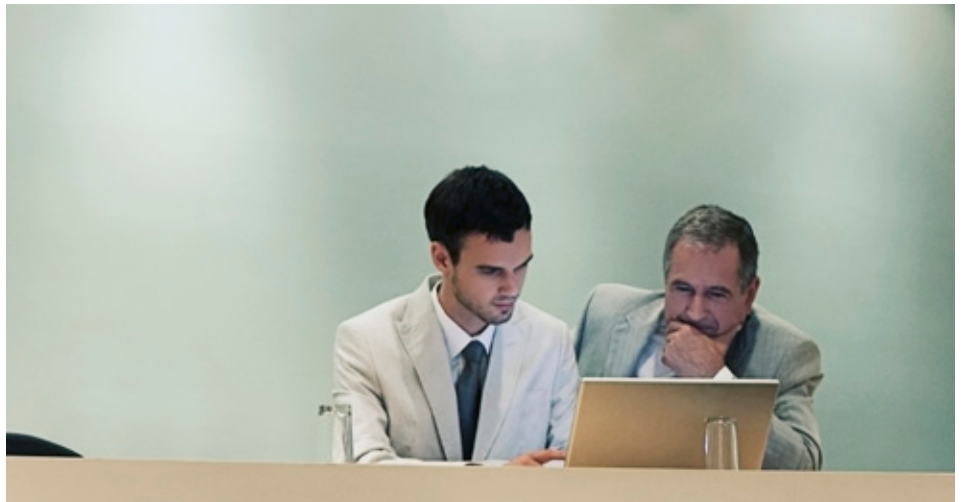


# ***XBRL - The paperless future of business reporting***

## ***What is XBRL?***

*XBRL is a standardised “computer readable” language designed to enhance the electronic communication and analysis of business information. It is an international standard that has been adopted by many Government regulators, agencies and companies around the world, including the SEC in the United States, Companies House and HMRC in the United Kingdom and the Revenue in Ireland. These organisations are currently, or in the near future, requiring financial information, normally submitted manually or through proprietary electronic methods, to be submitted using XBRL.*



## ***How will this affect you?***

### ***If you are an Irish registered company***

In Ireland, Revenue has indicated that voluntary use of XBRL could be introduced from as early as 2012. Revenue are expected to mandate for the use of XBRL on a phased basis within a year or two afterwards. A formal consultation process is expected to commence shortly in respect of Revenue’s plans.

### ***If you are a UK registered company***

All UK companies required to file a corporation tax return are now required to do so electronically using inline XBRL (iXBRL) for both the tax return itself and the supporting tax computation and related statutory financial statements. In short, this means that figures and text disclosed in these documents will need to be accompanied by electronic ‘tags’ embedded within human-readable electronic versions of the documents. The requirement took effect from 1, April 2011.

Tagging a tax return and supporting computation is reasonably straightforward but tagging the financial statements underlying the tax return is likely to be more cumbersome. Currently, HMRC’s minimum tagging list for UK GAAP financial statements includes over 1,250 tags. However, the full tagging list, which is mandatory from April 2013, contains over 6,300 tags.

As a result of this new requirement, HMRC will have access to a database of electronic information in iXBRL format covering all UK companies which file a tax return. Comparisons for companies across industries, years, or by size criteria will be possible with little effort and it is expected that this functionality will help focus HMRC’s processes for selecting companies for tax audits.

## ***If you are an SEC registered company***

The SEC now requires all filers, including Foreign Private Issuers, to submit their financial statements using XBRL. The financial information required to be tagged and submitted to the SEC includes the face of the financial statements and their associated note disclosures. There are transitional arrangements in place with respect to the note disclosures. In the first year that a company submits their financial information to the SEC, the note disclosures can be 'Block' tagged. However in the following years the note disclosures will need to be tagged in much greater detail and will require companies to reassess their current manual closing and reporting controls and processes.

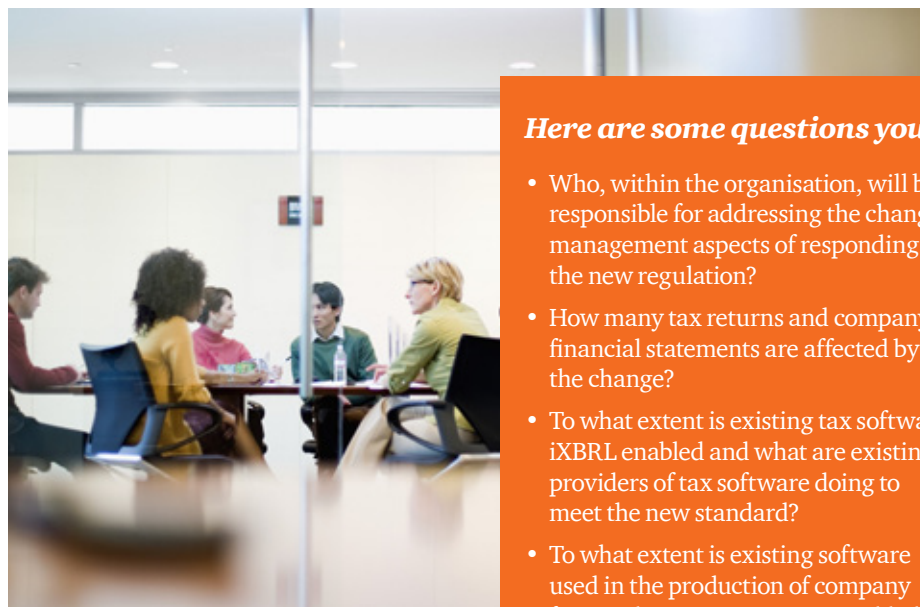
## ***What should you be considering now?***

