

# XBRL

## THE PAPERLESS FUTURE OF BUSINESS REPORTING



There can be no doubt that XBRL has become a hot topic for financial executives in the US, UK and more recently in Ireland. In this article **Gemma Collins** explains what XBRL is and what it will mean for you.

**X**BRL is the technology that facilitates electronic financial statements. 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. It is also being considered by the Revenue in Ireland. These organisations are currently, or will be in the near future, requiring financial information to be submitted using XBRL.

XBRL stands for eXtensible Business Reporting Language. It is a form of data tagging using XML designed for financial information. It uses computer 'tags' for financial information where these tags are drawn from published libraries called 'taxonomies'.

Inline XBRL (iXBRL) – the format of XBRL used for filing in the UK – is effectively a web page with XBRL embedded or hidden within it allowing the best of both worlds: the report can be viewed like a web page and the XBRL can be extracted if the recipient wants to use the data.

### **UK registered companies**

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. The requirement took effect from 1 April 2011. There is no transition period.

In short, this means that figures and text disclosed in these documents will need to be accompanied by electronic 'tags' embedded within the XBRL document.

Tagging a tax return and supporting computation is reasonably straightforward once you are using software to produce the computation already. However, 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 that file a tax return. Comparisons for companies across industries, years, or by size criteria will be possible and it is expected that this will help focus HMRC's risk analysis process.

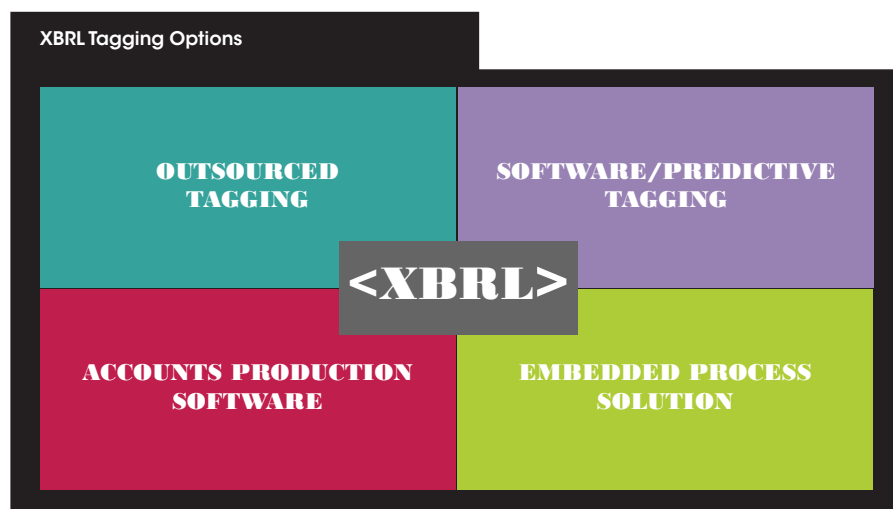
### **SEC registered companies**

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 its financial information to the SEC, the note disclosures can be 'Block' tagged, but in the following years the note disclosures will need to be tagged in much greater detail and may require companies to reassess their current manual closing and reporting controls and processes.

### **Irish registered companies**

In Ireland, Revenue has indicated that voluntary use of XBRL could be introduced from as early as 2012. Revenue are expected to mandate the use of XBRL on a phased basis within a year or two afterwards. A formal consultation process is expected to precede Revenue's implementation. Interestingly, the Irish Revenue recently issued a Request For Information (RFI) for the development of an inline XBRL technology platform which, if implemented, will be in line with the UK HMRC format, making life easier for organisations that need to submit tax returns to both the UK and Irish Revenue.



#### OPTIONS AVAILABLE FOR PREPARING UK FINANCIAL STATEMENTS USING iXBRL

XBRL tagging is a matching process:

- performed by people;
- using software;
- with a measure of skill and judgement.

The practical challenge to companies required to report financial statements in iXBRL is to implement a method to match financial statement disclosures to the pre-defined tags and capture those 'matches' electronically, whilst applying appropriate controls to the process. There are currently four main options available to organisations seeking to produce financial statements in iXBRL format:

##### **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 generally available from 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 relatively cost effective for clients with a small number of financial statements to tag.

##### **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 your own use which may be worth it if your organisation has more than a small number of financial statements to tag.

##### **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 off 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 companies, this option is likely to be the most cost effective in the medium to longer term.

##### **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 later compliance requirements often results 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 (Figure 1, overleaf).

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 could be enhanced through automation of manual process steps (Figure 2, overleaf).

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

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