBRL-Related Documents?

A4. In examination engagements regarding XBRL-Related Documents, the auditor must have sufficient knowledge of the applicable SEC Regulations, EDGAR Filer Manual requirements, and XBRL taxonomies and specifications to perform the examination. The auditor must also have sufficient knowledge of the

^{4/} EDGARLink Filer Manual, Appendix L. (The EDGARLink Filer Manual comprises Volume 1 of the EDGAR Filer Manual.)

^{5/} These PCAOB Staff Questions and Answers assume that the auditor who is engaged to perform this examination has also audited, in accordance with PCAOB standards, the financial statements for at least the latest period to which the XBRL financial information relates and the financial statements for the other periods covered by the XBRL financial information have been audited by the auditor or a predecessor auditor. Therefore, the word "auditor" is used instead of "practitioner."

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company's financial statements and underlying financial records to understand how the financial data in the XBRL-Related Documents relates to the corresponding information in the official EDGAR filing.

Q5. The third general attestation standard in paragraph .23 of AT section 101 states that the auditor "shall perform the engagement only if he or she has reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users." How does this general standard apply to examination engagements regarding XBRL-Related Documents?

A5. Paragraphs .24 through .34 of AT section 101 discuss the attributes of suitable and available criteria. The US GAAP Version 2.1 based taxonomies, Stand Alone Add-on taxonomies, and XBRL Specification Version 2.1 would be considered suitable and available criteria because (a) they were developed by a panel of widely recognized experts that follow due process procedures, including exposure for public comment, and (b) they are available free of charge through the XBRL Consortium.

Company extensions of those taxonomies normally do not go through the same development processes as described in the preceding paragraph. Accordingly, the auditor should evaluate whether company extensions represent suitable and available criteria as described in AT section 101.

Q6. May the auditor assist a company with the creation or tagging of its XBRL-Related Documents and still perform an examination regarding those documents?

A6. The fourth general attestation standard requires the auditor to be independent in order to perform an attest engagement. When evaluating independence, the auditor should apply the independence principles for financial statement audits to the context of the examination engagement. For example, although the auditor may provide technical advice on matters related to the application of the XBRL taxonomy and specifications, the auditor's independence would be impaired (and thus the auditor would be unable to examine a company's XBRL-Related Documents) if he or she prepared those documents or made decisions about the documents for management.

Q7. What are the objectives of the examination procedures regarding the XBRL-Related Documents, and what procedures should be performed to achieve those objectives?

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A7. In performing the examination as set forth in AT section 101, the auditor should apply procedures as necessary to obtain sufficient evidence to provide a reasonable basis for an opinion on whether the XBRL-Related Documents accurately reflect the information in the corresponding part of the official EDGAR filings. Thus, the objectives of the examination procedures are to determine whether—

- a. the XBRL data agrees with the official EDGAR filings, and
- b. the XBRL-Related Documents are in conformity with the applicable XBRL taxonomies and specifications, as well as with the SEC requirements for format and content.

The following are examination procedures that the auditor should consider to achieve the engagement objectives:

- Compare the rendered^{6/} XBRL-Related Documents to the information in the official EDGAR filing, and agree the corresponding content.
- Determine whether the content in the XBRL-Related Documents conforms to the SEC voluntary program content requirements.
- Determine whether the XBRL-Related Documents (and the related taxonomy documents, as necessary) conform to the SEC voluntary program format requirements. To accomplish this, the auditor should consider the following procedures:
 - Test whether the data elements (i.e., text and line item names and associated values, dates and other labels) in the XBRL-Related Documents reflect the same information as the corresponding official EDGAR filing (i.e., the HTML or ASCII version).

^{6/} A rendered XBRL-Related Document has been converted from machine readable form into human readable form using a software tool.

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- Verify that the data elements in the corresponding official EDGAR filing have not been changed, deleted, or summarized in the XBRL-Related Documents.
- Evaluate whether the XBRL-Related Documents comply with the appropriate XBRL specification and EDGAR-supported XBRL taxonomies.
- Evaluate whether any company extensions of the taxonomy are consistent with the SEC voluntary program format requirements, including conformity with XBRL specifications.
- Test whether data elements in the XBRL-Related Documents are matched with appropriate tags in accordance with the applicable taxonomy.
- Read the EDGAR filing to determine whether it contains the disclosures regarding XBRL-Related Documents required by SEC Regulations.^{7/}
- Obtain a representation letter from management that includes a statement that the XBRL-Related Documents comply with SEC requirements.

Q8. What are the reporting requirements for examination engagements regarding XBRL-Related Documents?

A8. The report for this engagement should comply with the requirements of AT section 101, as amended.

If the underlying information in the XBRL-Related Documents has been audited, the examination report should refer to the audit report. If the underlying information was reviewed, and the review report was filed with the SEC, the examination report should refer to the review report. If the underlying information was reviewed, but the review report was not filed with the SEC, the examination report need not refer to the review report but should indicate that the underlying

^{7/} §232.401(d) of Regulation S-T, 17 C.F.R. 232.401(d).

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information has not been audited and no opinion is expressed on it. The auditor should disclaim an opinion on any underlying information in the XBRL-Related Documents that is not covered by an audit report or review report.

