

# A common language



COMPANIES HAVE NOT UNIFORMLY WELCOMED THE INTRODUCTION OF THE NEW BUSINESS REPORTING LANGUAGE XBRL, YET THE FINANCIAL DATA SHARING FILE FORMAT SHOULD DELIVER ADVANTAGES FOR ALL USERS, AS **GRAHAM BUCK** REPORTS.

It was devised just over 10 years ago and was rapidly hailed as a brilliant concept in improving the way in which financial information is shared. Yet for many companies eXtensible Business Reporting Language (XBRL) only recently began to impinge on their consciousness after regulators on both sides of the Atlantic began driving the format.

XBRL is an electronic language for handling business and financial data. It was originally devised by a US accountant who recognised that a simple text format used in electronic publishing could be adapted and developed for financial reporting. His insight led to the development of XBRL as a computer-readable format for financial data, which works by tagging each piece of electronic data, whether text or numbers, within a document.

XBRL was further refined as Inline eXtensible Business Reporting Language (iXBRL), a version that renders it readable for humans. Utilising iXBRL means that both the layout and the presentation of information appears the same for both the person sending and the person receiving it, whether viewed online or as a printout.

The development of XBRL has been widely recognised as a revolutionary force for financial reporting, and is predicted to have the same sort of impact as the arrival of the spreadsheet. In the words of one analyst: "It has the potential to do for the accounting and management trade what barcodes did for retailing."

Initially, the new language received the biggest welcome from financial analysts. They recognised it as an efficient means of automating the collection and comparison of data on company performance, and its advantages in the preparing, analysing, representing and communicating of business information. But there was initially little enthusiasm for XBRL from companies, regulators or software vendors.

Olivier Servais, director of XBRL activities at the IASB/IASC Foundation, says a "vicious circle" prevented XBRL takeup: regulators were uninterested, so vendors were unwilling to make the required investment, and companies saw no reason to make the transition.

Momentum eventually began to pick up when financial regulators and accounting standard setters belatedly recognised the efficiencies, the improved accuracy and reliability, and more importantly the cost savings that they could achieve if

companies used the XBRL format for filing their financial statements and tax returns. A whole series of projects subsequently got under way around the world to ensure companies filed reports and accounts in a common format that can then be used and reused by analysts, investors and shareholders.

Among the bodies first to recognise the potential of XBRL was the International Accounting Standards Committee (IASC) Foundation, the oversight body responsible for global financial reporting standards. It first began analysing the role of XBRL in financial reporting in 2001 and subsequently refocused its objectives to provide high-quality international financial reporting standards (IFRS) taxonomy at the same time and in the same 30 languages as IFRS.

**COST SLASHER** Last year the IASC Foundation published the IFRS taxonomy 2009, which offered a complete translation of IFRS as at 1 January 2009 into XBRL. It's an impressive achievement given the size of modern accounting standards. The Securities and Exchange Commission (SEC) in the US and HM Revenue & Customs got interested. They realised they could slash their costs by requiring the use of the XBRL format for all returns submitted to them. The SEC already requires companies listed on exchanges under its regulation to file their quarterly and annual accounts using XBRL alongside traditional electronic filing formats such as ASCII and HTML. By mid-2012, all domestic and foreign companies that are publicly traded in the US will have to use the XBRL format for all their SEC filings.

The SEC says that interactive data can give investors quicker access to the information they want and also help companies prepare the information more quickly and accurately. With hard copy or even PDFs, investors requiring specific information have to wade through lengthy corporate reports. Even when these documents are online, they are often in a plain-text format with limited search capability.

Using interactive data, an investor can immediately pull out specific information and compare it against information from other companies, performance in past years, and industry averages. As

more firms embrace interactive data, sophisticated analysis tools now used by financial professionals could become available to the average investor.

Yet despite the benefits for all users of XBRL, companies have often regarded compliance as a

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chore and overlooked the advantages simply because it is the regulator that has been pushing adoption.

