

The Promise of XBRL

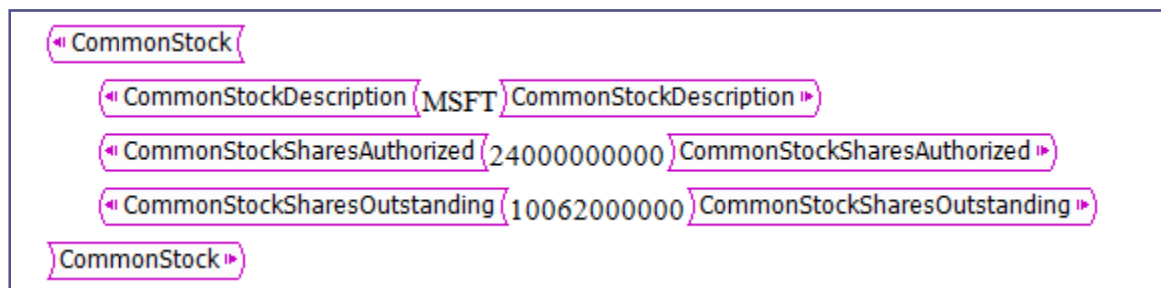
How One Technology Could Revolutionize Financial Reporting

Introduction

Exensible **B**usiness **R**eporting **L**anguage (XBRL) is a royalty-free, open-source language used to describe and communicate financial data for both private and publicly-held companies. Developed and managed by **XBRL International** – a consortium of over 550 companies and agencies worldwide – XBRL traces its roots back to 1998 when work began on a series of specifications and taxonomies that would provide a standard technological platform to support financial, regulatory, and operational reporting. Adoption of XBRL as a means of streamlining and improving financial reporting has been rather slow. However, XBRL has evolved into a solution that stands ready to revolutionize financial reporting by providing a standardized means for collecting, analyzing and reporting financial and operational data.

What is XBRL

The underlying premise of XBRL is quite simple – instead of treating financial data as text, each data element is “tagged” with an indentifying code that allows computers to read, interpret, and recognize the data. For instance, the accompanying diagram depicts how tags are used to delineate certain components of the equity section of Microsoft’s balance sheet. Note that the information shown in the graphic is “live” data taken by opening one of Microsoft’s XBRL-based financial statements with Microsoft Word.



Example of XBRL Tagging

From the data presented above, it is clear that XBRL tags are used to both precede and follow a specific data element; for example, the ticker symbol of “MSFT” is bracketed on both sides by the tag “CommonStockDescription”. In this fashion, an XBRL-aware application would “see” data surrounded by the tags and interpret that MSFT is the ticker symbol for Microsoft.

Collectively, the tags that are used in XBRL are referred to as *taxonomies* and there are multiple taxonomies that are in use today. For example, XBRL International lists the following eight approved taxonomies in the United States:

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|--|--------------------------------------|
| • US GAAP – Commercial and Industrial | • SEC Certification |
| • US GAAP – Banking and Savings Institutions | • Management Report |
| • US GAAP – Insurance | • Accountants Report |
| • US GAAP – Investment Management | • Management Discussion and Analysis |

Approved XBRL Taxonomies in the United States

In addition, two other taxonomies are currently in draft status for the United States: US GAAP – Brokers and Dealers and US GAAP – Pensions.

From this listing, it is clear that companies in different industries may use different taxonomies when reporting in XBRL – just as GAAP varies from industry to industry, so do XBRL taxonomies. Note that XBRL does not drive or change accounting standards; rather, different taxonomies are written in support of various accounting standards.

How XBRL Streamlines Reporting

With this basic understanding of XBRL in place, it is easy to understand how XBRL can be used to streamline reporting processes. For instance:

- A large, multi-national company with many subsidiaries may use XBRL to tag all subsidiary financial data. This data can then be easily “rolled-up” into consolidated financial statements automatically without the need for laborious and error-prone data keying and re-keying.
- Bankers and other creditors as well as investors could take XBRL-based financial statements from multiple companies that have been prepared using the same taxonomy and easily compare each company’s financial performance to that of the other companies.
- Regulatory bodies could take receive XBRL-based data in lieu of traditional paper-based regulatory filings, eliminating the time consuming processes of having companies prepare and submit paper-based filings and then keypunching the data from these filings into spreadsheets and databases.

