



# XBRL: The Changing World of Financial Reporting

*By Liv Watson  
Vice President of XBRL Strategies  
EDGAR Online, Inc.  
e-mail: [lwatson@edgar-online.com](mailto:lwatson@edgar-online.com)*

**Proprietary and Confidential**

© 2005 EDGAR Online, Inc. All rights reserved. EDGAR® is a federally registered trademark of the U.S. Securities and Exchange Commission. EDGAR Online, Inc. is not affiliated with or approved by the U.S. Securities and Exchange Commission.

# Table of Contents

<b>Introduction</b> .....	<b>3</b>
<b>More about XBRL</b> .....	<b>3</b>
<b>Global Adoption of XBRL</b> .....	<b>5</b>
<b>Why is XBRL important to you?</b> .....	<b>5</b>
• <b>Corporate Finance</b> .....	6
• <b>Auditors</b> .....	6
• <b>Financial Analysts</b> .....	6
<b>Growing corporate support for XBRL</b> .....	<b>7</b>
<b>Challenges facing XBRL adoption</b> .....	<b>8</b>
<b>Conclusion</b> .....	<b>8</b>
<b>About EDGAR Online and FEI</b> .....	<b>10</b>
<b>Appendix 1</b> .....	<b>11</b>
Links for further reading: .....	11
Quotes:.....	11
<b>Appendix 2</b> .....	<b>12</b>
What Regulatory Bodies and Professional Organizations are saying about XBRL.....	12
<i>U.S. Security and Exchange Commission (SEC)</i> .....	12
<i>The Federal Financial Institutions Examination Council (FFIEC)</i> .....	13
<i>Financial Accounting Standards Board (FASB)</i> .....	14
<i>American Institute of Certified Public Accountants (AICPA)</i> .....	14
International Accounting Community .....	15
<i>International Accounting Standards Committee Foundation (IASCF)</i> .....	15
<i>International Accounting Standards Board (IASB)</i> .....	15

## Introduction

Financial executives have a fundamental responsibility to communicate operations results to all stakeholders. Today, investors and regulators demand greater corporate transparency and improved corporate governing structures and place a stronger emphasis on accountability. In a sense, transparency has become everyone's responsibility. The emergence of a new standardized reporting language has for the first time made it possible to provide this level of transparency. The eXtensible Business Reporting Language, commonly known as XBRL, is an emerging framework designed to increase the financial clarity of corporate disclosure as is required in today's economic climate.

Think of XBRL as bar coding for financial statements. It is a way of standardizing "as reported" content from individual companies. Bar codes streamline inventory and have become ubiquitous in the packaged goods supply chain.

XBRL is similar to the bar codes in the way it makes data collection and analysis more efficient by streamlining the identification of financial and business reporting information. Tagging financial reports with XBRL creates "smart data" which, saves producers and consumers of financial data time and money in a way similar to bar codes.

As the volume of financial data stored electronically grows from gigabytes to terabytes, stakeholders in the reporting supply chain risk being buried in information. The combination of a universally-accepted standard and appropriate software can improve performance, productivity and profitability across industries. The benefits of standardized data include:

- More accurate data collection
- Faster data availability
- Easier aggregation, analysis and dissemination

## More about XBRL

The XBRL framework was developed and is managed by XBRL International, Inc., a not-for-profit international consortium of more than 280 leading accounting firms, software vendors, information intermediaries, regulators, financial services firms and academics. The consortium is organized into national jurisdictions and operates via electronic collaboration tools as well as regular conferences and meetings.



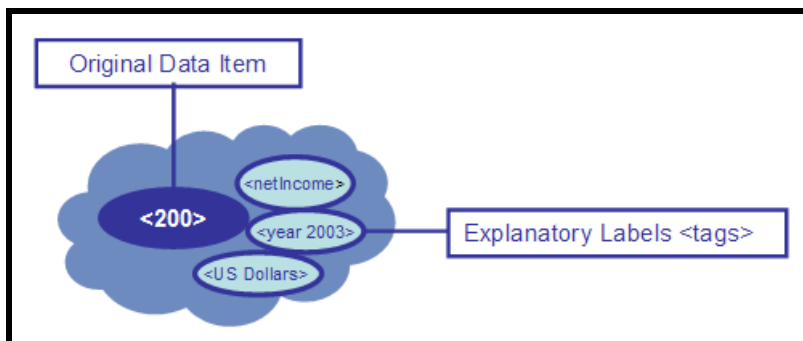
Proprietary and Confidential

This material shall not be used, reproduced in whole or in part without the express consent of EDGAR Online. © 2005 EDGAR Online, Inc. All rights reserved.

