

# XBRL - The Future of Business Reporting

## Executive Summary

*Since the collapse of Enron and other high-profile corporate scandals earlier this decade there have been increased calls from investors, regulators, employees, and lenders for more comprehensive and faster communication of financial information. Interactive data technologies based on eXtensible Business Reporting Language (XBRL) provide a way to improve the timeliness, accuracy, and accessibility of business information. XBRL is an international standard for the tagging of business information in machine-readable formats. The US Securities and Exchange Commission and other regulators around the world have launched initiatives to promote reporting in XBRL.*

*The main value proposition for companies is that XBRL can streamline internal reporting, assist with migration of data to new systems, and integrate data across platforms and spoken languages. The use of XBRL facilitates the audit of financial information across industries. There is a clear opportunity to offer services and products in this burgeoning industry.*

## Introduction

Initial development of eXtensible Business Reporting Language (XBRL) began under the aegis of the American Institute of Certified Public Accountants in 1998. By 2008, the XBRL International consortium has grown to over 550 companies and organizations around the world. Members include, for example, Morgan Stanley, Hitachi, General Electric, Microsoft, Deutsche Bank, Fujitsu, Moody's, Reuters Group, major accounting and consulting firms, educators, and many others.

In the spirit of the mantra "think globally, act locally", XBRL is an international standard that is mainly implemented at the local level through approved and provisional jurisdictions. Established XBRL Jurisdictions include Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, Korea, Netherlands, Spain, Sweden, United Kingdom, and United States. Provisional XBRL Jurisdictions include China, Italy, Luxembourg, Poland, South Africa, and United Arab Emirates

## What is eXtensible Business Reporting Language (XBRL)?

XBRL is one of a family of Extensible Markup Languages ("XML") which is becoming a standard means of communicating business information on the Internet. XBRL is being developed by an international non-profit consortium of over 550 major companies, organizations and government agencies. **It is an open standard, free of license fees.** XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses.

Rather than treating financial information as a block of text - as in a standard printed document - XBRL provides an identifying tag for each individual item of data. These tags are computer readable. Some have likened tagging to "bar-coding" the information. For example, the business concepts of sales, total assets, and net profit each have their own unique tags. These tags are contextualized in XBRL with the inclusion of information such as the specific reporting period, accounting principles used, company name and more.

According to XBRL International,

"The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computers can treat XBRL data "intelligently": they can recognize the information in a XBRL document, select it, analyze it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information."

One of the core concepts underlying XBRL is having agreed upon taxonomies. XBRL taxonomies are dictionaries of business concepts and their corresponding tags. Taxonomies are built for specific uses, for example, U.S. Generally Accepted Accounting Principles.

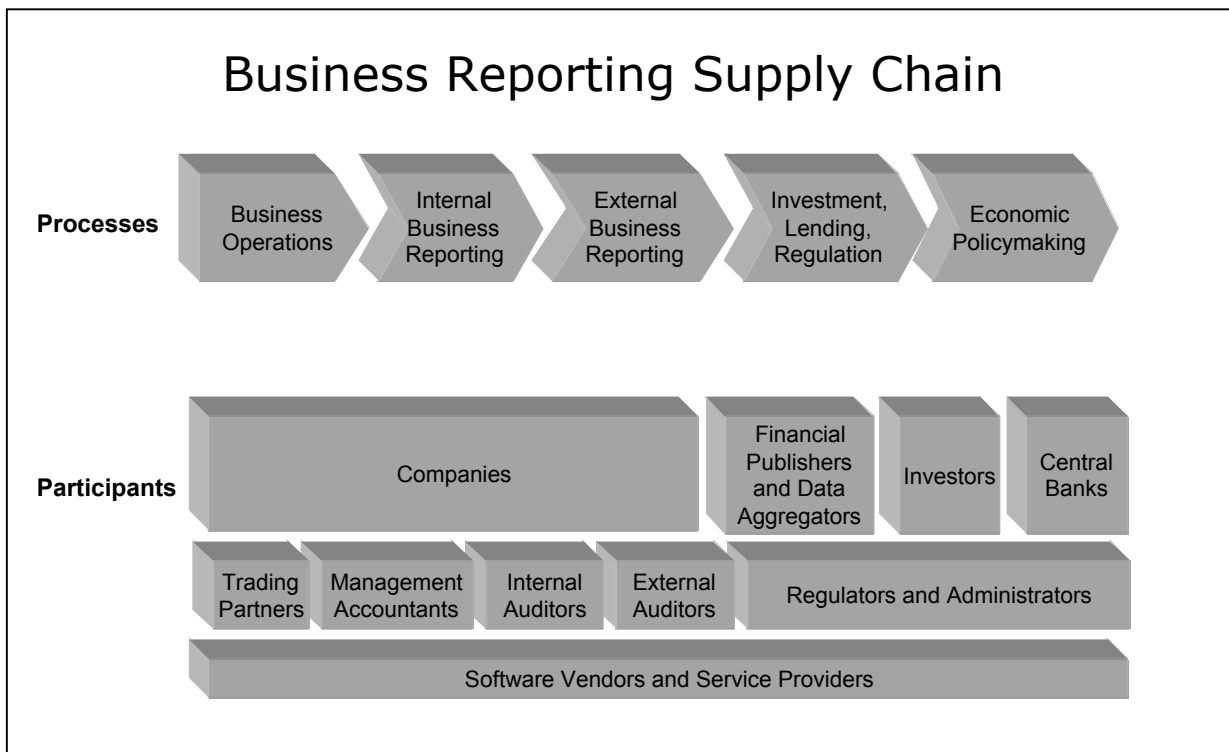
When the SEC launched a major initiative to restructure their reporting system based on XBRL, they encouraged companies to join a pilot program to use “interactive data” in their financial statement filings. The motivation for using interactive data is grounded in the SEC’s long historical perspective. Speaking to the American Enterprise Institute, SEC Chairman Christopher Cox stated,