XBRL reporting is a regulatory-driven change which will require action by management to deliver financial information in a new format using XBRL tags as well as in human-readable form.

The terms 'regulatory-driven change', 'new format' and 'require action', when placed in close proximity, can only mean one thing. Risk.

The primary risk is that companies may not take the actions necessary to be able to continue to deliver company tax returns acceptable to the Tax authorities.

Secondary risks arise connected with the quality of the application of the XBRL tags and the potential for the XBRL tagging process to identify errors in completed statutory financial statements.



### ***Here are some questions your organisation should consider:***

- Who, within the organisation, will be responsible for addressing the change management aspects of responding to the new regulation?
- How many tax returns and company financial statements are affected by the change?
- To what extent is existing tax software iXBRL enabled and what are existing providers of tax software doing to meet the new standard?
- To what extent is existing software used in the production of company financial statements iXBRL enabled?
- Who will conduct the work to tag financial information in the tax return and the financial statements?
- How will any judgments necessary in the tagging of the financial information be identified, considered and resolved?
- What processes and controls over the use of iXBRL should be introduced?
- What level of testing of the iXBRL tagging will be appropriate?
- When will a proposed plan and budget for iXBRL implementation be reviewed by the audit committee or senior management?
- How might the iXBRL tagging of tax returns and company financial statements be harnessed to deliver benefits in the quality of information provided to management?

## ***What options are available for preparing financial statements using XBRL?***

There are currently four options available to organisations seeking to produce financial statements in XBRL format:

### ***A. Outsourced tagging***

This involves taking the final signed financial statements and handing them to an outsourced service provider for tagging using a software tool.

This option is popular amongst the professional services firms as a service to their clients. A number of Internet based suppliers have also begun to market this service. This service is cost effective for clients with a small number of UK companies.

At PwC, we've devised a simple, effective, managed tagging service that can tag completed financial statements for you.

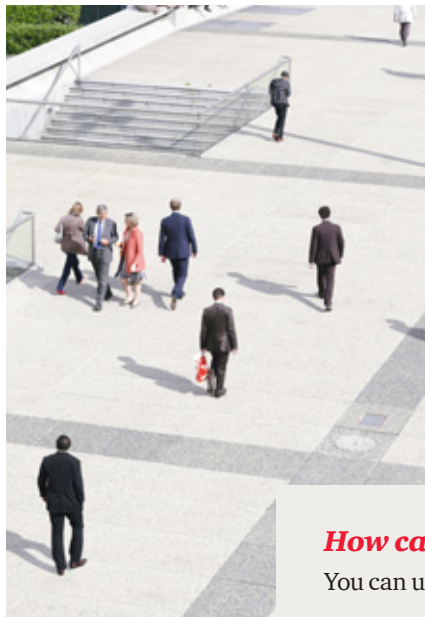
Visit our PwC Ireland XBRL webpage to find out more about this service:

<http://www.pwc.com/ie/xbrl>

## B. Software tagging/ “predictive” tagging

This involves taking the MS Word version of the final signed financial statements and tagging them up using “intelligent” tagging software which will automatically tag 80%+ of the financial statements with manual intervention then being necessary to complete the tagging exercise.

Principally, this service is being offered over the Internet although it is possible to purchase the software for own use which may be worth it if your organisation has more than 8 to 10 sets of financial statements to tag.



## C. Accounts production software

This involves using accounts production software which effectively maps each company’s trial balance into a pre tagged accounts structure so at the time of printing the final financial statements for signature, the software can also produce an XBRL version at the click of a button. This method completely replaces any typing of financial statements in Word.

If your organisation has more than a small number of UK companies, this option is likely to be the most cost effective in the medium to longer term.

## D. Embedded Process Solution

We appreciate that for some companies, a managed tagging service represents a short-term solution to achieve regulatory compliance. The increase in year two compliance requirements often result in company reassessment of prior period ‘bolt-on’ implementations as companies are seeking to more cost effectively enhance their reporting processes and gain more control over last minute document changes and the overall process.

Many companies are exploring how XBRL tagging might become part of a more systematic process for financial statements preparation.

