

Harmonizing Financial Information from Businesses at Statistics Canada

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1. Introduction

Statistics Canada is constantly evaluating ways to reduce response burden on Canadian businesses in the collection of financial data. In early 2000, the Agency examined the use of Extensible Business Reporting Language (XBRL) as an exchange standard for business reporting. The vision at that time was to continue using tax data for small simple businesses, and develop a taxonomy for financial reporting (Canadian Chart of Accounts), which was generated in XBRL format for exchange.

However, the uptake of XBRL by Canadian businesses is limited, and Statistics Canada's business response burden strategy has been expanded use of E-questionnaires with standardized modules for financial information across 60 business surveys.

More recently, Statistics Canada has been collaborating with other federal departments and the private sector in determining the feasibility of a government-wide taxonomy for business reporting to government, similar to Standard Business Reporting (SBR) approaches used by other statistical agencies. As part of a feasibility study, the focus has been on developing a taxonomy using the financial items reported the Canada's tax agency – Canada Revenue Agency, in XBRL format. More accurate mapping between the business financial information and this taxonomy could lead to better quality financial information, which is used by Statistics Canada.

This paper describes the different approaches for collecting and obtaining financial information from Canadian businesses, and our future plans. The paper starts with an overview of the Chart of Accounts and the application of XBRL; next describes the increased use of administrative data and E-questionnaires; and finally describes potential use of SBR in Canada.

2. Chart of Accounts at Statistics Canada

Statistics Canada endeavors to ensure that information it produces provides a consistent and coherent picture of the Canadian economy. To this end, the Agency pursues the strategic goal of using standardized definitions for subject-matter concepts, variables and classifications to avoid ambiguities and inconsistencies within and across the various statistical programs.

To help meet this goal, a new standard was developed related to the financial accounts of businesses in Canada. The standard includes the Income Statement accounts (i.e., revenues, expenses, gains and losses accounts) and Balance Sheet accounts covering assets, liabilities

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and equity accounts. The classification is referred to as the Chart of Accounts (COA). The Chart of Accounts (COA) was first discussed in Statistics Canada as part of the business survey program in 1999 and became a standard in 2001. The taxonomy has been updated in 2002, 2006 and 2010.

At its inception, the COA was to be used as a standard collection and dissemination model, meeting needs of financial statistics and production statistics. It was to be used as a menu from which accounts could be selected to be included in survey questionnaires. The use of standard concepts and definitions was intended to promote standardization across surveys.

Statistics Canada's adoption of a COA was motivated by three objectives: to disseminate data that are coherent to facilitate analysis of data from various sources, to provide a framework to which administrative data such as tax data could be mapped, and to provide a framework to which questionnaires could be mapped. The COA was designed to be consistent with Canadian business accounting practices. In the past, survey questions did not correspond well to how businesses keep their data. The COA was also designed to align with GIFI (General Index of Financial Information) tax data elements and to meet the Canadian macroeconomic accounts requirements.

There are two major sources of business financial information at Statistics Canada. One is from direct surveys conducted by Statistics Canada, the other is tax administrative data collected by CRA. The COA work included the development of a concordance and linking of the COA accounts to business income tax administrative data.

3. Chart of Accounts and Extensible Business Reporting Language (XBRL)

The vision at Statistics Canada has been that the financial data elements from tax data sources, GIFI (the General Index of Financial Information) would be used to collect data for the approximately 2.3 million small simple businesses (one industry/one province) and that Extensible Business Reporting Language (XBRL) would be used where GIFI data were not suitable.

The COA plays a central role between business data and the macroeconomic accounts. At the time, data from large firms was to be XBRL-based and obtained via electronic data reporting (EDR). For small firms, GIFI-based EDR was to be used. In both cases, the COA was to be used as the intermediary to the macro-economic accounts.