“Technology has revolutionized almost every aspect of our lives — the way we communicate with one another, the way we listen to music, and even the way we play games. And yet, with one of the most important things we do in life — prepare for the future financially — what do we do? We are still, today, relying on the open-cry pit system of the 1700s and the printed page of the Guttenberg press of the 15<sup>th</sup> century.”

XBRL brings financial reporting into the 21<sup>st</sup> century. It is possible to go to the SEC web site and test drive the interactive tools that are being developed [SEC Viewer](#).

**Advantages of XBRL to Companies**

The business reporting supply chain is extensive and XBRL has a role to play at each step along the way. XBRL adoption has been initially driven by regulators and central banks who desire cleaner, more consistent data. However, the value proposition to companies resides at the earlier stages of the supply chain.



XBRL provides a number of direct benefits to users of corporate business information including:

1. Faster reporting with drill-down capabilities
2. Adaptability across major software systems
3. Support of multiple spoken languages. Data values can be tagged so that the user can choose to read the financial report in different languages such as German or in English.
4. Improved internal controls resulting from seamless audit trails. The need to cut-and-paste financial information from source to use documents is lessened.
5. Improved benchmarking metrics as XBRL data increases across industries

The use of XBRL is not limited to financial reports. Press releases and various investor relations publications can take advantage of the technology. XBRL has been structured to take advantage of “next generation” architectures such as Service Oriented Architecture (SOA) and Web Services. Searching, compiling, and analyzing business information can have characteristics of the very common “web search” accomplished by virtually all computer users today.

An important characteristic of interactive data is that the data itself is not changing. XBRL does not change accounting principles or the interpretation of those principles. However, selecting the “right” tags for your business data requires professional knowledge and judgment. As companies prepare to launch into their initial XBRL-based communications, proper planning and internal communication will be essential.

### **Current and Prospective Implementations of XBRL**

Any summary of how XBRL is currently being implemented around the world is destined to be outdated as soon as the list is published. However, there are some major initiatives that are worth noting:

1. The National Bank of Belgium has published an XBRL taxonomy which will be used for the filing of accounts of commercial and industrial companies
2. The Tokyo Stock Exchange (TSE) is introducing an XBRL reporting system
3. The Spanish Stock Exchange has begun to use XBRL for receiving and distributing public financial reports from more than 3,000 listed companies
4. The government of Australia has embarked on a multi-million dollar project that is projected to save Australian businesses nearly \$0.8 billion in reporting costs by leveraging XBRL.
5. The Global Reporting Initiative has recently announced that it has issued a beta version XBRL taxonomy for reporting in accordance with GRI guidelines. Numerous organizations around the world have issued reports using GRI guidelines covering economic, environmental, and social performance indicators.

Like reconnaissance drones, analytical software will be able to read XBRL tagged data and search for targeted data on the web. The data will be retrieved, downloaded into the user's software and reports generated for review. There is a wide-spread appetite for meaningful business data. The world-wide business reporting community has “agreed to agree” and is embedding meaning into business information through the use of XBRL.