



eXtensible Business Reporting Language

Moving to a global standard for electronic business reporting

The movement toward **eXtensible Business Reporting Language, or XBRL**, as a standard global framework to support the more effective production, consumption, and exchange of financial and business information is rapidly gaining acceptance throughout the world. Standard setters, regulators, governments, and lenders in many of the largest economies around the world are embracing XBRL. In 2009, many companies across the United States, Europe, Asia, and elsewhere will be using XBRL, and those numbers will likely increase dramatically by 2011 as additional mandates go into effect and convergence of global reporting standards continues. However, the XBRL story will not end with regulatory financial reporting. As the trend toward common information standards continues to take hold, adoption of XBRL by companies will be driven by growing demand in the capital markets for data, and by companies discovering XBRL's utility and value in more efficient and effective management of their businesses.

The worldwide stage is being set for the broad adoption of XBRL as the accepted information standard for financial and business data. Among the recent developments that are driving the acceleration of XBRL adoption are the following:

- The United States Securities and Exchange Commission (SEC) adopted a final rule, "Interactive Data to Improve Financial Reporting", to mandate the use of XBRL by U.S. registrants. Application of the rules will be phased in beginning June 2009 and will require that companies submit financial statements and financial statement schedules in an XBRL format. The SEC also adopted a final rule that requires mutual funds to provide risk/return summary information in XBRL format beginning in January 2011. In addition, the SEC has drawn links between its XBRL and IFRS initiatives, noting XBRL as an enabler on the path toward convergence of global reporting standards.
- The International Accounting Standards Board (IASB) released an expanded IFRS XBRL Taxonomy in June 2008 to support the broad adoption of XBRL for IFRS-based reporting. This taxonomy has been leveraged as the basis for other XBRL reporting taxonomies. The IFRS Taxonomy has been updated in 2009 to reflect recent changes and developments in IFRS standards.
- The Japanese Financial Service Agency (JFSA) has mandated the use of XBRL for electronic filing of financial statements. The mandate affected all listed domestic companies and investment funds in Japan beginning with reports for the first fiscal quarter ended June 2008.
- The SEC, IASB, and JFSA have established a program to align their XBRL initiatives and taxonomy development efforts going forward.

- Momentum is building around large scale "national" XBRL projects. These multiagency projects aim to streamline corporate to government and interagency reporting. High profile projects such as Australia's Standard Business Reporting (SBR) project and the Netherlands National Taxonomy Project (NTP) are being viewed by other countries as a template for the use of XBRL for improving efficiency and reducing costs borne by companies and governments associated with financial reporting.
- Exchanges, regulators, and government agencies in other countries have pilots or mandates in place for the use of XBRL in public company filings. These include, among others, Canada, Korea, the United Kingdom, and China.

The bottom line:

XBRL adoption will continue to accelerate. As adoption increases, data that is more easily consumable becomes more widely available. As a result, greater transparency will likely be required in order for companies to stay competitive in the global marketplace as well as to manage their businesses effectively.

What is XBRL?

eXtensible Business Reporting Language (XBRL) is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. XBRL's impact on financial reporting and data exchange has been compared to the impact of barcodes on merchandising. Like the barcode, XBRL is a system for coding and decoding information.

Instead of treating financial information as a block of text – as in a standard Internet page or a printed document – XBRL provides an identifying tag for each individual item of data. The introduction of XBRL tags enable automated processing of business information by computer software, allowing the data to be treated "intelligently". This greatly increases the speed of handling financial data, reduces the chance of error and permits automatic checking of information.

Some of the benefits of XBRL are:

- It creates a standards-based method with which users can prepare, publish in a variety of formats, exchange and analyze financial statements, and business information.
- It offers cost savings, greater efficiency, and improved accuracy, and reliability, to all those involved in supplying or using financial data.

Why are regulators, standard setters, and companies considering XBRL?

Why XBRL now?

For a number of years momentum has been building toward a fundamental shift in business reporting. Regulators, investors, capital markets and companies have all been part of the movement. Enabling technologies, including information standards and the Internet, have already had a dramatic impact on business.

Today, consumers and businesses have an unprecedented ability to customize the products and services they purchase. Rather than in-stock goods and off-the-shelf products, these technologies have allowed for the “mass customization” of goods and services. It is not difficult to envision how digitization, along with information standards and the Internet, can allow users to customize the information they want and how they want to see it presented, in much the same way as they now customize the products and services that they purchase.