XBRL is a meta-data standard. Put simply, meta-data is data that describes data. It is the missing link between the data itself and meaningful descriptive information. For example, if a company announced that it produced \$4.2 MM in 2004, the reader would have a data point but no idea what it meant. Was it the company's revenue? The cost of goods sold? The gross margin? The CEO's salary? An XBRL tag associated with a number (or text) describes the essence of what the data means. In the example above, an XBRL tag would inform the user that the \$4.2 MM represents third-quarter revenue for the year 2004.

Think of meta-data as information about the structure of a document in terms of the content of the document. Figure 2 shows a sample of an original data item with explanatory labels that enrich the user's understanding of the data. The basic data point, <200>, is enriched by labels ("tags") that fully explain its context; it is net income from the year 2003 and it is reported in US dollars. The labels form a relevant context or structure (say a particular chart of accounts), and stay with the data point through its life cycle. A list of specific labels as developed by the consortium is called the "XBRL taxonomy". The XBRL taxonomy can be extended or modified by individual companies to reflect their unique reporting needs.

**Figure 2: Sample common agreed upon data structure**



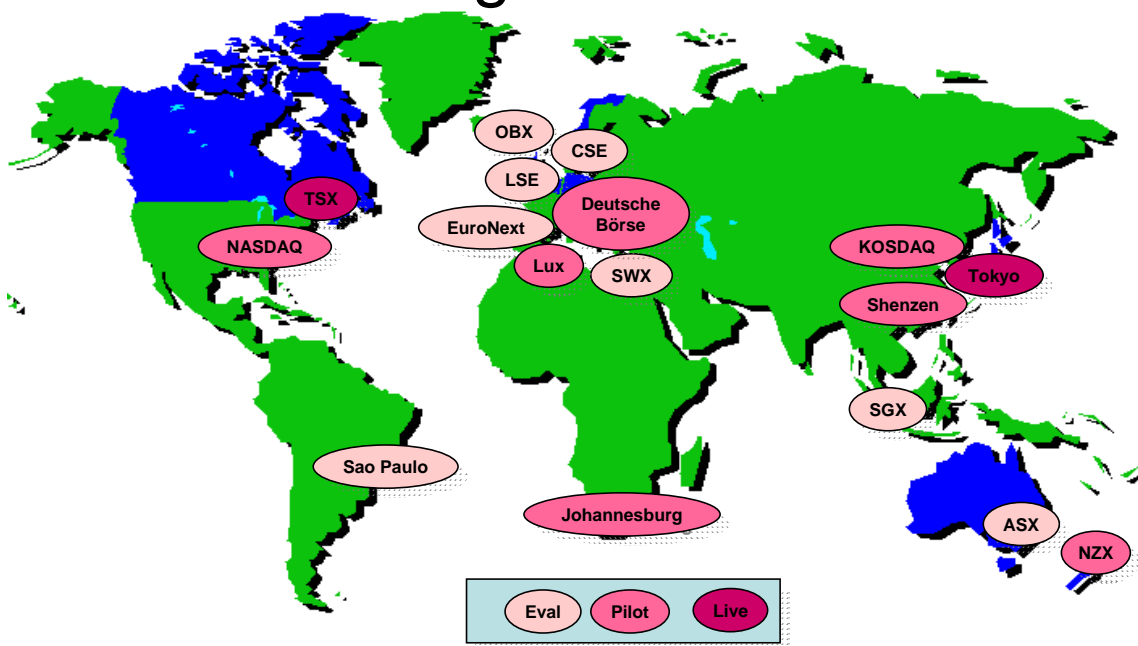
Meta-data itself is not new. What is new is the agreement on and adoption of a standard taxonomy by key stakeholders.

