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# XBRL – The Next Generation in Financial Reporting

## Temple University Macc Colloquium

John M. Swirsding, CPA

October 4, 2011



# Session Topics

- **XBRL Introduction**
- **Overview**
  - **Why XBRL / What is XBRL**
  - **XML / XBRL Basics**
  - **Governance & Rules**
- **Adoption Strategy**
  - **SEC Registrants**
  - **Private Companies**

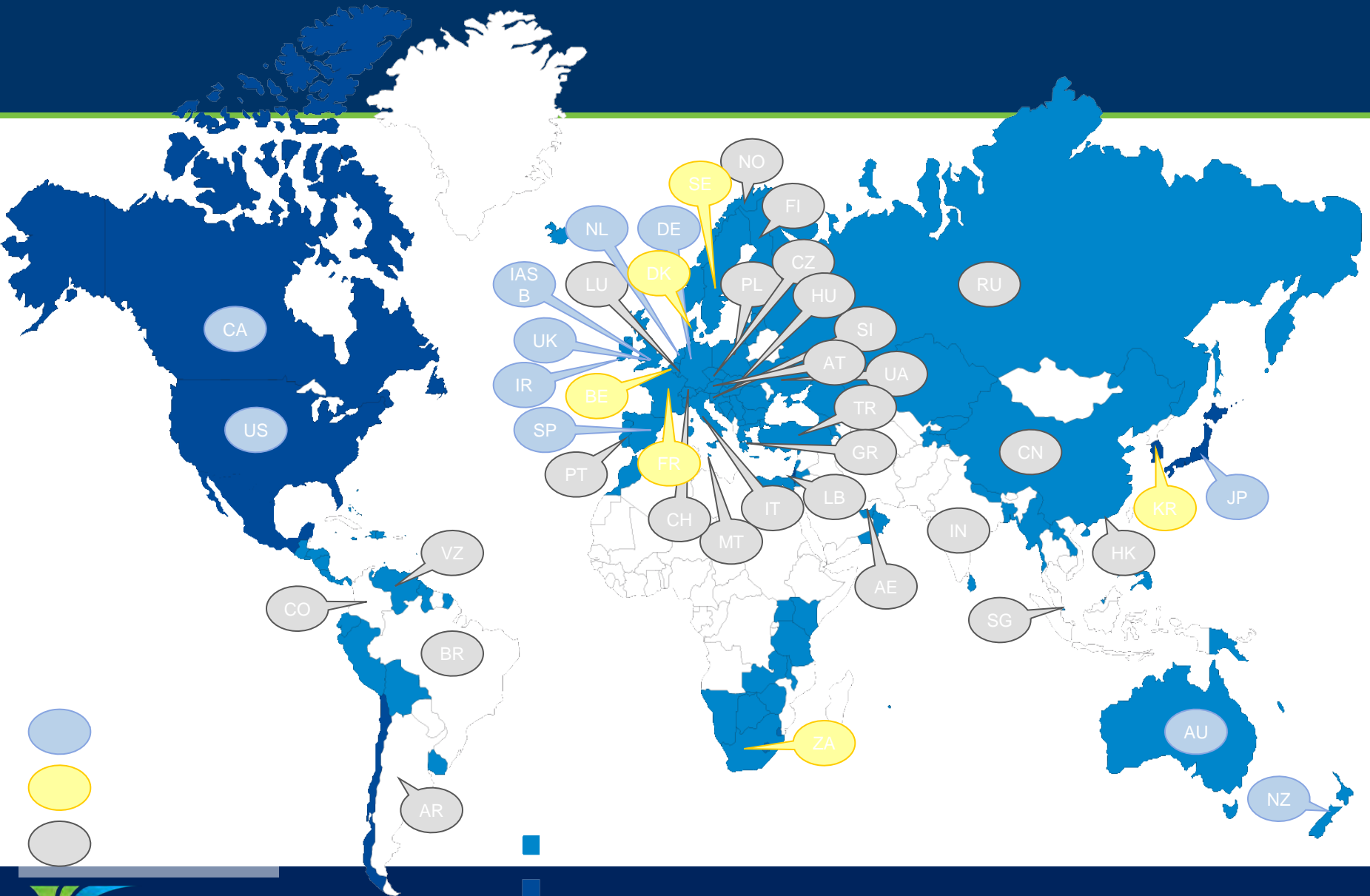
# Then ...



**XBRL began with the idea of a single individual...**

**1998 April** - XBRL is Conceived. Charles Hoffman, a CPA with the firm Knight Vale and Gregory in Tacoma, Washington, investigates how XML could be used for electronic reporting of financial information. Charlie begins developing prototypes of financial statements and audit schedules using XML.

# Now...XBRL Jurisdictions



# XBRL Regulatory Adoption – Publicly Announced

- Australian Tax Office
- Banco de España
- Bank of Japan
- Bundesbank
- Committee of European Banking Supervisors (CEBS)
- Chinese Securities Regulation Commission (CSRC) {sponsoring Shenzhen and Shanghai exchanges}
- Danish Commerce & Companies Agency
- Dutch Tax Authority
- Dutch Water Authority
- Eurostat
- EU Commission – XBRL in Europe
- Financial Service Agency of Japan
- The Irish Revenue
- Spanish Stock Exchange Commission – 3000 companies
- KOSDAQ – Korea
- National Tax Agency of Japan
- New Zealand Exchange
- Patent and Registration Office (PRV – Sweden)
- U.S. Securities & Exchange Commission
- Shanghai Stock Exchange 800+ companies
- Shenzhen Exchange
- Tokyo Stock Exchange
- UK Financial Services Authority
- UK Inland Revenue
- US Federal Financial Institutions Examination Council (includes FDIC)

# What is XBRL?

- XBRL (eXtensible Business Reporting Language) is a web-based language that allows companies to communicate business and financial data with one another regardless of each organization's technologies or software platforms
  - “Interactive data”
- The new XBRL filing format is required by the SEC for all quarterly and annual filings

# ***XML / XBRL Overview ...***

# XML Markup: What Does it Look Like?

**Gerald Bostock**  
**8080 Floppy Disk Drive**  
**San Sushi, CA 94078**  
**+1 (650) 555-1424**  
**Birthdate: 19 October 58**

**Ordinary  
information**

```
<name>Gerald Bostock</name>  
<address>  
  <street>8080 Floppy Disk Drive</street>  
  <city>San Sushi</city>  
  <state>California</state>  
  <country>United States of America</country>  
  <postcode>94078</postcode>  
</address>  
<telephone>6505551424</telephone>  
<birthdate>1958-10-19</birthdate>
```

**Metadata:  
Information about information**

# *Barcode has done for product distribution ...*

**Savings**



**Efficiency**

**Quality**

# ... what XBRL is doing for business reporting

**BOWNE & CO., INC.**  
(NYSE: BNE)  
**Condensed Consolidated Statements of Operations**  
(unaudited)

(in thousands, except per share information)

			Periods Ended June 30,	
			2004	2003 (as restated)
Revenue	\$ 3,041	\$ 2,741	\$ 608,648	\$ 563,464
Expenses:				
Cost of revenue	(2,770)	(2,707)	(396,131)	(380,399)
Selling and administrative	(398)	(398)	(153,580)	(145,743)
Depreciation	(23)	(23)	(18,428)	(20,114)
Amortization	(91)	(91)	(1,794)	(1,837)
Gain on sale of building	896	-	896	-
Restructuring, integration and asset impairment charges	(3,044)	(9,617)	(9,127)	(14,809)
	<u>(297,944)</u>	<u>(302,736)</u>	<u>(578,164)</u>	<u>(562,902)</u>
Operating income	21,158	5,005	30,484	562
Interest expense	(2,758)	(2,639)	(5,559)	(4,972)
Other income (expense), net	724	(1,716)	1,144	(1,046)
	<u>19,124</u>	<u>650</u>	<u>26,069</u>	<u>(5,456)</u>
Income (loss) before income taxes	19,124	650	26,069	(5,456)
Income tax (expense) benefit	(8,363)	(528)	(12,048)	1,161
Net income (loss)	<u>\$ 10,761</u>	<u>\$ 122</u>	<u>\$ 14,021</u>	<u>\$ (4,295)</u>

