

Detecting Accounting Anomalies Using Structured Information

or

Financial Reporting in a Digital World

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The following is a summary of accounting anomalies which were detected using automated processes by examining SEC XBRL Financial Filings. Information provided comes from a set of 7160 SEC XBRL financial filings submitted to the SEC between March 1, 2012 and February 28, 2013. This analysis focused on 10-K filings of reporting entities which were not trusts, funds, cooperatives, or associations.

Prior to the existence of a technology such as XBRL it would have been extremely time consuming or impossible to do a detailed analysis of so many financial reports cost effectively. But now because of XBRL, performing such an analysis is trivial.

This analysis was performed using a simple Microsoft Access database application created which can read SEC XBRL financial filings. No XBRL processor was used. The software program used to gather this information was significantly limited by the tools available and the limited skills of this programmer. This is intended to only a prototype of the possibilities, the tip of the iceberg of opportunity.

The analysis looks at only a few basic questions and endeavors to provide answers to the questions. While the analysis of financial report information focuses on 51 fundamental accounting concepts and 21 relations between those concepts, this document focuses on key pieces of information reported on the balance sheet. The ideas of this document can be utilized in thinking how to approach other areas of a creating or consuming financial information.

Further, the analysis points out safe ways of articulating financial information digitally in order to make the process of analyzing or otherwise using digital financial information less of a guessing game and more of a reliable, predictable task.

Question: Do balance sheets balance? For example, this balance sheet does not balance:

SCIENTIFIC ENERGY, INC. CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2011 AND 2010		
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,215,561	\$ 1,780,317
Accounts receivable, net	-	2,874,625
Accounts receivable, interest	-	51,952
Prepaid expense	2,396	17,056
Total current assets	1,217,957	4,723,954
Property, plant and equipment, net of accumulated depreciation of \$181,354 and \$93,477 as of December 31, 2011 and 2010, respectively	169,593	257,103
Other assets:		
Long-term investments	2,258,393	1,806,243
Total assets	\$ 3,645,943	\$ 6,787,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,445	\$ 2,821,862
Total current liabilities	3,445	2,821,862
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value \$0.01 per share; 25,000,000 shares authorized, none issued and outstanding	-	-
Common stock: par value \$0.01 per share, 500,000,000 shares authorized, 94,915,855 shares issued and outstanding as of December 31, 2011 and 2010	949,159	949,159
Additional paid in capital	5,734,030	5,734,030
Accumulated deficit	(2,728,508)	(2,723,706)
Accumulated other comprehensive (loss) income	(312,183)	5,955
Total stockholders' equity	3,642,498	3,965,438
Total liabilities and stockholders' equity	\$ 3,945,943	\$ 6,787,300

<http://www.sec.gov/Archives/edgar/data/1276531/000127653112000003/0001276531-12-000003-index.htm>

Answer: Of course balance sheets balance, that is why they are called “balance sheets”. Balance sheets always balance. Accounting is a double entry system, there is no way a balance sheet could ever not balance.

An analysis of the 7160 SEC XBRL financial filings indicated that of that total, 6,955 balance sheets were found to explicitly balance (a concept for “Assets” was reported, a concept for “Liabilities and Equity” was reported, and Assets = Liabilities and Equity).

That left 205. Of that, 164 were able to have “Assets” and/or “Liabilities and Equity” correctly imputed from other values. So for example, a number of reporting entities did not report “Assets” but they did report “Current Assets”. Current Assets reported equaled Liabilities and Equity; and therefore one could say that the values of “Current Assets” was also the value for “Assets”.

That left 41 balance sheets which did not balance. An examination of each of those balance sheets indicated no reason why a balance sheet should not balance.

So what about rounding errors?