In a perfect world, all data would have well defined data structures, but financial reporting has never had a universal language until now. XBRL is an **open standard** that encourages the **structured exchange** of financial data. Open standards such as XBRL are founded on the premise that they are market driven, and will be adopted by the marketplace place voluntarily.

## Global Adoption of XBRL

Several regulatory agencies around the world have already mandated financial submissions in XBRL while others, like the U.S. SEC, have agreed to accept XBRL within their systems. International agencies of all kinds view XBRL as the next model for efficient reporting. This level of acceptance is having an impact on the financial reporting supply chain, and it will establish a new framework for the collection of financial filings. Countries that are already adopting XBRL include Australia, Sweden, Denmark, The Netherlands, South Korea, New Zealand, Spain, the United Kingdom (Financial Services Authority, Inland Revenue) and the United States. New projects in the United States include an FDIC centralized project and a voluntary filing program at the SEC.

## Exchanges and XBRL



As you can see from the map above, XBRL is being adopted globally by stock exchanges.

## Why is XBRL important to you?

Senior financial executives including FEI members represent a wide range of corporate functions relating to finance. Auditors, controllers, vice presidents of

finance and CFO's can all benefit from the firm-wide adoption of XBRL. XBRL offers not only increased **utility and transparency** but also **significant ROI potential** across all industries. Specifically:

- **Corporate Finance**

For the corporate financial manager or analyst, XBRL saves time and money by reducing the amount of comparative analysis of both internal and external financial statements. With the XBRL standard, users can quickly and easily analyze key company metrics versus results from other divisions within the corporation, competitors or industry averages without the time-consuming processes now necessary to ensure peer-to-peer and industry analysis.

- Corporations do a significant amount of research on both internal and competitive financial analysis. A benchmarking template that might take two weeks to populate from various data sources could be updated immediately, using XBRL data from a single source.

- **Auditors**

For the audit professional operating in the increasingly complicated Sarbanes-Oxley environment, XBRL can save significant time and client expense when performing key audit exercises such as fraud analysis and benchmarking. The transparency provided by XBRL can also help internal corporate auditors and audit committees ensure that their own company financials are without issue, thereby reducing their own exposure and personal liability when vouching for financial integrity.

- A benchmarking study is now part of most public audits and can take several weeks to complete depending on the complexity of the company or industry and the amount of information to be gathered. XBRL could reduce that time significantly by providing a single standard with which to compare companies across sectors and industries.

- **Financial Analysts**

For the financial analyst, XBRL can save time and money by decreasing the amount of data manipulation that is now necessary to compare company financials. By using a dataset tagged with XBRL, analysts can compare companies to other companies more easily and with greater granularity than is possible with current as-reported data or normalized commercial datasets that use proprietary taxonomies.

- A heavy user of financial information can spend several days or even weeks collecting the level of granularity that can currently be provided immediately by a comprehensive XBRL dataset.

As illustrated in the examples above, XBRL has significant benefits throughout the financial reporting supply chain. Controllers and vice presidents of finance can use it to streamline integration of financial data for quarterly and yearend reporting. Inputs to these processes are many and varied. However, many financial reporting packages are embracing XBRL and will accept XBRL input as well as provide export capabilities in XBRL. Several software solutions provide the ability to create your own XBRL documents.

XBRL also makes benchmarking of a company's performance against its competitors efficient and accurate. XBRL-tagged data enables competitive analysis with just a few mouse clicks. A source of XBRL-tagged data such as those provided by EDGAR Online, Inc. ([www.edgar-online.com](http://www.edgar-online.com)) allows users to select the companies or industries and timeframes to compare and to instantly download the data into a spreadsheet. Previously this required searching for documents, finding financial statements within those documents, downloading tables (if possible) and (at best) cutting and pasting, or (at worst) re-keying data into the user's own benchmarking spreadsheet.

In financial markets, XBRL data enables analysts to easily populate their own models for valuing companies or looking for patterns across companies' financial statements.