# XBRL as a simple concept...

- Tag individual concepts for electronic dissemination.
- Most concepts are defined in a common framework – i.e. “cash” (without Fx) - - Use the standard US GAAP Taxonomy Tag
- Unique concepts represent aspects of a particular company’s operations – i.e. “Derivative With Drilling Partners” - - Create an *Extended Tag*
- The creation of company-specific, *extended tags* is the **exception**

# XBRL Basics

- XBRL is XML – computer readable to be extracted, searched and analyzed
- Hinges on taxonomies – the dictionary of terms for business reporting – which includes financial statements
- US GAAP Taxonomies – Updated Regularly
- The current version of the US GAAP XBRL taxonomy references the superseded pronouncements. The 2010 release of the US GAAP taxonomies will be updated to include the latest Codification references

# *Terminology:*

## *Instance Document ...Rendering*

# Company Financial Statement

## STATEMENTS OF CONSOLIDATED INCOME

(Thousands of Dollars Except Per Share Data)

	Year ended December 31,		
	2001	2000	1999
Cost of goods sold .....			
Gross profit .....	2,219,629	2,307,613	2,248,514
Percent to net sales .....	43.8%	44.3%	44.9%
Selling, general and administrative expenses .....	1,729,855	1,740,367	1,673,449
Percent to net sales .....	34.1%	33.4%	33.4%

## XBRL Taxonomy Created by XBRL Consortium

TAGGING

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  </annotation>
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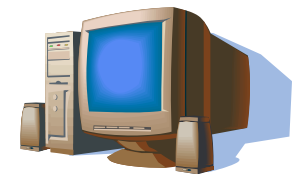
XBRL  
Creation

## XBRL Instance Document Created by Preparer

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```

Consumed



Rendered

STATEMENTS OF CONSOLIDATED INCOME

(Thousands of Dollars Except Per Share Data)

	2001	2000	1999
Net sales .....	\$ 5,066,005	\$ 5,211,624	\$ 5,066,005
Cost of goods sold .....	2,846,376	2,904,013	2,755,323
Gross profit .....	2,219,629	2,307,613	2,248,514
Percent to net sales .....	43.8%	44.3%	44.9%
Selling, general and administrative expenses .....	1,729,855	1,740,367	1,673,449
Percent to net sales .....	34.1%	33.4%	33.4%
Department of long-term assets .....		10,240	
Operating income .....	49,774	21,254	57,064
Percent to net sales .....	9.7%	4.1%	11.3%
Interest expense .....	16,227	42,020	43,348
Interest and net investment income .....	(4,897)	(4,993)	(5,761)
Other expense - net .....	(8,792)	(4,521)	(25,585)

**XBRL Financial Statement Viewer**

Company Information  
Financial Highlights

Accountant Report  
Balance Sheet  
Income Statement  
Stockholder's Equity  
Cash Flows  
Notes

Base Taxonomy Used  
GPSI Custom Taxonomy Added

Instance document (Raw XML)

How this sample was created

Copyright 2000, XBRL.ORG

**CONSOLIDATED STATEMENT OF INCOME**

**Great Plains Software, Inc.**

YEAR ENDED MAY 31,

(Dollars in thousands, except share and per share amounts)	1999	1998	1997
<b>Revenues:</b>			
License	\$ 79,685	\$ 52,949	\$ 35,919
Service	55,222	32,710	21,201
<b>Total revenues</b>	<b>134,907</b>	<b>85,659</b>	<b>57,120</b>
<b>Cost of revenues:</b>			
License	19,355	11,220	6,362
Service	18,350	11,118	8,260
<b>Total cost of revenues</b>	<b>37,705</b>	<b>22,338</b>	<b>14,622</b>
<b>Gross profit</b>	<b>97,202</b>	<b>63,321</b>	<b>42,498</b>
<b>Operating expenses:</b>			
Sales and marketing	47,982	31,636	21,935
Research and development	20,427	12,586	9,678
General and administrative	11,080	7,587	5,592
Acquired in-process research and development	--	7,136	--
<b>Total operating expenses</b>	<b>79,489</b>	<b>58,945</b>	<b>37,205</b>
<b>Operating income</b>	<b>17,713</b>	<b>4,376</b>	<b>5,293</b>
Interest expense	(3)	(2)	(98)
Other income, net	3,595	3,276	656

# XBRL Financial Statement Viewer

Company Information  
Financial Highlights

Accountant Report  
Balance Sheet  
Income Statement  
Stockholder's Equity  
Cash Flows  
Notes

Base Taxonomy Used  
GPSI Custom Taxonomy Added

Instance document (Raw XML)

