

XBRL: Blueprint for a Revolution



by Mike Willis

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To say that the Internet has revolutionized the business world is a truism, of course. But there are sectors of the corporate world for which the promises of the Digital Age have remained just that—promises. Case in point: corporate reporting. The fact is that producing, reporting, and analyzing company information is still a labour-intensive, tedious process. Why? Because most companies still depend upon disparate systems to store and deploy much of the needed data—and those systems simply can't "talk" to each other. They speak different languages.

But what if there were a way to assemble and distribute corporate information, from a variety of sources, so that it could be used across different systems—inside and outside a company? There is: XBRL. Short for Extensible Business Reporting Language, XBRL is not a new accounting standard, but an information format that places self-describing tags around discrete pieces of information. Once those tags have been assigned, it is then possible to extract only the desired information, rather than having to download or print an entire document. XBRL is also platform-independent: It will work on any operating system, or any computer. In fact, XBRL is so flexible that you can e-mail a financial report created in, say, accounting software, to someone using an entirely different format and XBRL will allow the recipient to easily import the data right into their own software format.

This means that business information—regardless of its format—can now be identified, extracted, and re-presented in whatever way the user requires. What's more, because XBRL allows financial data from a wide variety of industry sectors to be compared quickly and easily, businesses of all kinds can lower their distribution costs and greatly enhance the value of their IT investments.

In this, the second article in a series, Mike Willis, explains how—by enhancing the ability of software applications to analyze data within business reports—XBRL is changing the way both businesses and regulators are handling the mechanics of corporate reporting.

LEADING COMPANIES THROUGH-
OUT THE WORLD,
IN ALMOST ALL SECTORS, HAVE
BEGUN DEPLOYING OR
PLANNING DEPLOYMENT OF
XBRL AND RELATED INTERNET
TECHNOLOGIES

As the Internet transformed our every day lives several years ago, XBRL (Extensible Business Reporting Language) promises to transform the world of business reporting. Reports that took hours to assemble using any analytical application can now be prepared, distributed and consumed in merely seconds using XBRL tags.

Joined in a quiet revolution, many companies are beginning to speak a new but "common" language—XBRL. XBRL is the new "electronic language" for online corporate reporting using XML tags to describe business information.

A giant leap forward in how information is prepared and used, XBRL enables automation of the reporting process, from gathering, assembling, and consolidating, to extracting and analysing business information. XBRL enables interoperability of data contained in disparate company reporting systems, facilitating automatic information exchange among applications within the enterprise and others in the corporate reporting supply chain.

An open, freely available information format standard, XBRL can be used in conjunction with most software products from Hyperion, Microsoft's Navision and Great Plains, Oracle, SAP, PeopleSoft, and Caseware, to name a few.

Leading companies throughout the world, in almost all sectors, have begun deploying or planning deployment of XBRL and related Internet technologies. Regulators across the globe are also deploying XBRL—and requiring entities to submit their filings utilising the new standard. *Is your organisation ready?*

XBRL IS BECOMING AN INTEGRAL PART OF THE GLOBAL MOVEMENT TOWARD "E-GOVERNMENT."

Regulators and Other Government Agencies Embrace XBRL

For any entity that processes huge volumes of information, XBRL offers tremendous benefits by reducing time, cost, and resources needed to manipulate raw information provided by third parties to the point where it can be *used*. The automated process for transferring incoming data into analytical formats improves data accuracy and reliability, enables more information to be gathered and analysed at little or no additional cost, and allows regulators to focus on regulating, rather than on validating and consolidating information.

XBRL is becoming an integral part of the global movement toward "e-government," in which government agencies increasingly leverage the Internet to lower costs, operate more efficiently, enhance their performance, and make valuable contributions to market-based business information supply chains. Regulators choose to adopt XBRL—and require regulated entities to supply their information in this format—because it enables them to:

- Reduce information collection and processing costs,
- Increase focus on analysing and using information,
- Enhance value by providing feedback to regulated entities in key areas that affect each particular industry,
- Leverage other taxonomies (reporting standards and concepts) to reduce the cost of managing and maintaining their own, proprietary information standards,

- Broaden dialogue with regulated entities through collaborative development of XBRL standards on an ongoing basis.

Today, many high-profile government regulators require that companies submit filings utilising XBRL. The UK Inland Revenue starts XBRL filings in the 2003 tax year; the US Federal Deposit Insurance Corporation begins XBRL filings in 2004, followed shortly by its four sister agencies in the Federal Financial Institutions Examination Council.

The Australian Prudential Regulation Authority already requires XBRL filings; the National Tax Agency of Japan (Kokuzeicho) scheduled implementation for 2003; and the Bundesbank began its program in 2002. Regulatory agencies beginning the planning stages to leverage the Internet's new reporting language include the Australian Tax Office, the Bank of Japan, and others.

MORGAN STANLEY, REUTERS
AND MICROSOFT
ARE A FEW OF THE COMPANIES
ALREADY USING
XBRL FOR EXTERNAL REPORTING
PURPOSES.

XBRL and Re-Engineering Corporate Reporting Processes

While regulators assume prominence among XBRL's early adopters, so do forward-looking companies. The broad corporate trend toward XBRL emphasises the pressing need to meet expanded reporting requirements, tighter reporting timeframes, sanctions for data errors, and imminent deadlines for new accounting rules.

Morgan Stanley, Reuters and Microsoft are a few of the companies already using XBRL for external reporting purposes.

No longer a futuristic model, the XBRL revolution is happening today. Many company managers are placed on a burning reporting platform by the Basel Accord, International Financial Reporting Standards, the Undertakings for Collective Investment in Transferable Securities directives, and the Sarbanes-Oxley Act in the U.S. They need to adapt systems and streamline business information channels to meet new reporting mandates.

Managers can tap the interoperability and effectiveness of XBRL as a powerful tool in solving such problems.

Becoming Educated in XBRL

The fundamental question managers face is not whether XBRL is something they need to know. Rather, the question is when will they realise its benefits to reduce costs and enhance their business information.

For more information on XBRL, visit (www.xbrl.org) and (www.pwcglobal.com/xbrl). To see XBRL in action, visit <http://www.nasdaq.com/xbrl>, a pilot developed by PricewaterhouseCoopers, Microsoft, and NASDAQ.

Mike Willis, deputy chief knowledge officer of PricewaterhouseCoopers Global Assurance and Business Advisory Services (ABAS) practice, served as the founding Chair of the International Steering Committee and currently serves as Chair of the Accountants Supply Chain working community. Currently composed of more than 200 global software, accounting, regulatory, and finance companies, the consortium is charged with creating XBRL for the international business reporting supply chain. As a result of his leadership role on the XBRL Steering Committee, Mike was named to Accounting Today magazine's 2001 and 2002 list of the "Top 100 Most Influential People."

Mike joined Price Waterhouse in 1983 and became a partner in 1991. As deputy chief knowledge officer for ABAS, he is responsible for leading the development and implementation of applications and software tools used by ABAS partners and staff around the world. He is a member of the AICPA and the California and Florida Institutes.