## Growing corporate support for XBRL

Although the development of technologies such as XBRL has been an evolutionary process, the impact will be nothing short of revolutionary. Technology leaders like Microsoft, Oracle, SAP, Hyperion, Hitachi and EDGAR Online as well as new companies such as Rivet Software have announced new products and technologies based on XBRL that promise a dramatic impact on the computing landscape. Bill Gates has stated that Microsoft Office will support XML/XBRL, giving the standard critical mass. Visionaries are talking about the impact XBRL will have on Internet search engines, intelligent agents, seamless roaming, file systems, push technologies, software distribution, data re-purposing, analysis and more.

The European Commission has joined the international accounting standards boards in supporting XBRL. Last year the European Commission pledged more than one million Euros to accelerate the development and adoption of XBRL in European Union countries. The XBRL in Europe project is dedicated to



Proprietary and Confidential

This material shall not be used, reproduced in whole or in part without the express consent of EDGAR Online. © 2005 EDGAR Online, Inc. All rights reserved.

increasing awareness of XBRL in the European Union and to assisting member countries to facilitate the establishment of local jurisdictions. For more information, visit [www.xbrl.eu.org](http://www.xbrl.eu.org).

“The European Commission’s grant is an important step in increasing the adoption of XBRL throughout the continent and making financial statements clearer and more accessible for investors,” said Louis Matherne, president of XBRL International and director of XBRL for the American Institute of Certified Public Accountants.

## Challenges facing XBRL adoption

As we’ve discussed the rate of adoption of XBRL has been steadily increasing both in the U.S. and beyond. However, the goal of leveraging XBRL to facilitate internal and external reporting will not be a slam-dunk in the near term. Remember, XBRL is still in the process of developing and being adopted which means:

- U.S. industry specific taxonomies such as Insurance and Oil & Gas are not complete
- Existing taxonomies continue to change and evolve based on feedback from the field
- Internal reporting software may not yet accommodate XBRL data or upgrades may be required
- Maturity of the existing XBRL-enabled tools may be an issue
- Staff training will be needed

## Conclusion

Business reporting world-wide, especially financial reporting, has reached a turning point. The movement toward world-wide convergence of accounting standards, public and private calls for more transparency, tighter regulation and oversight, and the emergence of new technologies has created a driving need for corporations to fundamentally change the way they prepare and distribute corporate performance data. XBRL can and will play a major role in helping a corporation go beyond simply keeping up with the changes. By providing corporations with the tools to become examples of best practices in business reporting, XBRL will lead the way to enhanced business reporting. The use of

XBRL will streamline the creation and distribution of these reports and promote "straight-through business reporting."

Even with the challenges discussed earlier, XBRL is about to become much more than just a data format for information exchange. Enterprises will permanently store large amounts of financial and business-critical data in XBRL format. Standardizing the markup or "bar coding" of financial and business reporting information offers the simplest, most accurate, cost-effective method of data entry and collection. Compared to manual entry methods – which possess an error rate – "bar-coded" financial and business information is virtually error-free. There are many issues related to XBRL that will require time and resources to resolve, but the financial reporting supply chain has never before come together as it has now to take on such a large endeavor. One might speculate that XBRL could impact virtually all of the traditional tasks of preparing and disseminating financial and business reporting data. At a minimum, financial executives must join the growing list of professionals who are preparing to experience the impact of one open standard - XBRL.

## About EDGAR Online and FEI



**EDGAR Online, Inc.** is a leading provider of value-added business and financial information on global companies to financial, corporate and advisory professionals. The company makes its data and a variety of analysis tools available via subscriptions and licensing agreements to a large, international user base. For more information about EDGAR Online visit us at [www.edgar-online.com](http://www.edgar-online.com).

EDGAR Online - NASDAQ: EDGR



**Financial Executives International (FEI)** is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers, and controllers. FEI enhances member professional development through peer networking, career planning services, conferences, publications, and special reports and research. Members participate in the activities of 86 chapters, 75 of which are in the United States and 11 in Canada. For more information about FEI, visit <http://www.fei.org>



**Proprietary and Confidential**

This material shall not be used, reproduced in whole or in part without the express consent of EDGAR Online. © 2005 EDGAR Online, Inc. All rights reserved.