How this sample was created

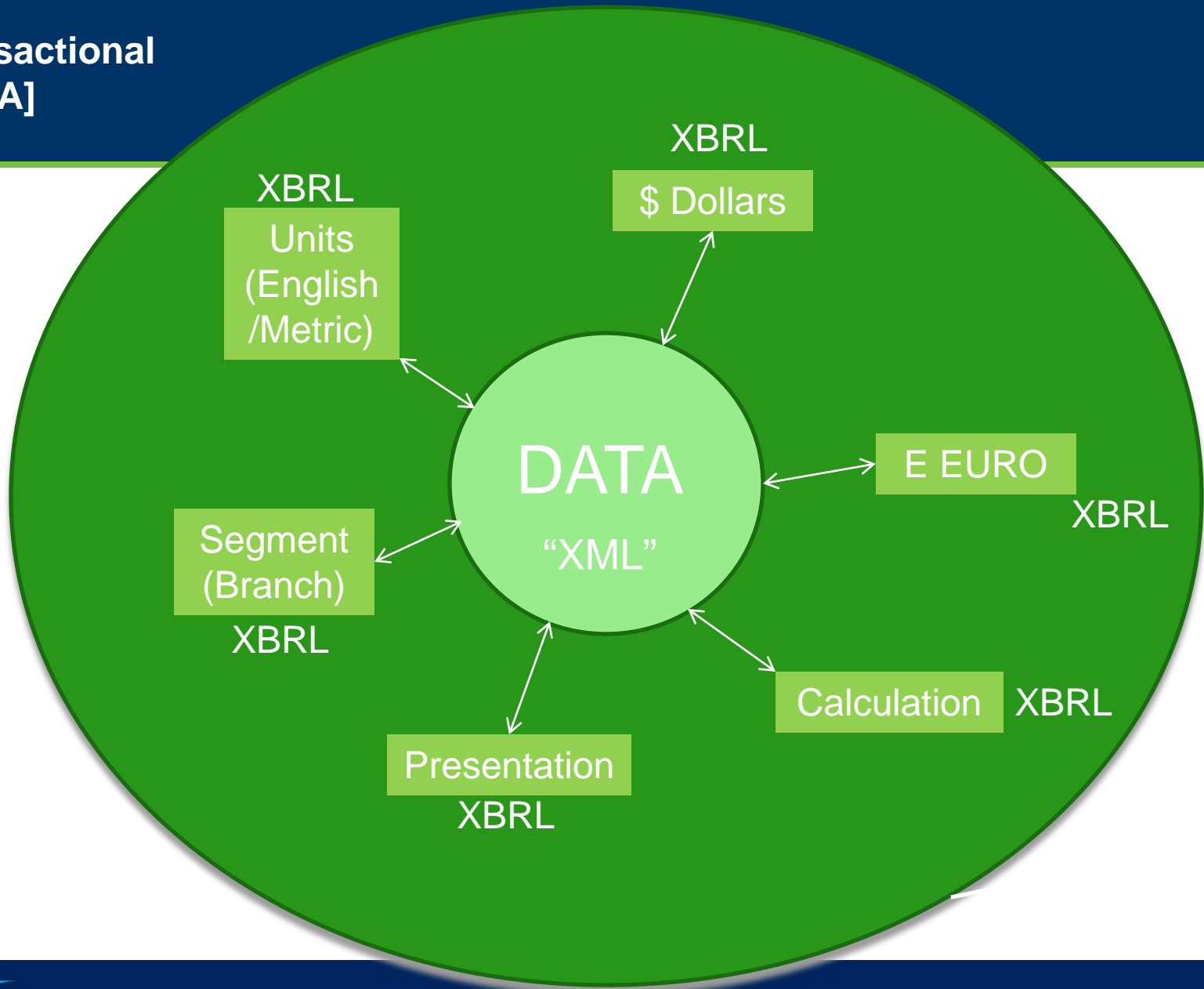
Copyright 2000, XBRL.ORG

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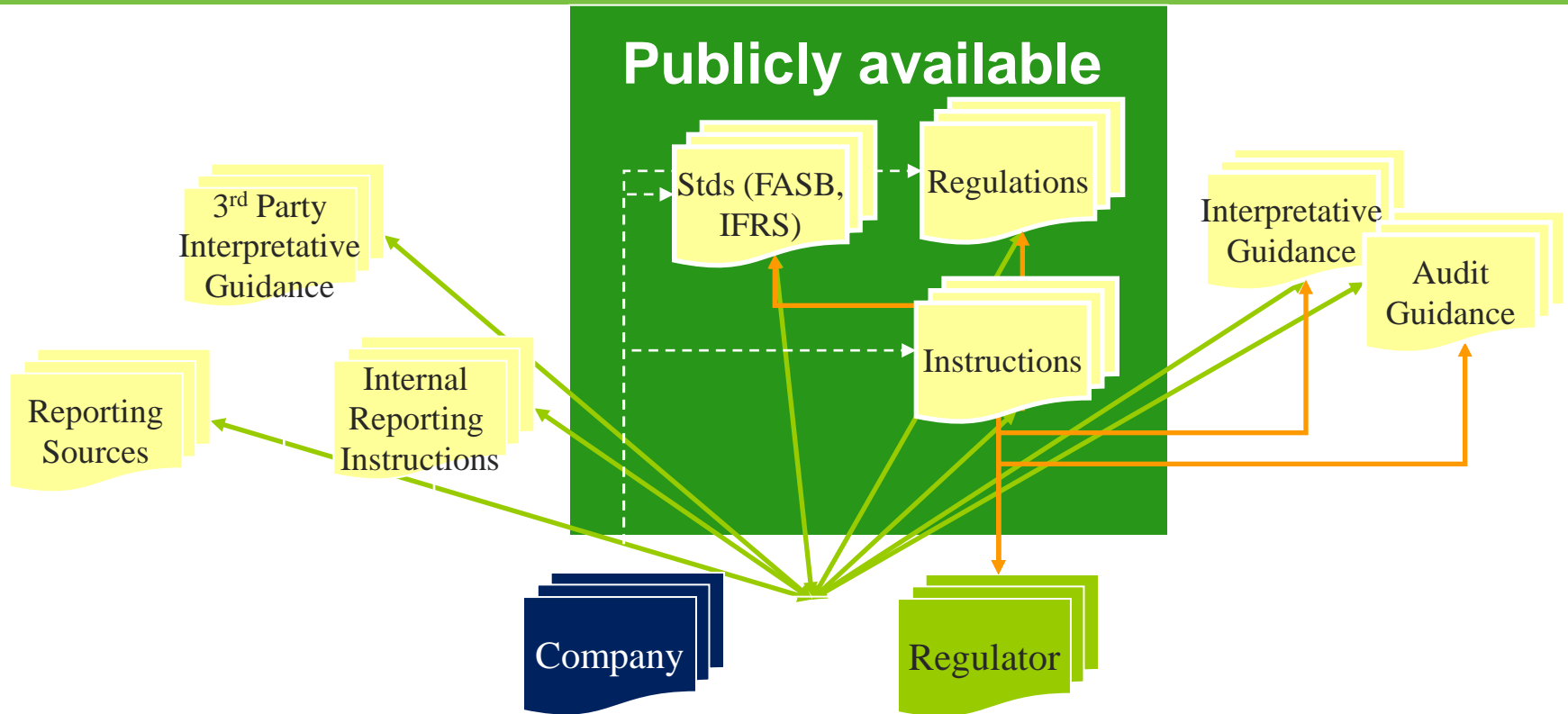
# Transactional [DATA]



# Current U.S. GAAP XBRL Taxonomies

- Commercial and Industrial
- Banking and Savings Institutions
- Brokers and Dealers
- Insurance
- Real Estate

# Solution development - Collaboration yields benefits to all participants



# Who is providing XBRL Services?

## Traditional Financial Printers

- RR Donnelly
- Bowne

## Software Companies

- Hitachi & Fujitsu
  - Foundation Software Only
  - No Services

## CPA Firms

- Big 4 (not doing it)
- UK – Accounting Firms Are Leading Implementation



- **XBRL is:**

- NOT a new accounting standards but ***enhances*** the ***distribution*** and ***usability*** of existing financial statement information
- Enabler and an extension for ***relational database functionality*** for all financial statement information

# *Why XBRL ...*

# XBRL Is Not An Accounting Standard

XBRL will never tell you...

- when to recognize revenue
- if you qualify for hedge accounting
- whether you are required to consolidate a subsidiary

**XBRL provides a mechanism for communicating revenue or off balance sheet risk once you have concluded the appropriate accounting under the applicable accounting standards**

# Problems XBRL Addresses

- Ineffective communication to investors / financial stmt users
- Inefficient / inaccurate aggregation and analysis
- Inefficient / inaccurate creation of financial statements

# Why XBRL?

- Enable business reporting that leverages the Internet & XML
- Effective access and analysis of business reports
- Improve corporate communications with stakeholders

# SEC Chairman:

“ The global debates over the "right" way to do accounting might never be settled. We may never have a global accounting Esperanto. But if the development of taxonomies for data tagging progresses sufficiently, some day in the future it may well be possible for the users of financial information to render it according to an accounting regime they choose: US GAAP, IFRS, or any other system.”

## SEC Chairman

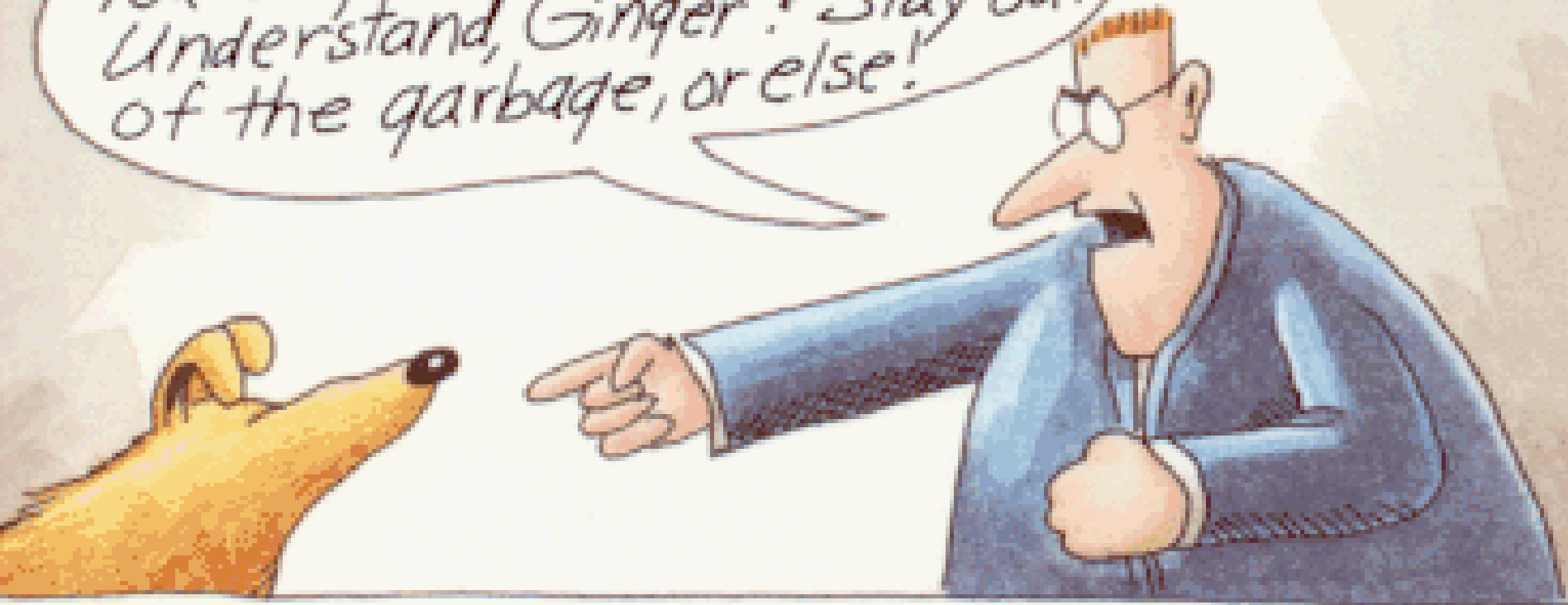
Remarks at the 12th XBRL International Conference Tokyo, Japan