In 2005, Statistics Canada conducted a pilot with one of the members of the XBRL Canada consortium to examine the basic logistics of exchanging financial data. During the course of the pilot, an XBRL instance document was successfully produced, transmitted, and consumed. In follow-up efforts, however, respondents were not ready to produce XBRL instance documents.

There is not much awareness of XBRL in the Canadian business community, and it is not clear what/when the drivers will be for Canadian adoption. The criteria for success to adopting XBRL are: reduced response burden, the same or better quality information, and reduced processing costs.

It has been noted that companies in Canada will not adopt XBRL on their own. There are four possible drivers for XBRL implementation: (1) regulators (such as OSFI, the OSC, CRA); (2) banks as consumers of financial statements; (3) large institutional investors as users of financial data; and (4) U.S. demand for the financial statements of the U.S. operations of Canadian businesses. It was clear that Canada's national statistical agency could not be the driver.

4. Use of Administrative Data Sources and E-questionnaires, and Harmonized Content on Business Questionnaires

Statistics Canada has a long history of using alternative data sources to produce national statistics. The Agency has used customs' import and export data for international trade since 1938; payroll deduction data from the national tax agency since 1971 and income tax data since 1996. To date, the Agency uses some 600 administrative data files to compile both business and social statistics. Administrative data are used when it leads to a better balance between relevance, quality, cost and respondent burden.

The Agency's Business Register has been based on business registrations (i.e., registration of a business number (BN)) from Canada Revenue Agency since 1988. Tax data in annual surveys have been used since 1997. In 2010/11, 22% of business surveys used administrative data, representing over 300,000 fewer records to collect from businesses. Today, administrative data are used to produce 54% of economic statistics compared with 46% from survey sources.

In 2010, Statistics Canada launched the Integrated Business Statistics Program (IBSP) to provide a more efficient model for producing economic statistics. The main objective was to enhance the economic statistics program so that it remains as robust and flexible as possible while reducing the burden on business respondents. The IBSP encompasses around 60 surveys covering four major sectors: manufacturing, wholesale and retail trade, services (including culture) and capital expenditures. By 2019/2020, the IBSP will include approximately 150 business surveys covering all sectors of economic statistics.

The IBSP uses a standardized approach for economic surveys conducted at Statistics Canada, including:

- maximizing the use of administrative information to reduce business response burden
- using electronic questionnaires as the principal mode of collection
- harmonizing concepts and questionnaire content

All IBSP surveys must apply statistical standards including:

- North American Industrial Classification System (NAICS) to classify the target population by industry;
- North American Product Classification System (NAPCS) to categorize and collect business input and output data;
- Chart of Accounts (COA) as the reference taxonomy for organizing business financial information. (e.g., revenue, expenses, assets and liabilities).

There are a number of financial variables that are common across many economic surveys. By harmonizing the definitions of these variables and systematically applying standards, common content has been developed and implemented across programs.

The standardized modules are in essence a series of business survey questions used to collect information to meet stakeholder requirements. There are standardized modules for income statement data (Figure 1), sales data by type of client, sales data by client location, and purchased service inputs. However, differences in concepts occur across different industries. For example, inventories are significant in manufacturing and insignificant in most service industries; it would be inefficient to collect, validate and publish inventory data for service industries.

The objective of using tax information to its full potential guided the development of questionnaire content. Specifically, IBSP revenue and expense variables have been mapped directly with information available on tax files. This direct link eliminates the need for collecting financial information from small and medium enterprises, since data for these can easily be accessed from administrative sources.

One key issue that had to be resolved in developing financial data content was ensuring that the conceptual needs of the Canadian macroeconomic accounts are met through the use of administrative and survey data. The COA bridges the two sets of concepts. As part of developing the IBSP content model, the COA was reviewed and revised to ensure that COA variables, which are directly linked to tax concepts, meet the information requirements of national accountants.

