

The Current State of XBRL Reporting

Interpreting the true nature of the XBRL technology solutions currently on offer

Lord Carter of Coles published his review of the UK's HM Revenue & Customs Online Services in March 2006. He concluded that well-designed online services can bring benefits to taxpayers and the Government.

With HMRC's resultant iXBRL mandate enforced from 1 April 2011, the business community at large remains unconvinced and disillusioned, and the assumed benefits at first glance seem to be decidedly one sided.

Whilst the software vendors continue to play catch-up, the XBRL landscape changes.

The Companies House Digital Agenda of XBRL submissions is likely to become compulsory for all accounts after 31 March 2013. With the likelihood of further UK regulators, as well as other regulators across the globe, mandating the use of XBRL, this topic is becoming increasingly visible to the Finance Executive .

So, just what is the main cause of companies' apprehension and are there any benefits to unearth beyond mere compliance with this new electronic submission regime?

Three widely accepted approaches to XBRL and iXBRL compliance

Approach 1: Conversion

The conversion process takes place after the accounts have been created, usually in Microsoft Word or Microsoft Excel. This approach extends the usual accounts production process by deferring the XBRL tagging to after the accounts have been signed off.

The conversion process consists of "tagging" each fact in the document to a common taxonomy. The most suitable person to perform this mechanical task is the accounts preparer themselves, as many tags will need to be interpreted when taking into account the true nature of the accounting concept being disclosed.

Some software tools offer "intelligent" tagging where computer algorithms attempt to interpret the accounting concepts. This is met with scepticism by people familiar with the

underlying principles of tagging and early indications point to a significant effort involved in reviewing and modifying suggested tags. The approach has also been discredited in a document titled "XBRL UK Detailed Tagging Information" released by XBRL UK in May 2011, where it is stated that "Preparers should also look carefully at the intended meaning of line items in accounts, rather than tagging on the basis of superficial similarities in line item descriptions and tag labels."; the very modus utilised by the algorithms.

As there are no real benefits to be gained from this compliance-driven extension when compared to the normal accounts production process, most companies considering conversion are doing so as a tactical solution until a suitable alternative is found.

What are XBRL and iXBRL?

XBRL (eXtensible Business Reporting Language) is an electronic file format. Each fact contained in the file is "tagged" to a dictionary of underlying concepts (taxonomy) which forms the basis for the creation of the document itself. For statutory accounts, the taxonomies typically represent the accounting standards underlying the accounts, e.g. US GAAP, UK GAAP and IFRS.

A "tag" consists of a document fact, related to a taxonomy item put into context. Context includes the entity, period and scenario for which the fact is relevant.

An XBRL (instance) document is a computer readable file in which the embodied facts can be electronically queried and compared to other documents tagged to the same taxonomy.

iXBRL is a newer derivative of XBRL. It overlays the computer readable element described above, with "human readable" content. An iXBRL instance document can be opened in a web browser and the human reader can see not only the facts themselves, but also the style of presentation intended by the author.



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Approach 2: Integrated software

Integrated software or “embedded” solutions attempt to bring XBRL into the accounts production process itself, rather than being a process to be completed at a later stage. These solutions typically introduce added control and workflow to what is viewed as an increasingly high risk area due to the reliance on Word and Excel to produce such key public documents. This is why this approach has gained traction in the USA, where the SEC require the Group accounts in XBRL format.

Unfortunately, these tools are often not suited to a situation requiring more than a handful of accounts in XBRL format. Unlike the USA mandate, other regulators – such as the UK’s HM Revenue and Customs – require XBRL accounts for each and every local subsidiary. This can mean thousands of accounts for large groups. This situation calls for efficiency tools rather than applications that introduce an unwelcome layer of workflow which consequently reduces the overall efficiency of the end to end process.

Fundamentally the same imperfect approach...

On the face it, the three approaches appear to be very different. On closer inspection, however, they all follow the same two steps:- create the content, and then tag the content to the taxonomy.

The “integrated” solutions, whilst having closer integration to source systems and thus greater efficiency and control over the creation of the content, do not really offer anything over and above what the conversion tools do to assist with the tagging process.

Regulatory authority specific implementation

The use of XBRL as a format for regulatory reporting is increasing across the globe. Companies will want to ensure that they maximise the investment in technology and prevent the need for acquiring different software to satisfy the different requirements of other regulatory authorities.

This poses a challenge to software vendors and to date they have chosen to either:

- Keep the implementation generic. This ensures that the software can be used to produce XBRL accounts for any authority, but without validating to the business rules specific to each authority. This means that further validation processes must take place outside the technology to ensure that none of the authorities’ business rules have been broken which will result in rejection of the document; or
- Embed the authority-specific business logic into the application. This prevents the need for further validation procedures outside of the software, but limits the software’s usability outside of the narrow band of authorities targeted by the software vendor.