**ADVANCED VENTURES CORP.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
AS OF DECEMBER 31, 2011 AND 2010**

	As of December 31, 2011	As of December 31, 2010
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 9,991	\$ 300
Deferred offering costs	- <hr/>	20,000
Total current assets	9,991 <hr/>	20,300
Total Assets	\$ 9,991 <hr/>	\$ 20,300
<u>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 16,410	\$ 27,253
Loans from related parties - Directors and stockholders	28,205 <hr/>	22,950
Total current liabilities	44,615 <hr/>	50,203
Total Liabilities	44,615 <hr/>	50,203
Commitments and Contingencies		
Stockholders' Equity (Deficit):		
Common stock, par value \$.0001 per share, 200,000,000 shares authorized; 5,500,000 and 3,000,000 shares issued and outstanding, respectively	550	300
Additional paid-in capital	54,750 <hr/>	-
(Deficit) accumulated during the development stage	(89,923) <hr/>	(30,203)
Total stockholders' Equity (deficit)	(34,623) <hr/>	(29,903)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 9,992 <hr/>	\$ 20,300

<http://www.sec.gov/Archives/edgar/data/1500122/000114420412017437/0001144204-12-017437-index.htm>

Of the 41 balance sheets which did not balance, 5 were off by \$1. As can be seen by the fact that .6% of all filings don't have rounding errors, rounding errors do not seem appropriate.

Question: If a company has, say, Current Assets or Current Liabilities of zero; should the fact that the amounts are zero be reported or should the line item simply not be shown at all? For example,

	May 31,	
	2012	2011
<i>Assets</i>		
Current assets		
Cash	\$ 0	\$ 0
Prepaid expenses	0	0
Total current assets	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>
<i>Liabilities and Stockholders' Deficiency</i>		
Current liabilities:		
Accounts payable-trade	\$ 2,182	\$ 750
Accrued expenses	5,000	2,500
Due to related parties	<u>46,791</u>	<u>51,695</u>
Total current liabilities	<u>53,973</u>	<u>54,945</u>
Stockholders' Deficiency:		
Preferred stock-20,000,000 authorized \$.001 par value 5,000,000 shares issued & outstanding	10,000	0
Common stock-300,000,000 authorized \$.001 par value 2,379,935 shares issued & outstanding	2,380	2,380
Additional paid-in capital	72,120	48,120
Deficit accumulated since quasi reorganization December 31, 2007	<u>(138,472)</u>	<u>(105,445)</u>
Total Stockholders' Deficiency	<u>(53,973)</u>	<u>(54,945)</u>
Total Liabilities & Stockholders' Deficiency	<u>\$ (0)</u>	<u>\$ 0</u>

See Summary of Significant Accounting Policies and Notes to Financial Statements.

<http://www.sec.gov/Archives/edgar/data/1551454/000149315212001148/0001493152-12-001148-index.htm>

AFH HOLDING VII, INC.
(A DEVELOPMENT STAGE COMPANY)
(A DELAWARE CORPORATION)
Beverly Hills, CA

BALANCE SHEETS AT DECEMBER 31, 2011 AND 2010

December 31,	2011	2010
ASSETS	\$ —	\$ —
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities		
Accrued Expenses	\$ 6,203	\$ 8,383
Due to Parent	10,133	1,750
Total Liabilities	16,336	10,133
Stockholders' Deficit		
Preferred Stock: \$.001 Par; 20,000,000 Shares Authorized, -0 Issued and Outstanding	—	—
Common Stock: \$.001 Par; 100,000,000 Shares Authorized; 5,000,000 Issued and Outstanding	5,000	5,000
Additional Paid-In-Capital	1,271	1,271
Deficit Accumulated During Development Stage	<u>(22,607)</u>	<u>(16,404)</u>
Total Stockholders' Deficit	(16,336)	(10,133)
Total Liabilities and Stockholders' Deficit	\$ —	\$ —

<http://www.sec.gov/Archives/edgar/data/1419067/000138713112000997/0001387131-12-000997-index.htm>

i-level Media Group Incorporated (A Development Stage Company)
 Balance Sheets
 As at December 31, 2011 and 2010

	December 31, 2011 \$	December 31, 2010 \$
Assets		
Current Assets		
Cash	-	-
Total Assets	-	-
Liabilities and Stockholders' (Deficit) Equity		
Current Liabilities		
Accounts payable	145,822	149,794
Accrued expenses (Note 3)	326,011	251,132
Notes payable (Note 4)	355,467	332,332
Total Current Liabilities	827,300	733,258
Nature and Continuance of Operations (Note 1)		
Stockholders' Deficit		
Common Stock, (Notes 6 and 7) 1,000,000,000 shares authorized, \$0.001 par value 13,918,825 and 918,825 issued and outstanding, respectively	13,919	919
Additional Paid-in Capital	4,473,075	4,473,075
Foreign Currency Translation	(4,089)	(7,222)
Deficit Accumulated During the Development Stage	(5,310,205)	(5,200,030)
Total Stockholders' Deficit	(827,300)	(733,258)
Total Liabilities and Stockholders' Deficit	-	-