## Appendix 1

### Links for further reading:

XBRL International: [www.xbrl.org](http://www.xbrl.org)

FASB's XBRL site: [www.fasb.org/project/xbrl\\_project.shtml](http://www.fasb.org/project/xbrl_project.shtml)

SEC's XBRL site: [www.sec.gov/spotlight/xbrl.htm](http://www.sec.gov/spotlight/xbrl.htm)

### Quotes:

*"XBRL is an effort to put together what we consider to be the descriptor and rendering language for financial statements. It will allow us to electronically import or output globally standardized statements, eliminating the need for redundant entry and simplifying usability."*

-Jack Gregory, managing director at Moody's Risk Management Services.

*"The effect that XBRL will have on the business community will be more significant than the transition from paper and pencil analysis of financial information to the use of electronic spreadsheets,... ... In the next three to five years, XBRL will move from the early adopter phase to become the generally accepted way to report business information. As a result, corporations will simplify the process for issuing business reports, and the public will find it easier to get the information they need to make informed investment decisions."*

- Mike Willis, partner, PricewaterhouseCoopers and founding chairman of XBRL International.

*"XBRL reduces large amounts of manual processing and re-keying of data. The key advantage for our customer base is once they are able to automatically provide XBRL from their accounting systems, we gain more confidence in the quality and timeliness of financial information."*

-Brian Staples, vice president of information technology at Bank of America.

## Appendix 2

### ***What Regulatory Bodies and Professional Organizations are saying about XBRL***

#### **U.S. Security and Exchange Commission (SEC)**

The SEC's Strategic Plan for 2004 – 2009 clearly states the vision of the SEC for the next five years. Its focus is on strengthening the integrity and soundness of U.S. securities markets for the benefit of investors and other market participants. Its mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

To improve the quality of the information available to investors and the market place, the SEC recently initiated an XBRL Voluntary Program to Assess Benefits of Tagged Data in XBRL for Commission Filings. On February 3, 2005, the Commission adopted an updated EDGAR filer manual containing revisions to support the XBRL program. Registrants may voluntarily furnish XBRL data as an exhibit to specified EDGAR filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940. The program begins with the 2004 calendar year-end reporting season. Filings in the XBRL Voluntary program may commence as soon as April 16, 2005.

Here are a few selected quotes that are representative of the SEC's public comments towards the SEC's Voluntary XBRL program:

*“While we are considering changes in financial disclosures, we are also considering the costs and benefits of adopting new risk management and technology tools. I've said many times that we need to consider changes to financial reporting in the context of better, faster and cheaper ways to produce information for investors.*

*We truly hope that over the next year we get a significant amount of participation (in the SEC's Voluntary XBRL program).*

*I believe that XBRL has the potential to bring about further improvement to our financial reporting model.*

*While I would never be so presumptive as to predict the future of financial reporting, I do believe that continuing to defend the status quo is not the answer,*



Proprietary and Confidential

This material shall not be used, reproduced in whole or in part without the express consent of EDGAR Online. © 2005 EDGAR Online, Inc. All rights reserved.

*and I am confident that new technologies such as XBRL will play an important role in enabling these changes to take place.”*

- Donald T. Nicolaisen, chief accountant, U.S. Securities and Exchange Commission

*"As I mentioned when the Commission first announced this initiative, this initiative is part of the Commission's broader effort to improve the quality of information available to investors and the marketplace. By working to enhance the Commission's filing and disclosure process through the use of new data formats, including tagged data, the Commission can improve how content is organized and analyzed - improvements that will benefit everyone who utilizes the SEC's public disclosure process.”*

- William H. Donaldson, chairman, U.S. Securities and Exchange Commission

## **The Federal Financial Institutions Examination Council (FFIEC)**

In the U.S., federal banking agencies are already in the process of requiring all FDIC insured banks to report their required Call Report filings in XBRL later this summer. The goals are to streamline operations, speed up the processing and exchange of data, and facilitate greater transparency of banking industry data. When fully implemented this summer, their process is expected to decrease the cost of data collection and verification for all parties.