# SEC Chairman (continued)

“Investors and their directors have a right to the information. Complete. Clear. Comprehensible. It's quite simple, really. If someone orders a steak, you don't give them a cow and a meat cleaver. Investors should get all the information they need — and they should get it in a form they can use. Making our mandated disclosures actually useful to investors is the idea behind another SEC initiative: interactive [XBRL] data.”

# What we say to dogs

Okay, Ginger! I've had it!  
You stay out of the garbage!  
Understand, Ginger? Stay out  
of the garbage, or else!



# What they hear

Lanson

blah blah GINGER blah  
blah blah blah blah  
blah blah GINGER blah  
blah blah blah blah...



# Consolidated Profit and Loss Account for the year ended Month Day, Year

Profit	925	448
--------	-----	-----

Earnings per share	3.6	11.0
--------------------	-----	------

# The 80-20 Rule

- Wall Street currently spends 80% of its time and money in data mining and 20% on actual analysis.....what data pros call the 80-20 rule.
- A standardized data format could flip the 80-20 rule, allowing analysts to spend most of their time assessing rather than gathering financial data

# Importance of Reporting

**“[W]hat excites the CEO is the ability to know what the business is doing at any given point in time, react quickly to market shifts and competitive threats and remain in tight control while empowering employees to make informed decisions more quickly.**

Year End Earnings Release Call

John Chambers  
Cisco CEO

# For example ...

Average Time for Updating Financial Information—11 days

90% time spent on Mechanics

10%

Average Time for Updating Financial Information—1 day

Mechanics

More Time for Analysis => Better Analysis => Less Risk

# Securities and Exchange Commission

## GOVERNANCE AND RULES

# Governance & SEC Final Rule – Effective April 13, 2009

- Requires companies to provide quarterly and annual financial statements filed with the SEC in XBRL.
- Applies to domestic and foreign companies using U.S. GAAP and, eventually, to foreign private issuers using IFRS issued by the International Accounting Standards Board.
- Includes primary financial statements, notes, and financial statement schedules, plus company identifier information
- Is a supplement, not a replacement to the traditional electronic (**Edgar**) filing formats in ASCII or HTML.
- Filings would be subject to limited liability within 24 months of the time the filer first is required to submit interactive data files. The limited liability provision will terminate completely on October 31, 2014

# SEC Governance & Rules (continued)

## Non-Attest Service (FOR NOW!)

### Audit Committee Pre-Approval Required

- Allowable Service
- Errors in Tagging or Submission: 10-QA or 10-KA
- Resubmitting XBRL Filing is NOT a Restatement
  
- Not Applicable to Form 11-K Filings (Yet)
- Mutual Funds (Risk and Return) – January 2011

# SEC Governance & Rules (continued)

Rule 405 of Regulation S-T - Filers are Required to Tag

- Use EDGAR Filer Manual
  - Provides Instructions and Guidance – Preparation and Submission of XBRL – OVER 200 Rules

2011 US GAAP Taxonomy – Approved March, 2011

- Created by FAF/FASB – Approved by SEC
- Updated for Codification

Disclosure Controls and Procedures

- Rules 13/15 & Item 307 of S-K Require Principal Financial Officers to Certify XBRL Controls and Procedures

Auditor Attestation

- SEC DOES NOT REQUIRE ASSURANCE ON XBRL FILING
- SOP 09-1 – Performing AUP Engagement Address Completeness / Accuracy / Consistency of XBRL Tagged-Data

# SEC Governance & Rules (continued)

- Will impact Form eligibility - Use of 144 Filings and others to obtain public financing. **Attorneys must be up to speed.**
- Not required for IPO's. Not subject to Exchange Act reporting in S-1 (Form "S" Filings).
- Not required for earnings releases and MD&A
- Interactive XBRL data files required to be included on Company's own web site (not just linked).
- Requirement applies to every submission – under '33 Act – required to have as an exhibit and interactive data file.
- Disclosure controls and procedures – Section 302 – the *personal disclosures* – **do not apply**

# SEC Governance & Rules (continued)

## Consequences of Non-Compliance

- Companies that do not submit or post required interactive data on the date required will be deemed not current with their Exchange Act reports and, as a result, will not be eligible to use the short Form S-3, F-3, or S-8, or elect under Form S-4 or F-4 to provide information at a level prescribed by Form S-3 or F-3. Similarly, these companies will not be deemed to have available adequate current public information for purposes of the resale exemption safe harbor provided by Rule 144.
- A company that is deemed not current solely as a result of not submitting or posting an interactive data exhibit when required will be deemed current upon submitting or posting the interactive data. As a result, it will not lose its status as having “timely” filed its Exchange Act reports solely as a result of the delay in submitting or posting interactive data.

# Adoption

## Three year schedule:

- Year 1 - Domestic and foreign large accelerated filers that use U.S. GAAP - public float above \$5 billion.
  - Quarterly reports on form 10-Q or annual report on Form 20-F or Form 40-F containing financial statements for a fiscal period ending on or after June 15, 2009.
- Year 2 - All other domestic and foreign large accelerated filers (> \$700 Million in public float) using U.S. GAAP
  - Quarterly reports on form 10-Q or annual report on Form 20-F or Form 40-F containing financial statements for a fiscal period ending on or after June 15, 2010.

# Adoption (continued)

- In year 3, all remaining filers using U.S. GAAP, including smaller reporting companies, and all foreign private issuers that prepare their financial statements in accordance with IFRS as issued by the IASB would be subject to the same interactive data reporting requirements.
  - Quarterly reports on form 10-Q or annual report on Form 20-F or Form 40-F containing financial statements for a fiscal period ending on or after June 15, 2011

# Phase In Summary

	What Must Be Filed	
	Basic Financial Statements (Block-Tag Footnotes) (b)	Basic Financial Statements and Footnotes (Detail Tag Footnotes) (b)
<b>Filer Group</b>	<b><i>For Filings of Fiscal Periods Ending After (a)</i></b>	
Large Accelerated Filers:		
Public Float > \$5 Billion	June 15, 2009	June 15, 2010
All Other Accelerated	June 15, 2010	June 15, 2011
All Other US GAAP Filers	June 15, 2011	June 15, 2012
All IFRS Issuers	June 15, 2011	June 15, 2012

(a) - Initial filings receive a 30-day grace period (both years).

(b) - Footnote tagging is broken out into the following four levels:

# Phase In Requirements

Phase I: Basic financial statements (i.e. the face of the financials) would be required to be tagged in detail & **footnotes tagged as “Blocks”**.

Phase II: (Phase I *plus*)

- Level 1 Each footnote tagged as a single block of text.
- Level 2 Each significant accounting policy within the significant accounting policies footnote tagged as a single block of text.
- Level 3 Each table within each footnote tagged as a separate block of text.
- Level 4 Within each footnote, each amount (i.e. monetary value, percentage, and number) is required to be separately tagged. Narrative disclosures are not required.

# Submission Format

Interactive XBRL data would be required with:

- Company's annual and quarterly reports;
- Transition reports; and
- Securities Act Registration Statements.