<http://www.sec.gov/Archives/edgar/data/1355559/000147237512000105/0001472375-12-000105-index.htm>

Answer: If a line item is zero that does not mean that a line item does not exist. Assets of "0" says something, that assets equals zero. Zero is a number, just like 1000. And so if some line item, particularly a key item such as Assets, Current Assets, Equity, or Liabilities and Equity is zero that fact should be explicitly be provided in the financial report to make that fact explicit and unambiguous.

Question: If a balance sheet only has one line item, say “Cash”. Should the balance sheet report a total for current assets, and a total for assets? For example:

AOTS 30, INC. (F/K/A WRASP 30, INC.) (A Development Stage Company) BALANCE SHEETS	<u>December 31, 2011</u>	<u>December 31, 2010</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 519	\$ 807
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Due to Shareholder	\$ 77,500	\$ 64,500
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY (DEFICIT):		
Preferred stock, \$0.0001 par value 10,000,000 shares authorized, none issued	-	-
Common stock, \$0.0001 par value 100,000,000 shares authorized, 7,096,390 issued and outstanding, respectively	710	710
Additional paid-in capital	6,790	6,790
(Deficit) accumulated during development stage	<u>(84,481)</u>	<u>(71,193)</u>
Total Stockholder's Equity (Deficit)	(76,981)	(63,693)
Total Liabilities and Stockholder's Equity (Deficit)	\$ 519	\$ 807

<http://www.sec.gov/Archives/edgar/data/1469383/000121390012001566/0001213900-12-001566-index.htm>

Answer: Because there is only one line item and because the headings clearly say “CURRENT” for both assets and liabilities; it is pretty clear what the reporting entity means. However, it would be even less ambiguous to provide line items for total current assets, total assets, and total current liabilities. Total liabilities is a nice to have, but reporting total liabilities is not required.

Further, when considering a digital financial report and how software would see a statement such as the one above if expressed in XBRL is as follows. Because concepts which express assets, current assets, current liabilities and liabilities are not provided, software will need to figure out what these key pieces of information are.

The only two key concepts software has to work with on the balance sheet above are “Liabilities and Equity” and “Equity”. Liabilities can be determined by subtracting Equity from Liabilities and Equity in this case. However, if the filer reported Temporary Equity; software could be fooled and impute an incorrect value. Because Assets is not reported, software could guess that Assets is the same as Liabilities and Equity because balance sheets balance. However, explicitly expressing the value of assets is more explicit and safer.

It is far better to report key concepts to give software a fighting chance of comprehending the pieces of a financial report such as a balance sheet as shown above. For example, this statement is being explicit and therefore unambiguous:

Blue Sun Media, Inc. Corp. (A Development Stage Company) Balance Sheets	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,812	\$ 9,000
Total current assets	<u>9,812</u>	<u>9,000</u>
TOTAL ASSETS	\$ 9,812	\$ 9,000
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</u>		
CURRENT LIABILITIES		
Accounts payable & Accrued liabilities	\$ 3,852	\$ 4,843
Total liabilities	<u>3,852</u>	<u>4,843</u>
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Capital Stock (<i>Note 4</i>)		
Authorized:		
300,000,000 common shares, \$0.0001 par value.		
Issued and outstanding shares:		
10,200,000 and 9,000,000 common shares at December 31, 2011 and December 31, 2010, respectively.	\$ 1,020	\$ 900
Additional paid-in capital	19,980	8,100
Deficit accumulated during the development stage	<u>(15,040)</u>	<u>(4,843)</u>
Total Stockholders' Equity (Deficiency)	<u>5,960</u>	<u>4,157</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	\$ 9,812	\$ 9,000

The accompanying notes are an integral part of these financial statements.