Approach 3: Outsourcing

Outsourcing differs from the conversion approach only in terms of who is actually performing the conversion.

Companies may choose to outsource the conversion of their accounts for a number of reasons. For example, the number of XBRL accounts required may not warrant significant investment in software solutions. Some companies may decide that the XBRL technology landscape is immature and wish to delay any purchasing decisions. Perhaps there is a lack of time to implement the chosen strategic solution before the next submission deadline.

Unfortunately, whilst the mechanical act of tagging and converting a document can be passed to a third party, company staff still need to gain a detailed understanding of how to interpret the taxonomy and apply the correct tagging principles in order to review the work of the third party. After all, it is the company who still holds ultimate responsibility for the accuracy and completeness of their regulatory submissions.

A common misconception

XBRL accounts production is often considered a mere mapping exercise.

An XBRL instance document could in theory be automatically generated from accounting and consolidation systems. Not dissimilar to mapping from an operational to a group chart of accounts, conceptually data could be mapped to taxonomy tags.

The challenge lies in the fact that most documents to be submitted via the XBRL format contain data from a multitude of sources, and include both monetary and non-monetary content. A typical set of statutory accounts may source as little as 40% of the content from the general ledger or consolidation system. Accounting policy notes, details on employment compensation schemes, corporate social responsibility, narrative on tax reconciliation and effective tax rate issues are just some examples of diverse data sourced elsewhere in the organisation.

iXBRL further compounds this detachment by requiring the document presentation to be included as well. Often, the presentation elements are only created by the accountants in Microsoft Word at the last stage of the accounts production process.

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What are the current and future benefits to compliance?

A combination of a general lack of understanding of the fundamentals of this new technology, and a failure amongst software vendors to truly grasp what the underlying business impact of their design decisions has been, has contributed to the apathy and disillusionment companies display towards this new compliance burden.

This is unfortunate. Surely a reengineered accounts production process which incorporates the structured application of a common set of standards as embodied by the taxonomies, with appropriate investment in technology in what is typically a neglected part of the finance process, would be a significant improvement over that of the old manual approach?

It transpires, however, that companies are already beginning to benefit despite this reluctant push to comply. Neglected accounts production processes are being re-evaluated and standardised.

Previous endeavours to improve the accounting technical accuracy of the accounts being produced have often resulted in the creation of master templates, which are reviewed and revised periodically. In the past, these updated templates would often remain unused, since accountants favour using rolled forward prior period accounts to minimise the effort. Due to the added burden of XBRL tagging, they are now more likely to use the XBRL tagged templates, thus increasing the quality of the accounts being produced.

Furthermore, the process of validating a set of tagged accounts to an authority's business logic is likely to unearth inconsistencies which may never have been detected in the manual world. In the future, once software vendors improve their products in order to realise the true potential of XBRL accounts production, the increased quality of the accounts and the improved efficiency of the process which produces them should more than make up for the effort.

How can AMOSCA help?

AMOSCA has built a number of service and technology resources to help companies comply with the new electronic filing requirements. These include everything from getting you over the first hurdle, to implementing a long term strategic solution.

Conversion service

Our conversion service provides not only the accounts in XBRL or iXBRL format, but also the necessary training to ensure that you have sufficient understanding of the principles of tagging and interpreting the taxonomy in order to effectively review and sign off your regulatory submissions.

Oracle EPM Disclosure Management

As an Oracle Platinum Partner specialising in Oracle's EPM and BI offerings, AMOSCA can assist companies implement the functionality and process support offered by the Disclosure Management product released by Oracle. AMOSCA has been involved in a number of projects and assisted the Oracle Disclosure Management development team with product functionality and testing.

Report Authority

With a proven track record of introducing solutions that complement and enhance its clients' Oracle EPM environments, AMOSCA has developed an XBRL document authoring tool called Report Authority.

Report Authority provides a genuine alternative to the three approaches currently being marketed and is designed foremost to meet the business objectives of a robust and efficient accounts production process. It turns the industry norm of tagging on its head. Rather than expecting the user to separately create and tag document content as per the current conversion and integrated solutions, Report Authority instead provides the taxonomy as a valuable resource to create the content in the first place. Fully tagged schedules can be created in an instance, whilst promoting consistency and accounting technical accuracy across the entire population of accounts.

Report Authority is capable of tagging documents for submission to multiple authorities in a number of jurisdictions, and reduces the burden of creating multiple similar accounts through its templating and cascading features.