From the 2004 Annual FDIC Report:

We made significant progress towards completion of a new Web-based Central Data Repository (CDR) for Call Reporting and other regulatory reporting, in cooperation with our Federal Financial Institutions Examination Council (FFIEC) partners. Targeted for implementation in 2005, the CDR will employ state-of-the-art technology and the XBRL (Extensible Business Reporting Language) data standard. This system will further enhance the FDIC's ability to provide high-quality, timely data about the banking industry to regulators, financial institutions and the public.



**Proprietary and Confidential**

This material shall not be used, reproduced in whole or in part without the express consent of EDGAR Online. © 2005 EDGAR Online, Inc. All rights reserved.

## Financial Accounting Standards Board (FASB)

In the fall of 2003, the FASB Board established an XBRL fellowship position. The main responsibility of the XBRL fellow is to promote XBRL awareness at the FASB and become the liaison with the XBRL Consortium ... One of the primary goals was to understand the potential impact XBRL could have on the standard-setting process. Since then FASB has taken an active reallocating staff to review and comment on taxonomies (i.e. bar codes) released for comment by the XBRL US Consortium. Today, FASB has plans to develop an extension to the taxonomy based on Statement 132 (revised 2003) and will explore the possibility of developing a convergence taxonomy between the FASB and IASB standards.

## American Institute of Certified Public Accountants (AICPA)

The AICPA's support for XBRL has been strong from the very beginning. Charles Hoffman, known by many as the father of XBRL, first expressed his ideas for a global business reporting language based on the eXtensible Markup Language (XML) to the AICPA's new technology committee in 1998. Initial funding for the prototype of XBRL came from the AICPA in the following year. The AICPA is presently the host sponsor for both XBRL-US and XBRL-International.

Barry Melancon, president and CEO of AICPA, says, *"XBRL helps companies, analysts, investors and other audiences to make better informed financial and management decisions and to leverage the capabilities of the Internet to facilitate the exchange of financial information. XBRL provides an efficient and reliable means of information exchange without changing existing accounting standards. And, because it is based upon standardized, underlying data tags, XBRL does not require a company to disclose any additional information beyond that which it normally discloses in its current financial statements."*

*"We believe XBRL will have a positive impact on preparers of financial reports by streamlining the process and benefiting investors by improving their access to financial information."*

From the AICPA's web page, <http://www.aicpa.org/innovation/baas/xbrl/homepage.asp>:

Accounting institutes are involved in the development of XBRL because each believes that the development of XBRL will help position CPAs or

their foreign equivalents as valued knowledge providers for their clients or firms. In addition, all businesses, large and small, are undergoing fundamental change. We see the CPA and their international equivalent as the person who can help businesses change to fit into this new digital world using XBRL. CPAs have been the creators and managers of the accounting language or the underlying language of by business and XBRL allows them to remain in this space and provide more value-added services. XBRL is a natural next step in the clarification and development of this fundamental business language.

## ***International Accounting Community***

### ***International Accounting Standards Committee Foundation (IASCF)***

The International Accounting Standards Committee Foundation (IASCF) was an early supporter of XBRL. In November 2002, the XBRL International Steering Committee issued the IAS Primary Financial Statements (PFS) Taxonomy as an XBRL Recommendation and also issued the IAS Explanatory Disclosures and Accounting Policies (EDAP) Taxonomy as a Public Working Draft. The release of the taxonomy over two years ago demonstrates the deep and long-standing commitment the international accounting community has given to XBRL.

### ***International Accounting Standards Board (IASB)***

The International Accounting Standards Board (IASB) has also been very positive about XBRL. Sir David Tweedie, chairman of the International Accounting Standards Board gave a keynote address to the 10th XBRL International conference held in November 2004. In his address he stated, *"We are determined to express ourselves more simply and by removing the differences between standards around the world making it simpler for users of accounts to compare companies from different jurisdictions. I believe that XBRL is doing the same for the way financial reporting information is transmitted. The XBRL International consortium is committed to developing in the public interest a set of high quality, understandable and workable electronic standards that simplify the exchange and interpretation of financial reports in different operations world-wide."* The International Accounting Standards Board co-hosted the meeting.