<http://www.sec.gov/Archives/edgar/data/1510976/000116169712000133/0001161697-12-000133-index.htm>

While it is not wrong to report a single line item without totals for these key financial statement line items, going so would not win any excellence in financial reporting awards either. Of 7160 SEC financial filings, current assets and current liabilities were properly detected in 6975 or 97.4% of those filings, only in 185 could those key line items not be properly detected.

While not the focus here, the same is true about Equity or any other piece of financial report information. Note that in both examples for this question a total for Equity was provided for.

Question: Should a balance sheet always report total equity?

For example, the SEC filing below reports the line item Share capital which is the only concept within the section equity, but does not explicitly report the concept “Equity” or “Total equity”. Is that appropriate?

California Petroleum Transport Corporation
Balance Sheets as of December 31, 2011 and 2010
(in thousands of US\$)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	1	1
Current portion of Term Loans receivable	9,526	9,526
Interest receivable	812	1,014
Other current assets	15	23
Total current assets	10,354	10,564
Term Loans receivable, less current portion	28,311	37,753
Deferred charges	266	350
Total assets	38,931	48,667
LIABILITIES AND EQUITY		
Current liabilities:		
Accrued interest	812	1,014
Current portion of Term Notes payable	9,526	9,526
Other current liabilities	15	23
Total current liabilities	10,353	10,563
Term Notes payable, less current portion	28,577	38,103
Total liabilities	38,930	48,666
Equity		
Share capital	1	1
Total liabilities and equity	38,931	48,667

<http://www.sec.gov/Archives/edgar/data/923649/000091957412002358/0000919574-12-002358-index.htm>

Answer: Of 7160 SEC financial filings examined, total equity was detected for 7065 or 98.6% of these filings. Only 95 or 1.4% did not report a balance sheet line item for “Total equity”.

Again, it is safer for a key concept such as Equity to be explicitly provided within a financial report than to be imputed by a software application reading a digital financial report.

Question: Should balance sheets clearly indicate which assets and liabilities are current?

SORRENTO THERAPEUTICS, INC. (A DEVELOPMENT STAGE COMPANY)		
BALANCE SHEETS		
	December 31,	
	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 3,466,549	\$ 5,277,578
Grants and other receivables	61,238	246,045
Prepaid expenses and other	29,869	29,811
Total current assets	<u>3,557,656</u>	<u>5,553,434</u>
Property and equipment, net	988,445	95,927
Other	22,727	38,420
Total assets	<u>\$ 4,568,828</u>	<u>\$ 5,687,781</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 224,742	\$ 181,799
Deferred revenue	—	200,000
Accrued payroll and related	88,510	54,377
Accrued expenses	46,087	167,781
Total current liabilities	<u>359,339</u>	<u>603,957</u>
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized and no shares issued or outstanding	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized and 262,347,135 and 250,801,270 shares issued and outstanding at December 31, 2011 and 2010, respectively	26,235	25,080
Additional paid-in capital	10,288,245	7,927,244
Deficit accumulated during the development stage	(6,104,991)	(2,868,500)
Total stockholders' equity	<u>4,209,489</u>	<u>5,083,824</u>
Total liabilities and stockholders' equity	<u>\$ 4,568,828</u>	<u>\$ 5,687,781</u>

<http://www.sec.gov/Archives/edgar/data/850261/000119312512144051/0001193125-12-144051-index.htm>

Answer: Separate classifications in the balance sheet for current assets and current liabilities are required except when an unclassified or liquidity presentation provides more relevant information. Commercial and industrial companies provide classified balance sheets which make this distinction clear. On the other hand; banks, insurance companies, and other such companies do not.

Mixing the two approaches by showing current assets but not current liabilities makes little sense. Consider the filing below. In this filing current assets are clearly indicated but

So for example, this filing shows current assets but refers to current liabilities as "Total liabilities".