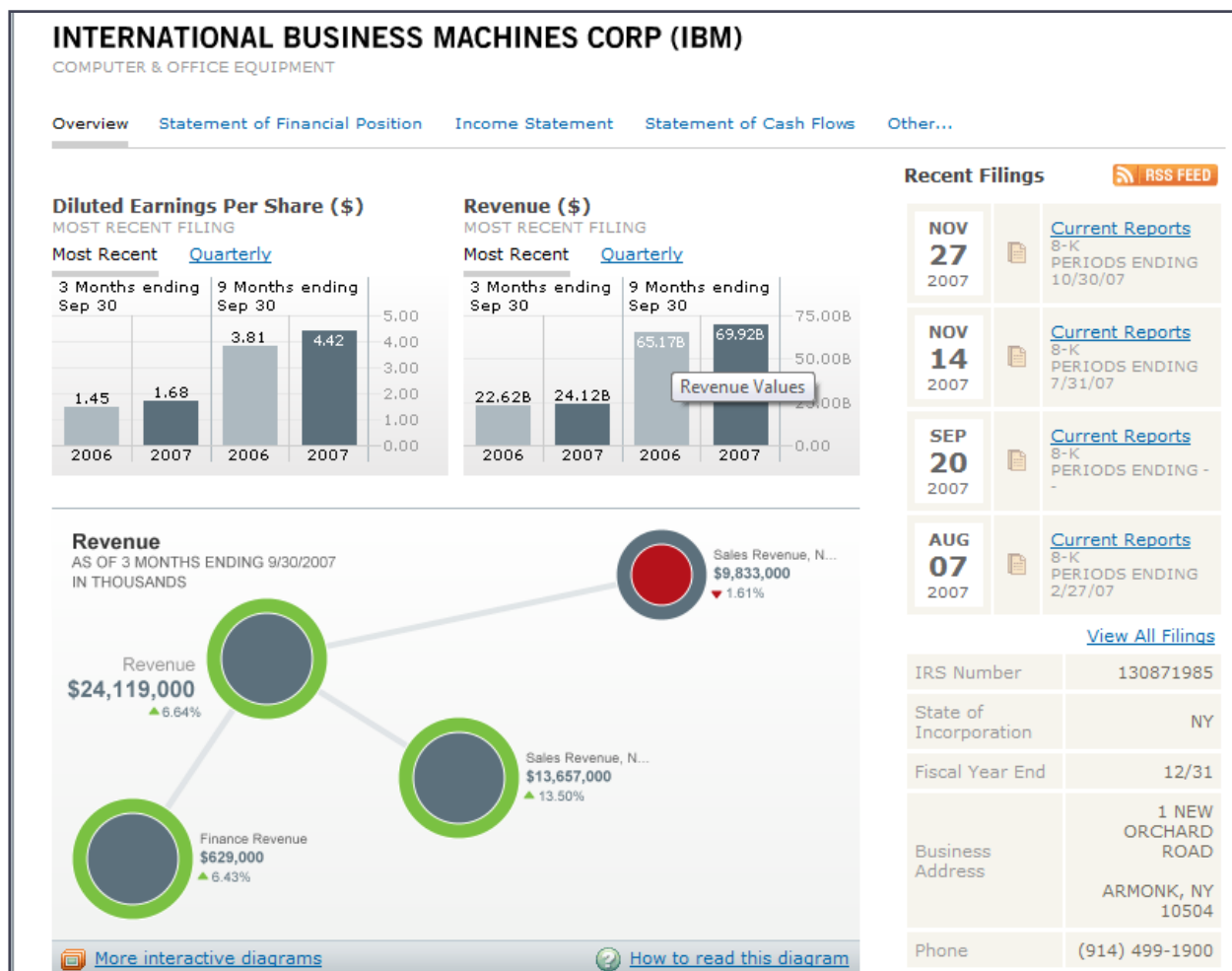
Key to all of the above is the development and consistent use of taxonomies within an organization or across industries. In the absence of standard taxonomies, the ability to compare XBRL-based data from one entity to another is severely limited. Thus, the development of these different taxonomies is a key driver for future adoption of XBRL.

Who is Using XBRL

A number of companies worldwide are already using XBRL to streamline and enhance their financial reporting processes. For example, Microsoft, Bowne, and Reuters Group PLC all make their earnings

releases available in XBRL. Other notable companies participating in XBRL projects include The National Bank of Belgium, The Bank of Japan, The Bank of Spain, and the Tokyo Stock Exchange.

The Securities and Exchange Commission has adopted a voluntary XBRL filing program and to date seventy-five companies have submitted 321 filings under this program. Each of these reports may be viewed using the SEC's Interactive Financial Report Viewer at www.sec.gov/spotlight/xbrl/xbrlwebapp.shtml.



Sample XBRL Financial Report from The Securities and Exchange Commission

In addition to these publicly-facing projects, numerous companies worldwide are using XBRL to assist with internal reporting and consolidating efforts.

The Future of XBRL

Though XBRL is not new, it does now appear to be on the verge of widespread implementation worldwide. The business case driving implementation of XBRL is rather simple – companies are seeking to drive down the costs associated with financial reporting; creditors and investors are seeking more transparent and comparable financial data; and regulators are interested in both. Perhaps now the “perfect storm” of these three drivers coming together will allow the promise of XBRL to be fulfilled.

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