One obstacle to the widespread adoption of XBRL was posed by the variety of data elements that can appear in financial statements. Separate data maps, or "taxonomies", cater for different financial reporting regimes and company types. The full UK IFRS taxonomy includes 3,725 separate XBRL data tags; UK GAAP has 5,292, while the corporation tax taxonomy originally required 4,561 tags.

Another problem lay in presentation. Company law requires accountants to submit to Companies House an exact copy of the financial statements they prepared. The format and layout of those statements was not adequately reflected with XML (eXtensible Markup Language) data tags.

The development of iXBRL has neatly solved both these difficulties by combining XBRL data tags with HTML formatting, giving an accurate reproduction of the accounts to be viewed in a web browser.

The UK tax authorities and the registrar of companies are pushing through a common approach to the filing of company accounts online based on XBRL. "Format alignment of both organisations' services using iXBRL will avoid the complexities and associated expense of producing substantially similar information in different formats," they say. "This alignment will also allow HMRC and Companies House to work together towards creating an environment using iXBRL that will enable companies to make a single online transmission over the internet for a company tax return (including attachments) and accounts for the public record."

As KPMG's analysts have noted, filings in the new format will also enable HMRC's analysts to run immediate comparatives between year-ends and companies within similar sectors. The resulting statistics and variances "will inevitably lead to more directed questions from HMRC".

HMRC introduced its iXBRL service in November and Companies House is also encouraging companies to file their accounts online using the same format. It will introduce iXBRL software filing for unaudited full accounts this summer and extend it by summer 2011 to all the main account types they receive.

The corporate tax filing regime will change from 1 April 2011 – in essence for accounting periods ending after 31 March 2010. From that date companies will have to submit company tax return CT600 online, using the XML data format, together with the return form, company accounts and supporting tax computations using the iXBRL format. In the longer term, HMRC is expected to extend its use of XBRL to compliance and investigation work.

The schedule gives UK companies a limited period in which to get up to speed. Reports

suggest that many companies do not know of this fast-approaching deadline, while those that are aware include a significant proportion that have yet to discuss the implications of the change with their accounts software provider.

But those that have already made the change suggest that, as long as XBRL-enabled accounts production software is used, the transition is easy. HMRC's website lists the software suppliers already on the iXBRL-approved list and those working towards approval.

Servais says a smooth transition has already taken place in other countries. In Belgium, for example, the process was assisted by close co-operation between the country's regulatory bodies and vendors. "It involved no more than a new button on the software," he adds. "So the message for companies here is to check that their vendor's system is compatible. The majority are, and provided the vendor has a commitment to XBRL transition shouldn't prove to be an issue."

XBRL International, a worldwide non-profit consortium of around 400 major companies, organisations and government agencies, is driving adoption of the new electronic language. Its British arm, XBRL UK, has the final version of its UK IFRS taxonomy on its own site (URL at end of article) to which it has added data for the banking and finance industries, the mining, oil and gas sectors and for ordinary commercial and industrial companies.

Servais believes XBRL could also assist the change from UK GAAP to IFRS being considered by the Financial Reporting Council and the Accounting Standards Board, particularly for the UK's 4.4 million SMEs, of which 95% have no more than 10 employees. And for financial professionals and financial publishers, XBRL promises to make analysing company data cheaper and easier. Interactive data may help filers improve their reporting processes, consolidating enterprise financial information more quickly and potentially more reliably across operating units within different operating systems.

For investors and analysts, XBRL holds out the prospect of a worldwide system for measuring business performance. By enabling cross-border comparisons, a move to XBRL promises to dispense with the last national idiosyncrasies in financial reporting, and to expand the range of investable companies by making many companies previously overlooked by analysts more visible. The business of

business information will never be the same again.

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*Details on the switch from paper to online company tax returns and electronic payment can be accessed at [bit.ly/bs0TcF](http://bit.ly/bs0TcF)*  
The XBRL UK website is at [www.xbrl.org/uk](http://www.xbrl.org/uk)