Statistics Canada's business response burden strategy has been expanded use of E-questionnaires (EQ) with standardized modules for financial information – revenues and expenses – across 60 business surveys. Statistics Canada is well-advanced in the development of a generalized infrastructure for Internet-based data collection capable of supporting business surveys. In 2014/2015, several new surveys offered an EQ option, including 60 business surveys. Over the next three years, this new infrastructure will continue to be deployed to make EQ the default option for business surveys. In 2016, for the first time, the Censuses Agriculture was conducted using common corporate systems and tools including a newly designed EQ module.

Figure 1: Generic financial elements collected and disseminated.

REVENUE	EXPENSE		
Sales of Goods and Services	Purchases	Telephone, Internet, and other telecommunication	Travel, meetings and conventions
Rental and Leasing Revenue	Salaries, Wages and Commissions	Business taxes, licences and permits	Financial Services
Commission Revenue	Employee Benefits	Royalties, franchise fees and memberships	Interest Expense
Subsidies	Salaries, Wages and Benefits	Crown Charges	Bad debt, loan losses, etc.
Royalties, rights, licensing franchise fees	Subcontracts	Rental and Leasing	All other expenses
Dividend Revenue	Research and Development	Repair and Maintenance	Total Expenses
Interest Revenue	Professional and Business Fees	Amortization and Depreciation	Total Operating Expenses
Other Revenue	Utilities	Insurance	Opening Inventory
Total Revenue	Office and Computer Related Expenses	Advertising, marketing, promotion, etc.	Closing Inventory
Total Operating Revenue			

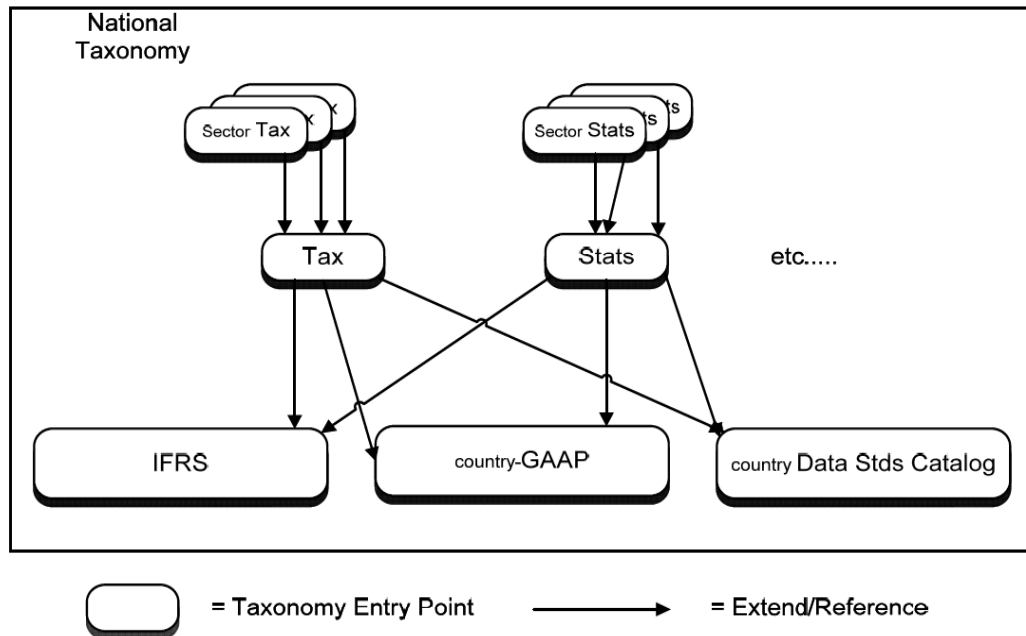
5. Standard Business Reporting (SBR)

Governments use many taxonomies and often use multiple taxonomies to collect the same information. For example, CRA uses GIFI to obtain financial information and Statistics Canada uses the Chart of Accounts on its business surveys. In a world of electronic filing, this is a cost for businesses because they have to map their accounting systems to all of these different data definitions and formats.