The auditor may be engaged to report on management's assertion or on the subject matter of the assertion. The following are examples of examination reports for these engagements.

Report on the Subject Matter of the Assertion

Report of Independent Registered Public Accounting Firm on XBRL-Related Documents

We have examined the accompanying XBRL-Related Documents of Sample Volunteer Company, presented as Exhibit *[number]* to the Company's *[Identify EDGAR filing, such as Form 10-K]*, which reflect the data presented in the *[Identify corresponding information in the official EDGAR filing]* as of *[Month and Day]*, *[Year]* and *[Year]* and for each of the years in the *[number]-year* period ended *[date]*. Sample Volunteer Company's management is responsible for the XBRL-Related Documents. Our responsibility is to express an opinion based on our examination.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of Sample Volunteer Company as of *[Month and Day]*, *[Year]* and *[Year]* and for each of the years in the *[number]-year* period ended *[date]*, and in our report dated *[date]*, we expressed an unqualified opinion on those financial statements.^{8/} In addition, we have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Sample Volunteer Company's internal control over financial reporting as of *[Month and Day]*,

^{8/} If the auditor's opinion on the related financial statements is other than unqualified, this report should disclose that fact along with the reason for the modified report.

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[Year], based on [Identify control criteria], and our report dated [date], expressed [Include nature of opinion].^{9/}, ^{10/}, ^{11/}, ^{12/}

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included examining, on a test basis, evidence supporting the XBRL-Related Documents. Our examination also included evaluating the

^{9/} This sentence is necessary if (a) the XBRL-Related Documents include information about the effectiveness of internal control over financial reporting, and (b) that information was covered by an audit report.

^{10/} If the financial statements have been reviewed and the review report was filed with the SEC, this paragraph should read: "We have also reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of Sample Volunteer Company as of [date], and for the three months then ended, the objective of which was the expression of limited assurance on such financial statements, and issued our report thereon dated [date], [Describe any modifications of such report]. A review of financial statements is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion."

^{11/} If the financial statements have been reviewed but the review report was not filed with the SEC, this paragraph should read: "We did not audit the financial statements of Sample Volunteer Company (or examine [Identify any other underlying information]), the objective of which would have been the expression of an opinion on them. Accordingly, we do not express an opinion on them."

^{12/} If the XBRL-Related Documents contain both (a) financial statements that are covered by an audit report or review report filed with the SEC and (b) other information that is not covered by an audit or review report, this paragraph should include a statement such as the following: "We were not engaged to and did not conduct an audit (or review) of [Identify information], the objective of which would have been the expression of an opinion (or limited assurance) on such [Identify information]. Accordingly, we do not express an opinion or any other assurance on [it] [them]."

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XBRL-Related Documents for conformity with the applicable XBRL taxonomies and specifications and the content and format requirements of the Securities and Exchange Commission. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the XBRL-Related Documents of Sample Volunteer Company referred to above accurately reflect, in all material respects, the data presented in the *[Identify corresponding information in the official EDGAR filing]* in conformity with *[Identify the criteria—for example, the taxonomy, such as "US GAAP – Commercial and Industrial Taxonomy," and where applicable, the Stand Alone Add-on Taxonomy such as "US Financial Reporting – Management Report Taxonomy," and the specifications, such as "XBRL Specifications (Version 2.1)"]*.

[Signature]

[City and State or Country]

[Date]

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Report on Management's Assertion ^{13/}

Report of Independent Registered Public Accounting Firm on XBRL-Related Documents

We have examined management's assertion that *[Identify the assertion—for example, the accompanying XBRL-Related Documents, presented as Exhibit [number] to Sample Volunteer Company's [Identify EDGAR filing, such as Form 10-K] accurately reflect the data presented in the [Identify corresponding information in the official EDGAR filing] as of [Month and Day], [Year] and [Year] and for each of the years in the [number]-year period ended [date,] in conformity with [Identify the criteria—for example, the taxonomy, such as "US GAAP – Commercial and Industrial Taxonomy," and where applicable, the Stand Alone Add-on Taxonomy such as "US Financial Reporting – Management Report Taxonomy," and the specifications, such as "XBRL Specifications (Version 2.1)"]*. Sample Volunteer Company's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of Sample Volunteer Company as of *[Month and Day], [Year]* and *[Year]* and for each of the years in the *[number]-year* period ended *[date]*, and in our report dated *[date]*, we expressed an unqualified opinion on those financial statements. In addition, we have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Sample Volunteer Company's internal control over financial reporting as of *[Month and Day], [Year]*, based on *[Identify control criteria]*, and our report dated *[date]*, expressed *[Include nature of opinion]*.

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included examining, on a test basis, evidence supporting the

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See the footnotes to the preceding report example.

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XBRL-Related Documents. Our examination also included evaluating the XBRL-Related Documents for conformity with the applicable XBRL taxonomies and specifications and the content and format requirements of the Securities and Exchange Commission. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, in conformity with *[Identify the criteria—for example, the taxonomy, such as "US GAAP – Commercial and Industrial Taxonomy," and where applicable, the Stand Alone Add-on Taxonomy such as "US Financial Reporting – Management Report Taxonomy," and the specifications, such as "XBRL Specifications (Version 2.1)"]*.

[Signature]

[City and State or Country]

[Date]