METASTAT INC.
(A Development Stage Company)
Balance Sheets

	February 29, 2012	February 28, 2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 878,340	\$ 242,256
Receivable from employee	-	39,267
Subscription receivable	865,000	-
Total Current Assets	1,743,340	281,523
PROPERTY AND EQUIPMENT		
EQUIPMENT (net of accumulated depreciation of \$1,271 and \$328, respectively)	19,208	2,951
TOTAL ASSETS	\$ 1,762,548	\$ 284,474
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	291,859	31,324
Total Liabilities	\$ 291,859	\$ 31,324
STOCKHOLDERS' EQUITY		
Preferred stock (10,000,000 shares authorized; none shares issued and outstanding respectively)	-	-
Common stock (Common Stock, \$0.0001 par value; 150,000,000 shares authorized; 20,074,422 and 15,140,138 shares issued and outstanding respectively)	2,008	1,525
Paid-in-capital	4,310,581	666,871
Accumulated deficit as a development stage company	(2,841,900)	(415,246)
Total Stockholders' Equity	1,470,689	253,150
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,762,548	\$ 284,474

<http://www.sec.gov/Archives/edgar/data/1404943/000141588912000892/0001415889-12-000892-index.htm>

While it is true that “Accounts payable” is generally a current liability using the term “Total liabilities” as the total and “LIABILITIES” as the heading is ambiguous. It would be more explicit and less ambiguous to use the terms “Current liabilities” for the heading and “Total current liabilities” for the total.

For the set of 7160 SEC filings analyzed, 6975 (97.4%) properly distinguished current assets and liabilities or provided an unclassified balance sheet where it was not necessary to make such distinction. For the remaining 185 SEC filings, Current assets were distinguished but current liabilities were not.

Many times an SEC filer would use the label “Current liabilities” for the section heading but use “Total liabilities” as the label for the line item which clearly should have been “Total current liabilities”.

For example,

Big Clix Corp.
(A Development Stage Company)
Balance Sheets

	June 30, 2012 Audited	June 30, 2011 Audited
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 774	\$ 10,808
Total current assets	<u>\$ 774</u>	<u>\$ 10,808</u>
TOTAL ASSETS	\$ 774	\$ 10,808
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</u>		
CURRENT LIABILITIES		
Accounts payable & Accrued liabilities	\$ —	\$ 3,000
Note Payable	2,500	—
Total liabilities	<u>\$ 2,500</u>	<u>\$ 3,000</u>
STOCKHOLDERS' EQUITY		
Capital Stock		
Authorized:		
300,000,000 common shares, \$0.0001 par value.		
Issued and outstanding shares:		
171,600,000 and 13,200,000 shares issued and outstanding at June 30, 2012 and June 30, 2011.	\$ 1,320	\$ 1,320
Additional paid-in capital	19,680	19,680
Stock Subscription Receivable	0	0
Deficit accumulated during the development stage	(22,726)	(13,192)
Total Stockholders' Equity	<u>(1,726)</u>	<u>7,808</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 774</u>	<u>\$ 10,808</u>

The accompanying notes are an integral part of these financial statements.

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<http://www.sec.gov/Archives/edgar/data/1496741/000116169712000728/0001161697-12-000728-index.htm>

Question: Must equity attributable to parent be reported if a reporting entity reports a noncontrolling interest?

Answer: Of 1352 reporting entities which reported a noncontrolling interest from the total of 7160 reporting entities examined, 1232 or 91.1% reported “Equity attributable to parent”, “Equity attributable to noncontrolling interest” and “Equity” similar to as is shown below:

	December 31, 2011	December 31, 2010
Equity:		
Preferred stock, \$.001 par value, 1,000,000 authorized, 1,000 and 0 shares issued and outstanding, respectively	1	-
Common stock, \$.001 par value, 50,000,000 authorized; 16,017,142 and 10,971,325 shares issued, respectively and 15,364,711 and 10,604,868 shares outstanding, respectively	16,017	10,972
Additional paid-in capital	36,938,146	34,271,654
Stock subscription receivable	(72,000)	-
Accumulated deficit	(23,066,214)	(19,806,883)
Accumulated other comprehensive loss	(1,397,200)	(1,275,000)
Less treasury stock, at cost; 652,431 and 366,457 shares, respectively	(628,694)	(554,428)
Total American International Industries, Inc. equity	11,790,056	12,646,315
Noncontrolling interest	674,155	1,080,334
Total equity	12,464,211	13,726,649
Total liabilities and equity	\$ 20,866,526	\$ 25,890,861

<http://www.sec.gov/Archives/edgar/data/1073146/000150172012000010/0001501720-12-000010-index.htm>

