Navigating S&P 500 XBRL Tagging Practices:

Unraveling Tagging Variability Across Companies

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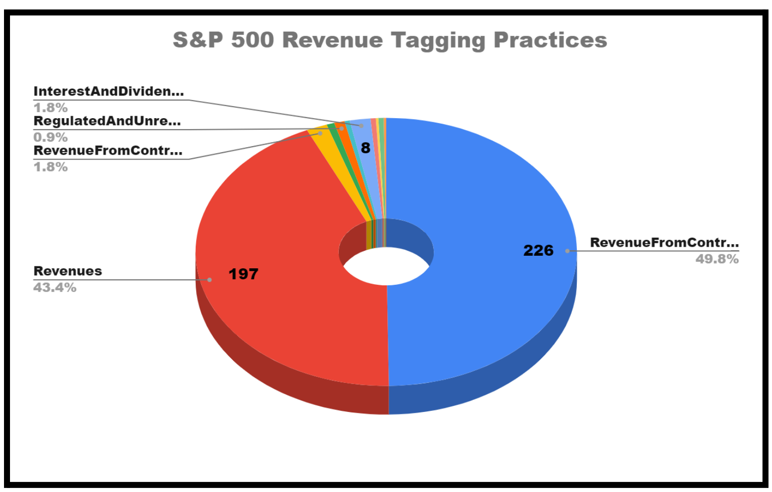
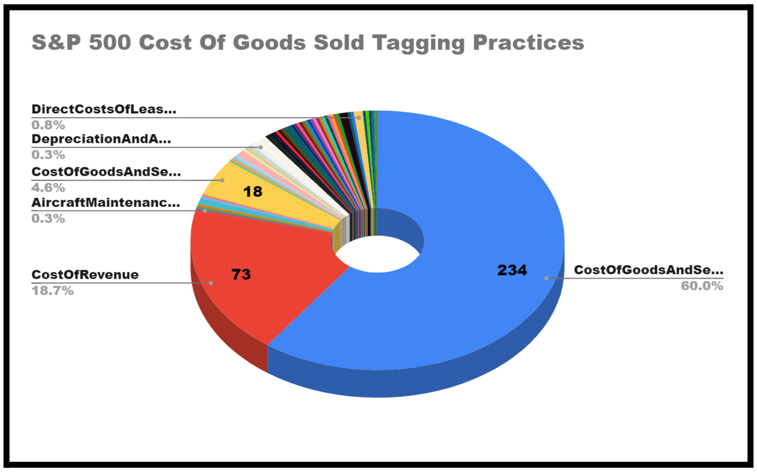
Public companies, that is, those companies whose stock equity is traded on the public markets, are required to file yearly and quarterly financial statements to the Securities and Exchange Commission (SEC). These statements must adhere to the Generally Accepted Accounting principles (GAAP). Income statements are one of the three major financial statements. An income statement records a company's profits and losses over the financial reporting period. Some of the key components include revenues, expenses, cost of goods sold, net income, and basic earnings. The SEC mandates that filings contain accounting data in the XBRL (eXtensible Business Reporting Language) format. This format sets tags to identify different accounting concepts. Companies apply XBRL tags in order to label the key accounting elements, yet there is considerable variation in these tagging practices.

When examining the tagging practices for revenues among S&P 500 companies, there is a nearly equal split between the use of the "Revenues" (43.4%) and "RevenueFromContractWithCustomerExcludingAssessedTax" (49.8%) tags. "Revenues" serves as a broad financial tag encompassing all sources of income, including proceeds from the sale of goods or services, interest income, royalties, and other operating income. This tag is particularly well-suited for companies with relatively simple revenue streams. On the other hand, the "RevenueFromContractWithCustomerExcludingAssessedTax" tag is used mainly by companies that operate in industries with complex revenue recognition requirements, like software,



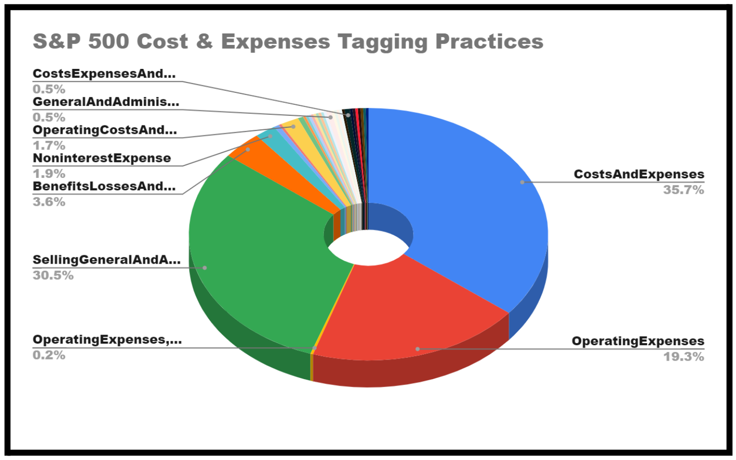
construction, or long-term service contracts. This is because it allows the company to break down revenue according to specific contract terms and exclude assessed taxes that are not part of their core revenue.