By building-in the Taxonomy mapping effort within their reporting processes companies are able to leverage the standardisation to streamline and automate a wide range of steps including the currently manual report assembly and review process steps and the spreadsheet aggregation and analysis effort.

Additionally, controls are enhanced through automation of manual process steps.

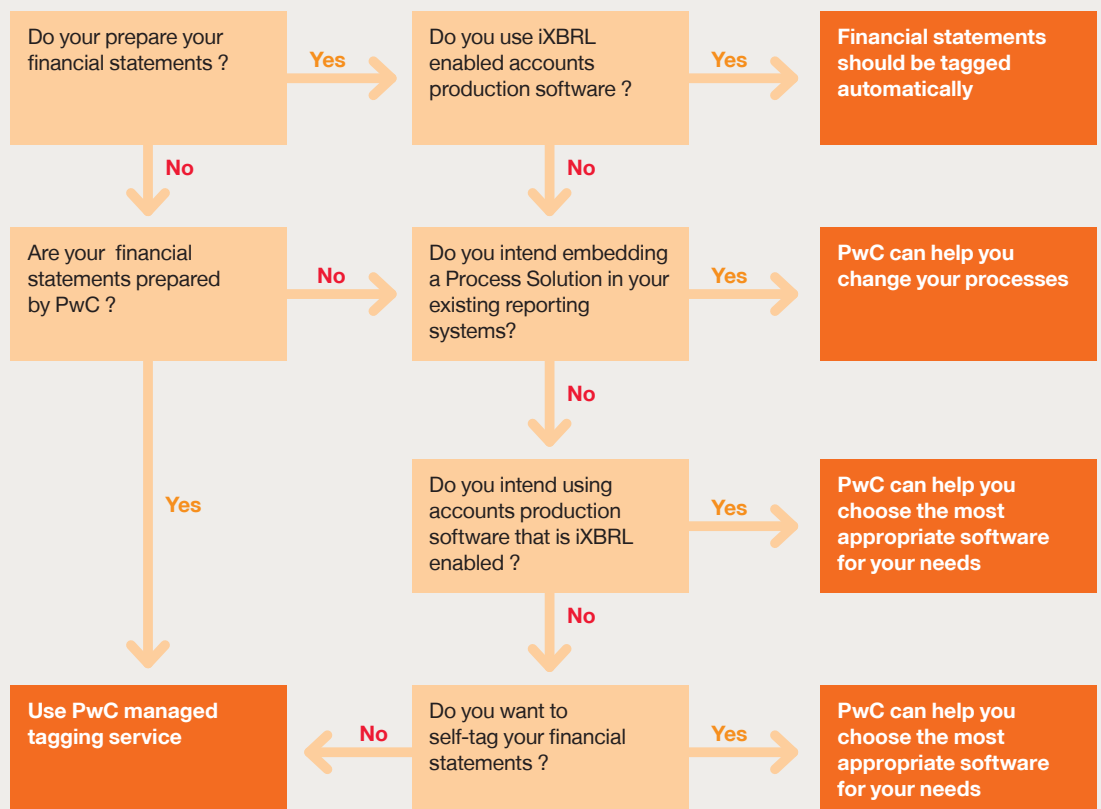
Initial implementation costs of an embedded process solution are usually higher than the other bolt-on approaches; however, the ongoing cost/time to produce reports could be reduced by 25% or more.

PwC has already developed and successfully piloted e-filing solutions for the submission of tax calculations to HMRC. Our teams have extensive experience of advising on change programs prompted by new tax and financial regulation and has been closely linked with the development of XBRL.

We have also begun using iXBRL software for tax calculations and company financial statements and have practical experience in tagging financial information using iXBRL and in structuring engagements to help clients with their tax compliance.

## How can PwC Help?

You can use this simple decision tree to help you choose the most appropriate solution for your needs:



## **How can corporate simplification reduce your compliance costs?**

All UK companies whether active or dormant required to file a tax return will be affected by HMRC's new requirement for electronic tagging. This will add a further layer of cost to retaining companies and for those that serve no economic purpose, the benefits of dissolving them may prove even more compelling.

When the time spent by management dealing with the current level of corporate governance matters is factored in then clients tell us the "cost" of retaining dormant companies typically ranges from €3,000 to €5,000 per entity

per annum and for regulated entities €6,000 to €8,000 pa. Needless to say this figure increases significantly for active companies.

Groups with a number of UK companies should consider a corporate simplification project to dissolve any dormant or inactive companies and to optimise the number of active companies required to operate their business. Such a project could result in significant savings both in terms of direct compliance costs and in management time. PwC can advise you on how to simplify your existing corporate structure.

### **What to do next?**

For existing clients, your existing PwC team will be able to advise you on the most appropriate XBRL solution for your organisation.

If you don't already have a relationship with PwC, want to find out more about our managed tagging service, or have a question or concern you would like to raise with our XBRL specialists, you can contact one of the team:

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