Of the remaining 120 or 8.9% of the reporting entities, an undetermined amount did not provide a subtotal for Equity attributable to parent as is shown below:

STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, \$.001 par value, 1,000,000 shares authorized. Preferred stock Series A, zero issued and outstanding shares December 31, 2011 and December 31, 2010, respectively	—	—
Preferred stock Series B, 232,080 issued and outstanding shares December 31, 2011 and December 31, 2010, respectively	232	232
Common stock, \$.001 par value, 1,000,000,000 shares authorized; 199,969,927 and 77,247,517 issued and outstanding as of December 31, 2011 and December 31, 2010, respectively	199,970	77,248
Additional paid-in capital	19,111,601	16,651,544
Noncontrolling interest	(125,543)	(53,029)
Accumulated deficit	(18,890,370)	(16,725,422)
Total stockholders' deficit	295,890	(49,427)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 11,212,845	\$ 13,260,731

<http://www.sec.gov/Archives/edgar/data/1320729/000126493112000258/0001264931-12-000258-index.htm>

At least one reporting entity included the noncontrolling interest as part of not total equity, but rather as a part of Temporary equity as shown below:

Total current liabilities	130,701	107,297
Revolving credit line and term loan	25,000	54,500
Capital lease obligations, less current portion	218	146
Notes payable, less current portion	—	10
Deferred revenue, less current portion	7,042	4,706
Deferred income taxes	1,823	1,329
Other long-term liabilities	5,330	2,515
Total liabilities	\$ 170,114	\$ 170,503
Commitments and Contingencies		
Temporary equity		
Noncontrolling interest	4,990	4,052
Shareholders' Equity		
Preferred stock, par value \$0.01; 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, par value \$0.01; 100,000,000 shares authorized; 27,124,276 and 22,900,253 shares issued and outstanding, respectively	271	229
Additional paid-in-capital	385,511	281,791
Accumulated deficit	(149,376)	(145,271)
Accumulated other comprehensive loss	(5,866)	(3,882)
Total shareholders' equity	230,540	132,867
Total liabilities and shareholders' equity	\$ 405,644	\$ 307,422

<http://www.sec.gov/Archives/edgar/data/1114714/000111471412000007/0001114714-12-000007-index.htm>

Question: Are cash flows from Exchange Gains (Losses) of foreign currency transactions always included in Net Cash Flow? (This implies can Exchange Gains (Losses) be included in the roll forward of cash rather than within Net Cash Flow.)

Answer: There are two approaches used by SEC filers. Of 7160 SEC filing examined, 2132 reported exchange gains or losses on their cash flow statement. (Note that this is independent of discontinued operations which is treated the same under both approach 1 and approach 2.)

Approach 1: used by 1887 or 88.5% of 2132 SEC filings which reported exchange gains or losses on their cash flow statement. The computation of net cash flow and ending cash and cash equivalents is as follows under this approach.

- Net Cash Flow = Net Cash Flows, Operating + Net Cash Flows, Investing + Net Cash Flows, Financing + Exchange Gains (Losses)
- Ending Cash and Cash Equivalents = Beginning Cash and Cash Equivalents + Net Cash Flow

Bank overdraft			
Deferred financing costs	—	(205,326)	(1,495,674)
Loan from related party QAT Bridge Loan	—	2,518,220	—
Loan from related party Bridge SPA	—	2,885,000	—
Proceeds from Private Placement Offering	—	14,000,000	—
Trade note payable	271,915	—	—
Exercise of warrants & options	26,808,067	502,621	—
Placement & Solicitation fees	(1,185,741)	(1,814,766)	(100,000)
Proceeds from Convertible 12% secured note	—	—	5,568,000
Proceeds from Convertible 12% secured note - related parties	—	—	6,765,015
Loan from related party	—	—	34,736
Net cash provided by financing activities	25,894,241	17,899,518	10,799,202
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	957,785	183,879	(62,012)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,763,879	787,797	(198,646)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	2,245,697	1,457,900	1,636,546
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 6,009,576	\$ 2,245,697	\$ 1,457,900

<http://www.sec.gov/Archives/edgar/data/1084384/000114420412019020/0001144204-12-019020-index.htm>

Approach 2: used by 142 or 6.6% of 2132 SEC filings which reported exchange gains or losses on their cash flow statement.