The basic proposition for SBR to work is the creation of a national financial and business reporting taxonomy that Government and business use to describe data. In reality, there are many issues around creating a national taxonomy. Some countries are building their national taxonomies incrementally and focussing on key reporting requirements.

A foundation for such taxonomy is the International Financial Reporting Standard (IFRS), which is being implemented in Canada. It can be extended using Generally Accepted Accounting Principles (GAAP) for each country. The taxonomy can also be extended by adding other generic government data elements not included in the accounting standards mentioned above. For example, Statistics Canada's COA is based on the Canadian version GAAP and has been extended to accommodate concepts and requirements on the Canadian system of macroeconomic accounts. These are represented by the bottom layer of Figure 2. Also, Statistics Canada's standard statistical classifications for industry (NAICS), goods and services (NAPCS), exports (CEC), imports (CT) and occupation (NOC) could be added to the national taxonomy, which could aid in self-coding of business activities, products and occupation. This is represented by the middle and upper layers in Figure 2 where the taxonomy is extended to data elements unique to government domains (i.e., tax or statistical agencies).

Figure 2: Creating a national taxonomy for businesses reporting to governments.



In practice, Australia and the Netherlands have started with a sub-set of the IFRS. The key point is to build a taxonomy that is consistent with that used in the private sector. However, recent discussions with XBRL Canada suggest that there are multiple XBRL taxonomies used by businesses in Canada, and there is no push to move towards one taxonomy for financial reporting.

More recently, Statistics Canada has been collaborating with other federal departments and the private sector in determining the feasibility of government-wide taxonomy for business reporting to government, similar to Standard Business Reporting (SBR) approaches used in other statistical agencies. As part of the study, the focus has been on developing a taxonomy using the financial items reported the Canada's tax agency - Canada Revenue Agency, in XBRL format. More accurate mapping between the business financial information and this taxonomy will lead to better quality financial information, which is used by Statistics Canada.

A feasibility study was set up to demonstrate:

- Ease of XBRL implementation for business tax filers and software developers
- Benefits of validation rules in a SBR taxonomy
- Improved quality of tax data for the national tax and statistical agencies
- Streamlined editing processes of the tax data

Making GIFI the cornerstone of a potential SBR program in Canada may have tangible benefits.

6. Future Directions

Statistics Canada created its own financial taxonomy in order to integrate business surveys, tax data and the requirements of the national accounts. In 2005, the Agency conducted a pilot with a large enterprise using XBRL to produce, transmit and consume the financial data based on its own financial taxonomy. However, other respondents were not ready to produce XBRL instance documents.

The uptake of XBRL by Canadian businesses has been limited, and Statistics Canada's business response burden strategy has been expanded use of E-questionnaires with standardized modules for financial information across 60 business surveys as well as increased use of financial information from tax data sources for small and medium establishments and enterprises.

More recently, Statistics Canada has been collaborating with other federal departments and the private sector in determining the feasibility of government-wide taxonomy for business reporting to government with introduction of Standard Business Reporting (SBR) approaches used in other statistical agencies.

There are a number of opportunities for Statistics Canada and the Canadian statistical system to benefit from Standard Business Reporting, including:

- Development of a national financial taxonomy used by businesses to report to government including tax data elements from the income statement and balance sheet;

- Approved taxonomies and mappings to improve the quality of the tax data from CRA to Statistics Canada;
- Instead of updating Statistics Canada's current financial taxonomy (COA), use a national financial taxonomy;
- Add other established taxonomies for industry, products and occupations (NAICS, NAPCS and NOC) for businesses and governments to use; and
- Statistics Canada already has a culture of standardization (i.e., harmonized content for both business and social statistics, classifications and statistical methodologies).

Statistics Canada will continue monitor the activities of other national statistical agencies in their use of SBR and XBRL in the production of national statistics, and learn from their experiences.