Key to bringing this vision to life is the adoption of information standards such as XBRL, which provides a framework to support the effective exchange of documents and data across applications, platforms, and the Internet.

Today's challenges

Today, companies face unprecedented challenges. Increasing global competition, heightened regulatory oversight, rising risk awareness, and other factors have altered the playing field. For companies to succeed, the ability to quickly adapt to a fluid environment is more critical than ever.

XBRL was designed to meet these challenges and provide a reporting framework that can help improve efficiency, control risks, and introduce enhanced flexibility in the way companies manage their business and respond to the constant change and fluid environment in which they operate.

How XBRL can provide solutions

The business value possible from XBRL can be realized by regulators and standard setters, as well as by investors and other external users of business reporting information. XBRL standards allow for the development of interoperable, reusable, and scalable applications, software tools and processes resulting in more efficient production, consumption, and exchange of data. XBRL is already being leveraged in the public and private sector to achieve real benefits, including improved efficiency, and enhanced quality and comparability of data.

Standard setters, preparers, and consumers of financial and business information all recognize the need for accurate, consistent, and reliable information at a granular level and on a timely basis. XBRL enables consumers of financial data to reduce the time spent on inefficient and costly manual processes, including locating, assembling, and reentering data, and concentrate their efforts on analysis, aided by software that can validate and manipulate XBRL-formatted data. In an XBRL-enabled environment, searches for particular information, which might in the past have taken hours, can be completed within a fraction of a second.

Acceleration of XBRL adoption, including the issuance of the SEC's rules have served as a wake-up call for many U.S. executives — especially in larger companies with multi-GAAP reporting needs. In time, as the global trend toward convergence of reporting standards, enhanced comparability and transparency of information continues, companies are expected to benefit from developing a rational response to the inevitable movement toward XBRL.

For many companies, XBRL may represent an opportunity for enhanced business reporting, providing management with better internal information, improving how the company communicates with investors and the capital markets, and even reducing reporting costs. In assessing the impact of adopting XBRL, companies should consider potential benefits and advantages including:

- **Standardized and improved accounting and financial reporting** – XBRL streamlines the creation and validation of financial and other business reports by attaching standardized “tags” to data within documents and other data sources allowing automated analysis and reporting of the data. This reduces today's typical laborious and error-prone manual reporting and analysis processes.
- **Data consumption and analysis** – Consumers of XBRL-formatted data can automate its handling, validation, and analysis, reducing time-consuming and costly collation and reentry of information. The human effort normally spent on manual compilation of data can switch to higher, more value-added analysis, review, and decision-making.
- **XBRL is extensible** – XBRL is extensible and flexible; therefore, it can be adapted to a wide variety of applications and requirements. Companies using XBRL can extend current taxonomies by defining new tags, or by creating their own taxonomies for their specific purposes.
- **Transparency** – XBRL allows for increased transparency of financial information to stakeholders, at a granular level. For example, companies reporting under a common taxonomy provide specific details that are immediately comparable by investors and analysts in investment decision-making. This can benefit the organization in various ways, such as improved investor relations, investor coverage, and access to capital markets.

Global standards for business reporting

The momentum around XBRL is part of a broader trend toward convergence and the adoption of universal standards, such as IFRS, to improve the effectiveness of global business reporting.

As part of this trend, XBRL will contribute to reduced complexity, greater transparency, increased comparability, improved efficiency and other potential benefits of a move to global standardization of business reporting:

Investors – The investment community is increasingly looking for high-quality financial information. Investors, in increasing numbers, perceive XBRL as an opportunity to analyze companies across the globe. Companies that do not provide this information may soon need to, as shareholders and analysts may expect (or demand) it. The more that demand for XBRL financial information grows, the more even the playing field becomes, thus allowing investors to have an “apples-to-apples” perspective when comparing financial results.

Capital markets – With XBRL, greater market efficiencies can be realized. A single, global set of reporting standards can encourage both companies and investors to more easily access multiple or foreign markets. In effect, this can help stimulate investment and enable cross-border capital flows, similar to that of IFRS.

Companies – Streamlining financial reporting processes throughout a global operation can eliminate divergent accounting systems and enable greater consistency in reporting, thereby reducing costs, increasing operational effectiveness, and decreasing the likelihood of potential errors resulting from the misapplication of standards.