- Net Cash Flow = Net Cash Flows, Operating + Net Cash Flows, Investing + Net Cash Flows, Financing
- Ending Cash and Cash Equivalents = Beginning Cash and Cash Equivalents + Exchange Gains (Losses) + Net Cash Flow

Acquisition of plant and equipment	(13,848)	(10,758)
Net cash flows (used in) investing activity	(13,848)	(10,758)
Cash flows from financing activities		
Amounts due from related parties	(4,437)	87,029
Amounts due to related parties	(300)	(113,253)
Increase in restricted cash	(16)	(12,861)
Dividend paid to non-controlling interest	-	(57,877)
Net cash flows (used in) financing activities	(4,753)	(96,962)
Net increase in cash and cash equivalents	812,558	289,235
Effect of foreign currency translation on cash and cash equivalents	1,314	(1,905)
Cash and cash equivalents - beginning of year	547,485	260,155
Cash and cash equivalents - end of year	1,361,357	547,485

<http://www.sec.gov/Archives/edgar/data/1365357/000109181812000118/0001091818-12-000118-index.htm>

Discussions with a number of other accountants resulted in different opinions as to the appropriateness of approach 2. Some were of the opinion that this was an error, others were of the opinion that both approaches were allowed under US GAAP.

If both approaches are allowed, what is the reasoning for allowing both approaches?

Question: If redeemable noncontrolling interest is reported, should it be reported as part of equity or is it a part of the “mezzanine level”?

Answer: Of the 7160 SEC filings analyzed, 81 reported a redeemable noncontrolling interest. All those examined reported it as part of the mezzanine level.

	AOL INC. CONSOLIDATED BALANCE SHEETS (In millions, except per share amounts)	
	December 31,	
	2012	2011
Assets		
Current assets:		
Cash and equivalents	\$ 466.6	\$ 407.5
Accounts receivable, net of allowances of \$6.6 and \$8.3, respectively	351.9	311.5
Prepaid expenses and other current assets	28.5	36.9
Deferred income taxes, net	40.6	53.7
Total current assets	887.6	809.6
Property and equipment, net	478.3	505.2
Goodwill	1,084.1	1,064.0
Intangible assets, net	133.2	135.2
Long-term deferred income taxes, net	148.8	259.2
Other long-term assets	65.3	51.8
Total assets	<u>\$ 2,797.3</u>	<u>\$ 2,825.0</u>
Liabilities, Redeemable Noncontrolling Interest and Equity		
Current liabilities:		
Accounts payable	\$ 76.1	\$ 74.9
Accrued compensation and benefits	151.4	152.8
Accrued expenses and other current liabilities	175.3	171.6
Deferred revenue	57.8	70.9
Current portion of obligations under capital leases	49.6	44.6
Total current liabilities	510.2	514.8
Long-term portion of obligations under capital leases	56.3	66.2
Long-term deferred income taxes	5.8	3.5
Other long-term liabilities	73.8	67.9
Total liabilities	<u>646.1</u>	<u>652.4</u>
Commitments and contingencies (See Note 10)		
Redeemable noncontrolling interest (See Note 1)	<u>13.4</u>	<u>—</u>
Equity:		
Common stock, \$0.01 par value, 110.1 million shares issued and 76.6 million shares outstanding as of December 31, 2012 and 107.0 million shares issued and 94.3 million shares outstanding as of December 31, 2011	1.1	1.1
Additional paid-in capital	3,457.5	3,422.4
Accumulated other comprehensive income (loss), net	(294.1)	(287.5)
Accumulated deficit (See Note 7)	(188.0)	(789.8)
Treasury stock, at cost, 33.5 million shares at December 31, 2012 and 12.7 million shares at December 31, 2011	(838.4)	(173.6)
Total stockholders' equity	2,138.1	2,172.6
Noncontrolling interest	(0.3)	—
Total equity	2,137.8	2,172.6
Total liabilities, redeemable noncontrolling interest and equity	<u>\$ 2,797.3</u>	<u>\$ 2,825.0</u>

<http://www.sec.gov/Archives/edgar/data/1468516/000119312513084847/0001193125-13-084847-index.htm>