

# XBRL Solution

## FREQUENTLY ASKED QUESTIONS

### Legislative Mandate

The legal and strategic mandate for submission of financial statements to the CIPC is prescribed by the Companies Act, No. 71 of 2008, as amended by Companies Act 3 of 2011 ("the Act").

Section 30 Annual Financial Statements and Regulation 30 Annual Financial Statement makes provision for submission of financial statements. Regulation 30 (5)(a) requires the Commission to establish a system to review financial statements with the objective of monitoring compliance with the Act.

According to Section 6 (13)(a)(iii), the system to be established by the Commission may use any means of electronic communication to facilitate the automated filing of any information contemplated by the Act. This includes a determination to use XBRL.

### Why has the reporting standard changed?

The changeover to XBRL reporting will eventually provide one common standard of reporting to all regulators in South Africa, with the elimination of duplications and differences in reporting to various regulators.

### Where is XBRL applicable?

Financial statements that are prepared in XBRL format will be machine readable which will facilitate business reporting and exchange of information within all types of regulators, including tax and financial authorities, central banks, and governments.

### When does the change to XBRL take place?

CIPC will officially roll out XBRL reporting to all qualifying entities from 1 July 2018.

### What are the minimum tagging requirements?

Minimum tagging for Financial statements will comprise of individual tagging of all applicable facts of the Primary Financial Statements. All Accounting Policies, Directors Reports, Directors Responsibility Statements, Independent Auditors/Reviewers Reports, Company Secretary Reports, Corporate Governance Reports, and Notes will need to be "block tagged" (the full text thereof will be tagged as single text blocks).

Only 61 data elements are mandatory. Other data elements should be tagged where they apply to the entity.

### IFRS-Full or IFRS-SMEs?

Reporting entities will need to know which entry point into the taxonomy applies to them based on company category which will determine financial statements are to be tagged according to the IFRS-Full or IFRS-SMEs reporting standard.

Regulation 27 of the Companies Regulations defines the reporting standards according to company category.

### What about the additional IFRS data elements?

At the date of implementation of XBRL on 1 July 2018, only the data elements as defined in the minimum requirements must be tagged. Other data elements in the taxonomy will be implemented over time as part of a phased approach.

It is intended that the minimum requirements will be extended in subsequent years.

### What is the estimated value required to implement the software at clients?

Every client will incur different costs to integrate their backend systems with the new XBRL interface.

Costs for qualifying entities will also be determined by whether qualifying entities choose to integrate XBRL fully into their back-end processes, or whether a solution that will cater for manual tagging will be selected.

### How does XBRL work? How does XBRL do this? How can you be sure to get the correct information using XBRL?

There are a number of requirements for the successful deployment of XBRL. These include:

- > Creation of a specification that is the same for all entities that is consistent from one financial statement to another through a taxonomy (dictionary of financial facts);
- > An application that allows the creation of financial statements "tagged" with XBRL to adhere to the specifications (exporting financial data into XBRL format);
- > A web application (portal) at the CIPC for uploading of annual financial statements in XBRL format

### For which set of Annual Financial Statements will XBRL reporting apply?

The first submission of financial statements in XBRL format will be with effect from 1 July 2018. The new reporting format will apply to all financial statements submitted after this date, irrespective of the financial year to which they relate.

### Which Entities are affected?

All entities that currently submit financial statements to CIPC in PDF format will be required to submit their financial statements with their Annual Returns as from 1 July 2018. This includes:

- > All public companies;
- > Private companies (qualifying and currently submitting using PDF);
- > State owned companies;
- > Non-profit entities; and
- > Close Corporations (qualifying and currently submitting using PDF).

The Act currently requires that companies submit their Annual Returns within 30 business days after the anniversary of the date of incorporation.

### Which Entities are outside of the scope of the change?

Co-operatives will not initially be required to submit financial statements via XBRL. However, this may possibly be required in future. A customer notice will be issued in the event that the CIPC decides to include Co-operatives.

Trusts are currently not regulated by the CIPC and therefore don't need to submit Financial statements.

Any entity not required to have their financial statements audited, may elect to voluntarily file their audited or independently reviewed Financial statements with their annual returns.

### How do I know whether our entity is within scope?

If any of the following criteria apply to your entity, you will be required to report in XBRL format:

- > The Memorandum of Incorporation makes provision for the filing of audited financial statements;
- > Your entity is a private or personal liability company that, in the ordinary course of its primary activities, holds assets in a fiduciary capacity for persons who are not related to the company, and the aggregate value of such assets held at any time during the financial year exceeds R5 million;
- > Your entity is a private or personal liability company that compiles its financial statements internally (for example, by its financial director) and has a Public Interest Score of 100 or more, you need to submit AFS; and
- > Your entity is a private or personal liability company that has its Financial statements compiled by an independent party (such as an external accountant) and that has a Public Interest Score of 350 or more.

### Is CIPC planning to differentiate tagging, submission requirements by size of entity or industry or other factors?

Yes the CIPC will differentiate tagging requirements by size of entity and type of entity as explained. Minimum tagging applies for all entities, but the exact data elements to be tagged will be determined by whether an entity uses the IFRS-FULL or IFRS-SME entry points into the taxonomy.

### How do entities determine when their first financial statements will be due via XBRL?

Qualifying entities must submit their Annual Returns 30 business days after the anniversary of their Date of Incorporation, while CCs have 60 business days from the first day of the month of the anniversary of their date of incorporation.

The first date of submissions via XBRL, will be the first date of submission that falls on or after 1 July 2018, irrespective of the year of their latest final approved audited or independently reviewed Annual Financial Statements.

## Compliance risks

What will be the non-compliance fees and consequences?

In terms of the Act, any entity that fails to comply with the requirement to file an Annual Return or financial statements may:

- > face deregistration of the entity;
- > incur penalties;
- > face an investigation, which will result in a compliance notice being issued with a deadline to take corrective action, with failure to comply by the specified date resulting in either a fine or formal prosecution.

## How and when will external auditors be signing-off the financial statements before submission to the CIPC?

The CIPC will still require sign-off of financial statements as previously, but it will not be required to upload signed-off PDF files any more. Only the XBRL data will be required to be submitted to the CIPC. However, in terms of the Act, financial statements (signed off) must be kept by qualifying entities for seven (7) years, and the CIPC can at any point request access to those audited financial statements.