Many companies around the world are beginning to incorporate XBRL into their financial reporting process. It is an important vehicle as stakeholders in the global economy move toward convergence of financial reporting standards, with the goal of building efficiencies in the global capital markets, and moving toward greater corporate and government transparency. As a result of the increased focus on XBRL by the SEC and other major regulators and standard setters, many public filers and other market stakeholders have been evaluating the potential benefits of XBRL. As more companies become familiar with XBRL, adoption of XBRL will likely continue to grow.

What should companies do?

Given the heightened interest and activity around XBRL, companies in the United States would be well served by taking action now to develop a greater understanding of XBRL. This involves assessing the implications of the SEC's rules on their organizations, and determining an appropriate course of action for responding to increasing adoption of XBRL as a global business reporting standard.

CFOs, CEOs, Audit Committees, and Boards of Directors should consider the following in an effort to understand the impact of XBRL on their company:

1. Assess how the organization is currently exposed to U.S. and global initiatives to adopt XBRL for regulatory and external reporting purposes. This would include:
 - Becoming educated: Gaining an understanding of the SEC's initiatives around XBRL as well as the scope, timeline, and impact of the SEC's rules.
 - For companies with operations outside of the United States, identifying, and gaining an understanding of other XBRL initiatives around the globe that may affect their reporting requirements.
2. Develop an implementation roadmap to be compliant with U.S. (SEC) and international XBRL reporting mandates. Companies should consider options including:
 - Technical training for reporting staff: Including training on XBRL and specific to the requirements of regulatory mandates affecting the company.
 - Assessing implementation options: Including consideration of internal vs. outsourced deployment support, software and vendor selections and related cost considerations.
3. Evaluate the potential benefit of deploying XBRL beyond the requirements of regulatory mandates.
 - Defining and implementing additions and changes to reporting processes: Identify and implement process and internal control changes needed to accommodate the implementation of XBRL-based reporting.

The requirements of XBRL regulatory mandates will likely be limited to external reporting. While limiting implementation only to external reporting will likely carry the lowest direct cost to the company, it will limit the benefits of moving to XBRL. Companies subject to SEC or international XBRL mandates should consider the cost and benefit of going beyond the minimal requirements of external reporting and implementing XBRL for reporting within the organization.

Key questions to consider:

- Does the organization currently have multiple GAAP or statutory reporting requirements?
- Does the use of disparate accounting systems and reporting platforms drive challenges in consolidation and other internal reporting processes?
- How frequently do acquisitions, divestitures, or other business events drive a need for extensive reporting and systems integration efforts?

Adopting XBRL is not just about external reporting and complying with specific regulatory mandates. Introducing XBRL-based processes and applications can have a critical effect and benefit, directly impacting the way companies manage their business. Companies should consider these factors in assessing how they will respond to the XBRL reporting requirements of U.S. and other regulatory mandates.

Moving Forward

Market forces, regulatory activity, the promise of efficiencies, and other factors are pushing XBRL into the headlines and to the top of senior executives' agendas across corporate America. The movement toward XBRL is real. Companies must ask themselves: Can we afford not to investigate the power of XBRL?

Resources and Contacts

As one of the founding members of the XBRL International consortium, Deloitte is an active participant in XBRL development around the globe. With a global network of XBRL-experienced professionals we provide a comprehensive array of services related to XBRL. As a multidisciplinary organization, we can help companies understand, implement, and benefit from the potential of XBRL. We offer companies assistance with:

- Evaluating the potential impacts of XBRL
- Assessing readiness for XBRL reporting requirements and regulatory mandates
- Implementing XBRL reporting solutions; providing support with project management, training, and process and technology deployment services
- Addressing the implications of XBRL beyond external reporting in areas such as finance transformation, data integration, and continuous reporting

For more information, please contact:

Tom Church
Global XBRL Leader
Deloitte & Touche LLP
+1 312 486 2390
tchurch@deloitte.com

Yossef Newman
Global XBRL Program Leader
Deloitte & Touche LLP
+1 212 436 6424
ynewman@deloitte.com

Scott Rosenfelder
National AERS Technologies and
Knowledge Management
Deloitte & Touche LLP
+1 312 486 2763
srosenfelder@deloitte.com

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