# Grace Period

- Each company's initial XBRL filing will have a 30 day grace period
- In year 2, for first filing with detailed footnote tags, filers will receive a 30 day grace period

# XBRL Adoption: Who Should Be Involved

- External reporting
- Special projects
- Legal
- Audit committee
- Internal/external auditors
- Investor relations
- IT
- others

# Adoption Strategy - Three Critical Elements

## *Accountant / Software / Filing Agent*

### 1) US GAAP Accountant

- Bridge US GAAP Literature
- Create (XML) “Tags” for Financial Statements per SEC XBRL Regulations
- Apply US GAAP Taxonomy – “Tags” to
  - Basic Financial Statement Elements
  - Footnote Elements

### 2) Software Provider

- Provides foundation to comply with XBRL
- Technology exercise founded in US GAAP knowledge

### 3) Filing Agent (SEC Registrants)

- Files Financial Statements
  - Traditional Edgar “HTML”
  - New – XBRL “XML”

# Survey Results

## 18) Do you think you will do the XBRL formatting in-house or will you outsource it to a service provider?

<b>Response</b>	<b>Count</b>	<b>Percent</b>
Do it in-house	38	24%
Outsource it to a service provider	89	56%
Don't know	32	20%

- **ADOPTION STRATEGY**

# XBRL-US: Non-Profit Agency

- Charged with assisting companies with XBRL adoption

**The mission of XBRL US, Inc. is to support the implementation of XML business reporting standards through the development of taxonomies for use by U.S. public and private sectors, with a goal of interoperability between sectors, and by promoting XBRL adoption through marketplace collaboration**

- Not-for-profit agency – Self-funded
- [WWW.XBRL.US](http://WWW.XBRL.US):
  - Houses Approved Taxonomies (Written by FASB/FAF)
  - Best Practices
  - White Papers and Other Guidance

[To: CFO]

Please see comments from our review of your XBRL statements as prepared by [*XBRL VENDOR*]. Considering the severity and magnitude of the discrepancies noted, we wanted to keep you up to speed as we progress through our review.

We are concerned about the number of US GAAP errors noted relative to the total number of line items on your financial statements. The incorrect use of extensions for Abstracts and the SEC test filing failures are also concerning. Suggest you follow up with your XBRL provider to address these issues as soon as possible.

# ParenteBeard LLC XBRL Practice

- Initiated Fall of 2008
- Researched XBRL (Whitepapers...)
- Conclusion: XBRL IS ACCOUNTING WORK & Represents the Next Generation in Financial Reporting
- **Not Just for Public Companies**
- Status: \$3.5 Million Practice Line
  - Required No Additional Investment

# ParenteBeard LLC

## XBRL Practice Leader:

John M. Swirsding, CPA

Senior Manager | XBRL Practice Leader

ParenteBeard LLC

One Liberty Place | 1650 Market Street, Suite 4500 | Philadelphia,  
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# XBRL Practice - Creation

## Resource Requirements & Approach:

- Entrepreneurial Firm Leadership
- Select XBRL Software Partner
  - Consider Future State – Data Centric Financial Reporting
- Team of Industry Specialized US GAAP Experts
- Marketing Collateral
- Firm-wide Messaging (Internal Breeds External)

# XBRL Practice - Delivery

## Resource Requirements & Approach:

- Training & Development – Not Insignificant
- XBRL Software
  - Sophisticated: Intuitive & Technical
- Team of Industry Specialized US GAAP Experts
- Firm-wide Support (Partner Involvement)
- XBRL Production Management System
- Create Raving Fan Clients (Potential for Future Services)

# XBRL Practice – Why Build One?

- We Provide Solutions to Problems
- XBRL is an SEC Mandate (Requirement)
- XBRL IS ACCOUNTING WORK
- Our Clients Need Help / Education
- “Door Opener” Service
  - Win or Lose
- Current & Future Revenue Opportunities
  - NOW: SEC Compliance / Mandate (SOP 09-1, etc...)
  - FUTURE: Building an Integrated (Data Centric) FSCP

# Practitioner Responsibilities (Protect Companies & The Public Trust) Converts to Practitioner Opportunities

XBRL Filings are subject to limited liability within 24 months of the time the filer first is required to submit interactive data files. The limited liability provision will terminate completely on October 31, 2014

**Timeline** – Limited Liability will no longer applies for some public companies - beginning in August 2011.

**Liability** – After Limited Liability expires, XBRL financial information filed will be subject to the same level of '34 Act securities & anti-trust laws (liabilities) as traditional EDGAR filings.

# Practitioner Opportunities:

## Opportunity

- With the expiration of Limited Liability, every SEC Registrant should consider requiring external review of their XBRL data
- Starting Point -> AICPA Resources (SOP 09-1 & ASEC Exposure Draft)

## Practitioners are Uniquely Positioned

- Practical Knowledge (Experienced Team of CPA's with Industry Spec.)
- Load Balancing Opportunity (XBRL Performed Outside Busy Season)

## What's Required

- Expertise, Training, Process, Tools (Software Solutions)

# Practitioner Opportunities (continued):

## **Opportunities**

- Conversion Services (XBRL Compliance)
- Consulting Services (Leveraging XBRL – Internal & External Reporting)

## **Practitioners are Uniquely Positioned**

- Practical Knowledge (Experienced Team of CPA's with Industry Spec.)
- Load Balancing Opportunity (XBRL Performed Outside Busy Season)

## **What's Required**

- Expertise, Training, Process, Tools (Software Solutions)

# XBRL & Professional Standards:

- AICPA CAQ Alert – Permissible Services

- Independence Considerations

- SEC Attest Requirement

- **ASSURANCE:**

Interactive Data (XBRL) submissions will not be required to involve 3rd parties such as auditors or consultants for assurance.

Issuers can obtain third-party assurance under the PCAOB Interim Attestation Standard—AT sec. 101, Attest Engagements on interactive data, and can start and stop obtaining assurance whenever they choose. The rules do not require auditors' reports to be tagged, however issuers are permitted to indicate in the financial statements (such as in a footnote) the degree of auditor involvement in the tagging process (i.e. disclosures regarding the level of auditor involvement or lack thereof in the creation of the interactive data exhibit).

## AICPA Releases:

- **SOP 09-1 *Performing Agreed Upon Procedures***
  - **Engagements That Address the Completeness, Accuracy, Consistency of XBRL Tagged Data**
- **AICPA Assurance Services Executive Committee – XBRL Assurance Task Force**
  - **Exposure Draft – Proposed Principles And Criteria For XBRL-Formatted Information**

# Practitioners Can Leverage SOP 09-1

**This SOP provides practitioners with guidance on performing agreed-upon procedures engagements that address the completeness, accuracy, or consistency of an entity's XBRL-tagged data of information as of a specified date and for a specified period.**

***- American Institute of CPAs***

AUP 1 - Instance Document Properties

AUP 2 - Tags Accurate & Consistent

AUP 3 - Extensions Analysis

AUP 4 - Completeness of XBRL

AUP 5 - Note Tagging Granularity

AUP 6 - Labels & Linkbase

AUP 7 - Calculations

AUP 8 - Presentation

# Practitioner Resources

## **AICPA Assurance Services Executive Committee – XBRL Task Force**

### **Exposure Draft – Proposed Principles And Criteria For XBRL-Formatted**

- a) *Completeness—All required information is formatted at the required levels as defined by the entity’s reporting environment. Only permitted information selected by the entity is included in the XBRL files.*
- b) *Mapping—The elements selected are consistent with the meaning of the associated concepts in the source information in accordance with the requirements of the entity’s reporting environment.*
- c) *Accuracy—The amounts, dates, other attributes (for example, monetary units), and relationships (order and calculations) in the instance document and related files are consistent with the source information in accordance with the requirements of the entity’s reporting environment.*
- d) *Structure—XBRL files are structured in accordance with the requirements of the entity’s reporting environment.*

# Other Practitioner Opportunities

Two Approaches to Reporting in XBRL:

1. “Bolt-On Approach” – 90+% currently using this approach
2. “Built-In Approach” – Where we are going

Why are we going to Built-In Approach?

Financial Reporting Processes at Most Companies (Public /or/ Private)

= **Archaic**

Moving to **Data Centric Financial Reporting Process:**

Transaction Level / Reporting Data Builds Reporting Document  
(Automated)

# Other Practitioner Opportunities

## Data Centric Financial Reporting Process

How Does it Work?