SEC filings show various tagging practices for the accounting concept cost of goods sold. One of the most common being the “CostOfGoodsAndServicesSold” (60%) tag. This tag is traditionally used in manufacturing and retail industries. It leaves out costs incurred that relate to financial services rendered and other revenue generating activities. While certain costs may be excluded from the “CostOfGoodsAndServicesSold” tag, they are still accounted for in other parts of the financial statements. For example, costs related to financial services may be reported separately under a different category, such as the “OperatingExpenses” tag. Some S&P 500 companies prefer to use the “CostOfRevenue” (18.7%) tag since it can encompass a broader range of costs beyond just physical goods, such as service-related costs. It can also provide a more accurate reflection of the costs directly tied to generating revenue in certain businesses.

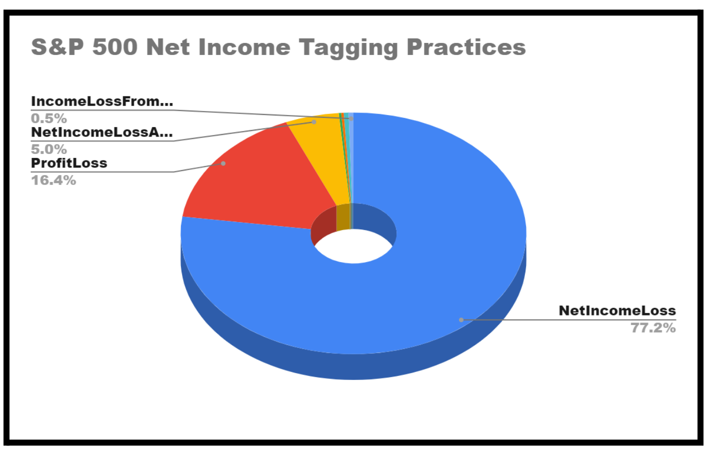


The tagging categorization of costs and expenses exhibits significant variety among S&P 500 companies. This is due to companies having intricate cost structures consisting of different components including direct costs, indirect costs, operating expenses, and non-operating expenses. There is notable variability in the use of tags, with the most common ones being "CostAndExpenses" (35.7%), "SellingGeneralAndAdministrativeExpense" (30.5%), and

"OperatingExpenses" (19.3%). The "CostAndExpenses" tag is the most broad category tag that encompasses all costs and expenses. In comparison, the "SellingGeneralAndAdministrativeExpense" tag is a more specific classification that includes costs associated with selling a product or service, as well as general and administrative costs not directly tied to the production of goods or services. The "OperatingExpenses" tag is associated with the day-to-day operations of a business. It often includes sales and administrative expenses and other costs necessary for ongoing operations, such as rent, utilities, and depreciation.



When analyzing the tagging practices for Net Income among S&P 500 companies, two primary tags are utilized. First, the "NetIncomeLoss" tag, which accounts for 77.2% of the companies. The other tag, "ProfitLoss," is used by only 16.4% of companies. This is because "NetIncomeLoss" is a broader tag that represents the total earnings or profit of a company after subtracting all expenses, taxes, and other costs from its total revenue. It takes into account not only the core operating activities, but also non-operating items such as interest and taxes. The "ProfitLoss" tag can be more vague since it does not capture the full scope of a



company's financial performance, especially when considering items like taxes and non-operating income or expenses.

For Basic Earnings, there is one main tag used "EarningsPerShareBasic" (87.7%). The Second most commonly used one being "IncomeLossFromContinuingOperationsPerBasicShare" (11.4%). "Earnings Per Share" is a key financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock. It provides a basic, per-share measure of a company's profitability that includes both continuing and discontinued operations. It can be calculated by dividing net income by weighted average shares outstanding. In contrast, the "IncomeLossFromContinuingOperationsPerBasicShare" focuses specifically on the income or loss derived from the ongoing, continuing operations of the business, excluding certain one-time or non-recurring items. The calculation is similar to the "EarningsPerShareBasic" tag, but instead, uses income loss in the numerator. Furthermore, diluted earnings per share takes into account the impact of potentially dilutive securities. The calculation for diluted earnings per share includes the weighted average number of shares outstanding plus the potential additional shares that could arise from the conversion of dilutive securities. If the earnings per share diluted is significantly lower than the earnings per share basic, it suggests that the company has a substantial number of potentially dilutive securities, which could impact future earnings per

share. There was no connection found between the particular per-share tag used and other tags within the income statement.

The examination of tagging practices within S&P 500 companies' income statements reveals the diverse nature of industries and business operations through various tagging practices. As companies navigate industry-specific complexities, the wide array of XBRL tags employed signifies the importance of precision in conveying financial information. The significant variety of available XBRL tags reflects the flexibility of reporting mechanisms to specific needs. This versatility highlights the ongoing evolution of financial communication in today's dynamic market. Understanding these distinctions is crucial since it will allow individuals to make more informed decisions while evaluating companies.

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