XBRL = Open Architecture (Global) Business Reporting Language

*Makes comparability and analysis of disparate entity financial reporting possible (regardless of each entity's financial reporting platform)*

Step 1: Integrate ERP, G/L, Consolidation & Subsystems (including Non-Financial Systems (HR...))

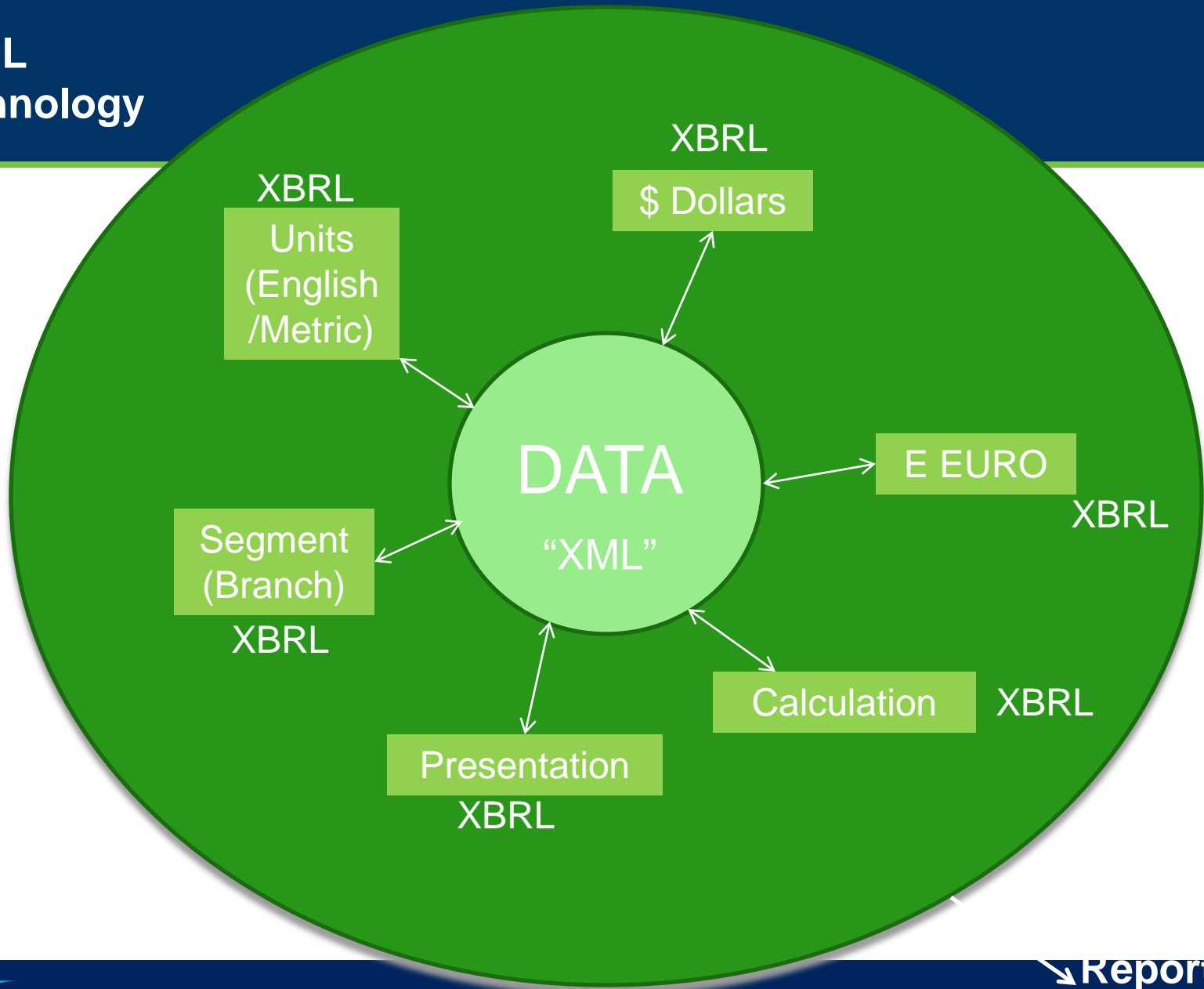
Step 2: Use of 'Data Adapter' to Acquire System Reported Transactional Data

Step 3: Transaction Data Flows From Systems to XBRL

Step 4: XBRL Programmed to Categorize & Modify (i.e. Apply Non-Routine & Estimated Accounting)

Step 5: XBRL Software Flows Reporting Information to Internal & External (EDGAR & XBRL) Reporting Formats

# XBRL Technology



# Other Practitioner Opportunities

## Integrated Financial Reporting & Internal Controls in Financial Reporting (ICFR)

As the technology associated with interactive data improves, issuers may integrate interactive data technology into their business information processing, and such integration may have implications regarding internal control over financial reporting no different than any other controls or procedures related to the preparation of financial statements. **If this integration occurs, the preparation of financial statements may become interdependent with the interactive data tagging process and an issuer and its auditor should evaluate these changes in the context of their reporting on internal control over financial reporting. However, this evaluation is separate from the preparation and submission of the interactive data file, and as such the results of the evaluation would not require management to assess or an auditor to separately report on the issuer's interactive data file provided as an exhibit to a filer's reports or registration statements.**

# XBRL: Future Compliance Requirements

- US Government Legislation – The DATA Act  
House Floor Vote Pending – Unanimous Committee Approval
- State Government Reporting to the Federal Government
- Business (Individual) Income Tax Reporting
  - UK Financial & Tax Reporting
- Expanded Capital Market Reporting (Insurance...)
- Attest Requirements on XBRL

# XBRL: Future Public & Private Company Opportunities

- Move from Document Centric to Data Centric Financial Reporting  
IBM Invested - \$1 Billion+
- Reduce Financial Statement Close Process
- Create On-Demand P&(L)'s by Unit / Segment
- Agreed-Upon-Procedures, Analytics (Audit), Continuous Auditing, Forensics, Valuation Services

# Process Benefits:

- Today's external reporting processes
  - Rework and delay
  - Ad hoc and non repeatable
  - No path forward
  - Innaccurate

Accounting System

Explanatory Text

Third Party Information

Printed Financials

Regulatory Filings

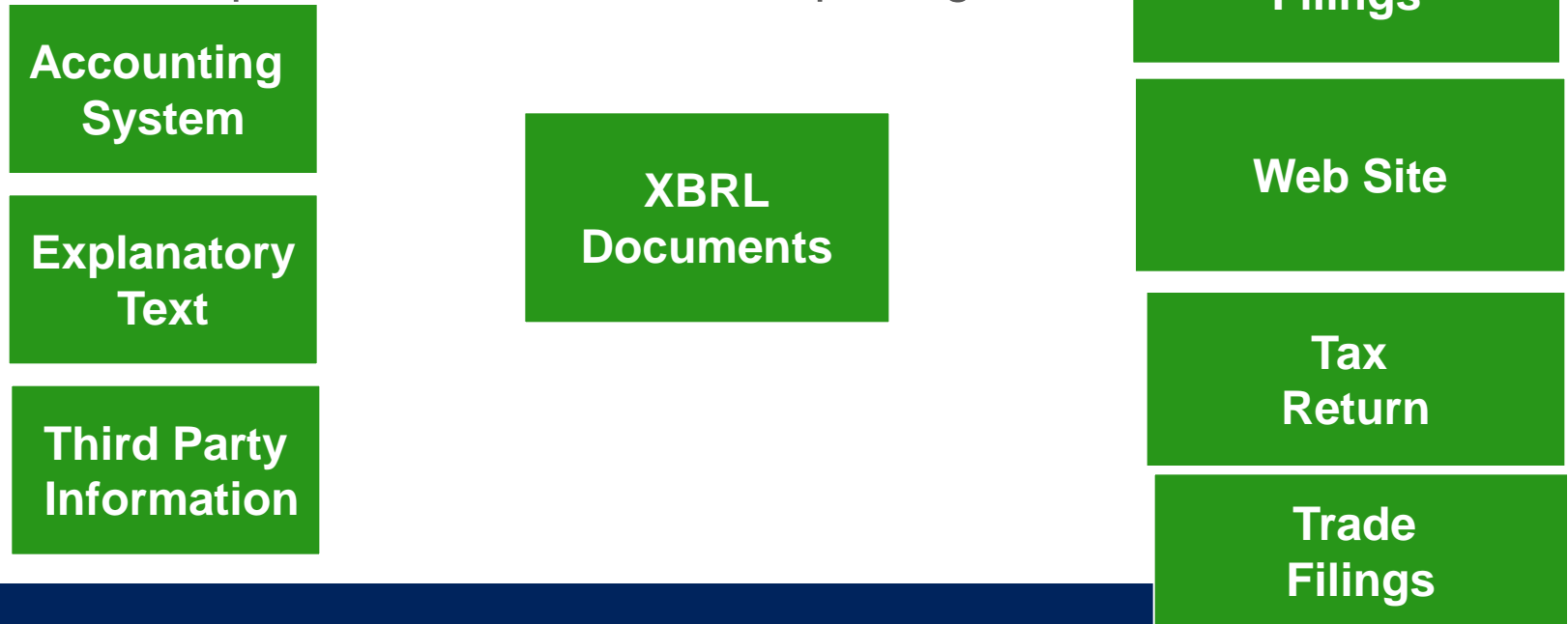
Web Site

Tax Return

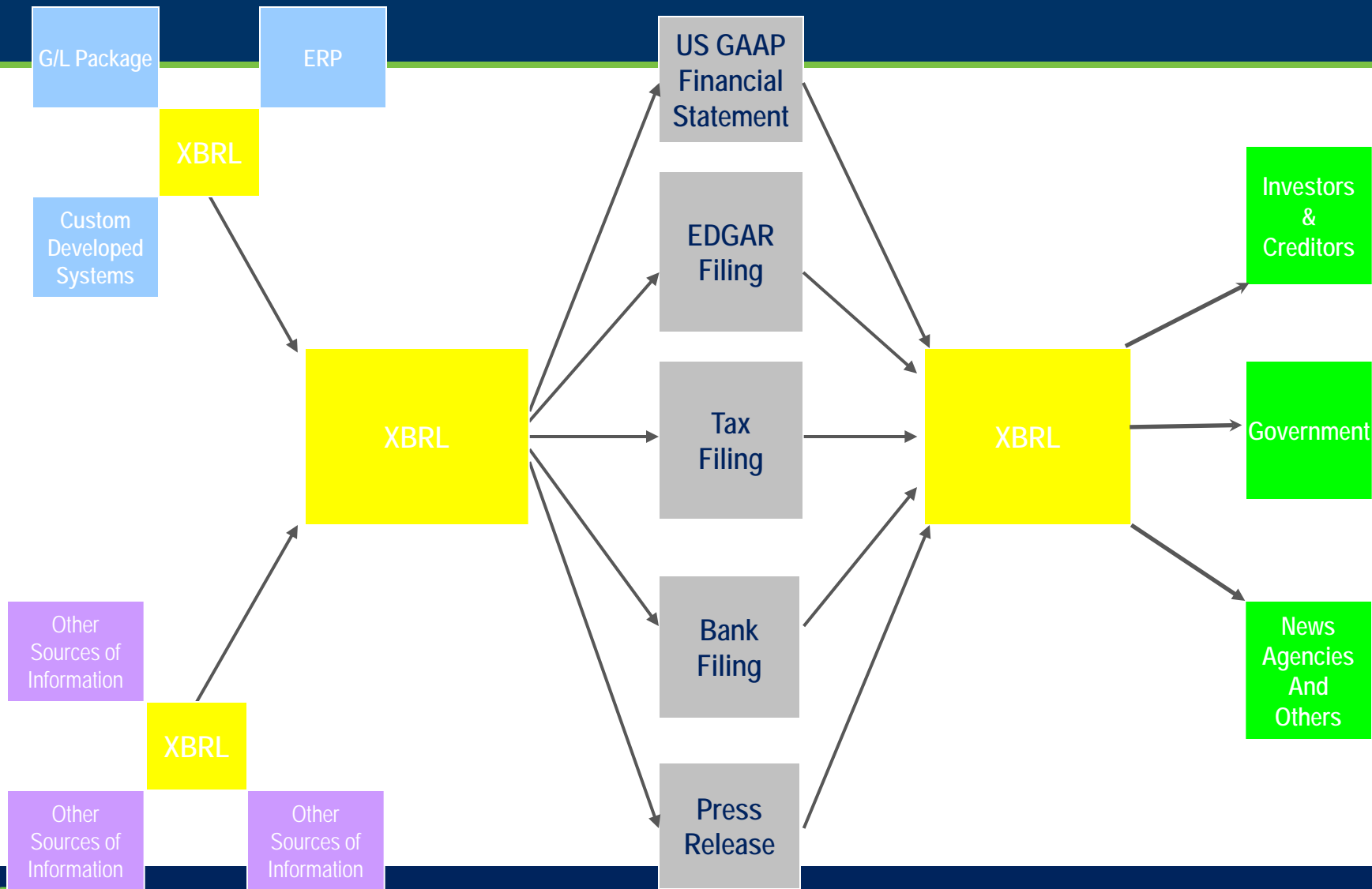
Trade Filings

# Process Benefits:

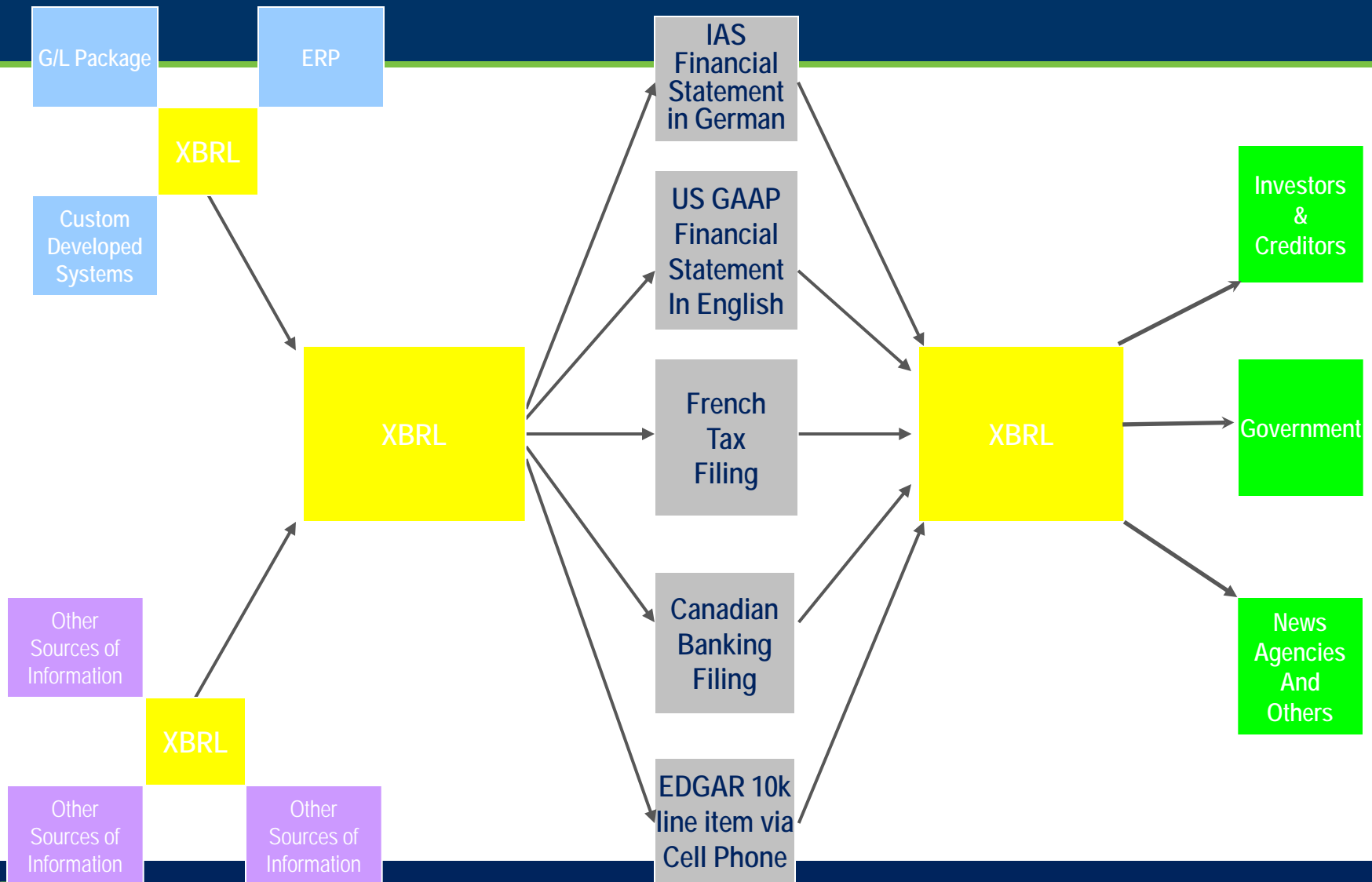
- Common interchange format and storage is good information management practice
  - Reduces redundancies & discrepancies
  - Repeatable processes using tools
  - A platform for continuous reporting



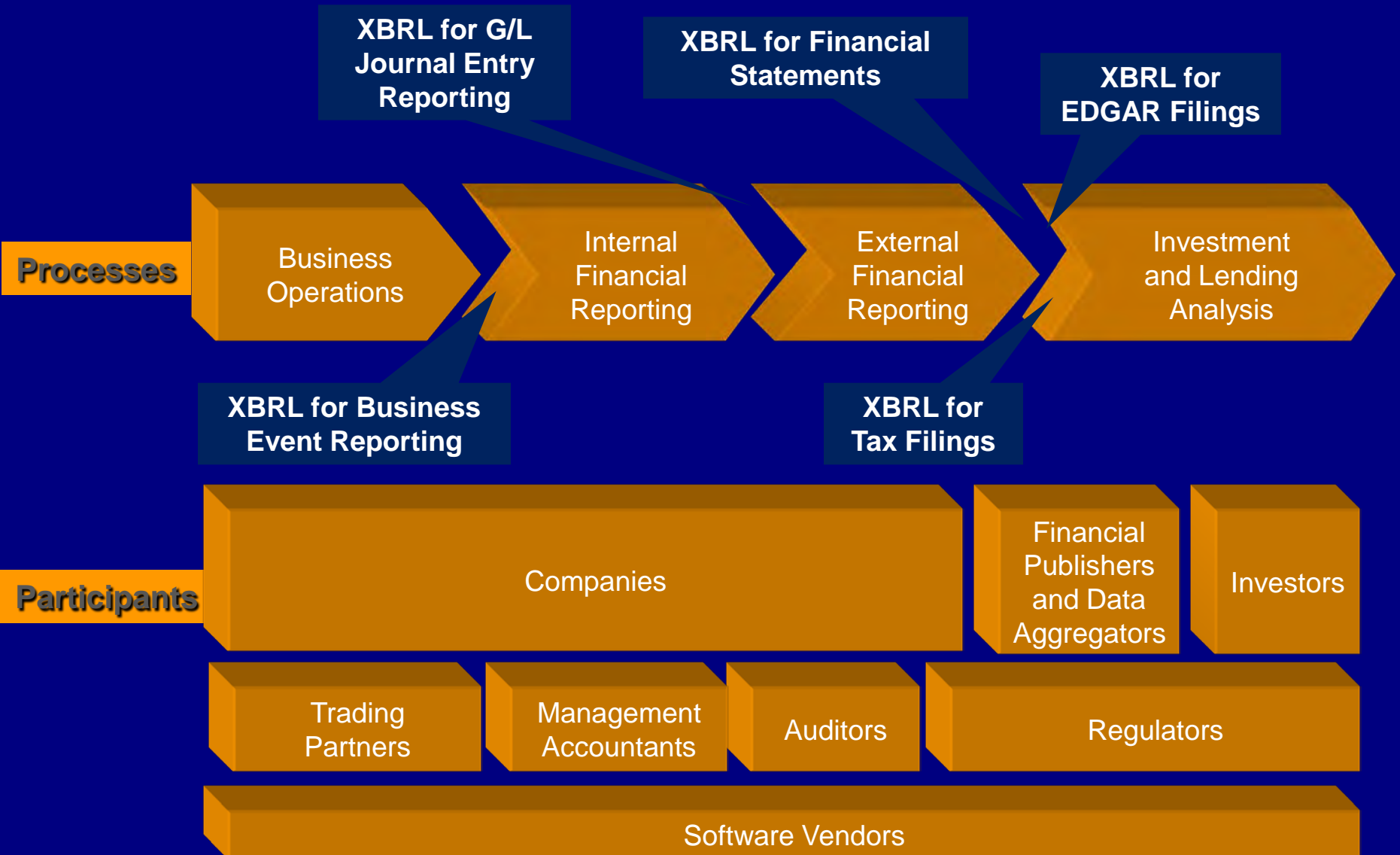
# XBRL: Interoperability & Multiple Uses



# Once *Every* Event is tagged in XBRL...



# XBRL Working Model: Planned Specifications



# Marketplace Direction – XBRL

## *A Journey And An Evolution*

- I. XBRL Technology Not New – Globally Accepted
- II. XBRL Mandate (Globally):
  - Creates Market Visibility into XBRL (XML Technology)
  -

# Overall Movement / Benefits of Technology

Financial Statement Close Process (FSCP) :

- **From**: *Document Centric* Financial Reporting
- **To**: *Data Centric* Financial Reporting
  
- Efficient Financial Reporting Process
  - Automated FSCP - Reporting
  - Point in Time P&(L) (By Segment / Unit)
    - Including Estimation Accounting
  - Applied to Any System (Any Level (Sub-Ledger)...) )

# Marketplace Opportunities

## XBRL Implementation:

- Transaction Level Tagging
- Report Writing / Analytics / Budgeting
- Financial Close Process
  - Reporting (through) SEC Filings (Privates too)
  - **ON-DEMAND POINT IN TIME P&(L)**
    - By Segment (Unit)
    - Including Estimation Accounting

# Marketplace Opportunities

## XBRL Thought Leadership

- XBRL in Accounting, Auditing & Other Firm Services
  - **E&Y: Lead Sponsor - XBRL Nat'l Convention**
  - **PwC: Service Provider - XBRL.US Website**
  - Continuous Auditing
  - Predictive & Other Analytics
    - Enhance Risk-Based Audit Approach
  - XBRL / XML / Reporting – Leverage
    - Forensics, Litigation Services, Valuation Services

# Marketplace Opportunities

## XBRL Thought Leadership

- XBRL in Financial Reporting
  - Financial Statement Close Process
    - Modeling Estimates (by Industry)
    - Standard Packaging (by Industry)
    - Company Specific Consulting

# Adoption Strategy

- XBRL Adoption Requires Application of GAAP Accounting to Financial Reporting Elements (*G/L, Sub-ledger and/or Transactions Level*)
- Getting it Right the First Time Demonstrates Commitment to Provide Clarity to the Marketplace
- Accounting & Auditing Firms as XBRL Service Providers

# Current Marketplace Status

- Initial XBRL Adoption – June 2009 – 500 Co.'s (SEC Only)
- 1,500 Co.'s Now XBRL Compliant (SEC Only)
- Marketplace Rumbblings (Public & Privates - Seeing The Light)
  - Very Early Stages
  - Software Providers Developing Strategic



**The global XML standard for  
business and financial reporting**



# Resources

[www.xbrl.us](http://www.xbrl.us)

- Software and service matrix
- Taxonomies
- Preparers Guide
- Case studies
- Sample instance documents

<http://www.sec.gov/info/edgar/edmanuals.html>

SEC's Information for EDGAR Filers (EDGAR Filer Manual)

# Questions?

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# QUESTIONS



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