Delivering Financial Statements in XBRL

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This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.

The U.S. Securities and Exchange Commission has decided to replace its 1980s-era EDGAR database with a new system of XBRL-based electronic statutory filings. It's believed that collecting, analyzing and comparing financial information electronically will better serve the investment community and facilitate greater accuracy and control over exchange data.

Q. What should finance organizations do to prepare for delivering financial statements using XBRL?

Taking into view the phased implementation of the SEC requirement, many early adopters of XBRL (eXtensible Business Reporting Language) will likely elect a "bolt-on" option for their 10K filings. That's understandable, given the short timeframe to implement this requirement.

The "bolt-on" option means that you can prepare your final statements and then tag the face and footnotes, based on U.S. GAAP taxonomy. However, come the end of each quarter, you will have to do the tagging all over again, incurring additional costs. From this perspective, an "integrated" solution is by far the better approach. But it means rethinking and re-engineering your organization's information supply chain in two ways.

First, to the greatest extent possible, you will need to automate the organization and tagging of data for financial statement generation and filing.

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Second, you will need to migrate the quarterly and annual close-to-file process from what is usually a nerve-wracking, intense, manual exercise to one that requires only incremental updates.

Adapting to XBRL with an integrated approach is the way to gain maximum internal value and business ROI. It involves moving back the tagging of data to as early a stage in your organization's information supply chain as possible. This implies using XBRL Global Ledger in addition to XBRL Financial Reporting taxonomies. These two are complementary, but using XBRL GL will yield the capability to derive business value at the most fundamental and granular level of your business processes, while simultaneously allowing seamless integration of internal data into your external reporting.

There are, however, other things to consider in defining your roadmap to XBRL. One is the timing and extent of anticipated internal restructuring. In economically challenging times, such as we are experiencing now, your business may undergo significant changes to align with new market conditions, which in turn could impact your financial management and reporting processes.

Another consideration is your organization's approach and timeline for transitioning to IFRS. While the SEC rules governing the IFRS transition have not yet been finalized, the adoption of IFRS and XBRL need to be coordinated so that these two changes will cause minimal disruption within your accounting and finance function.

Adopting XBRL in an integrated fashion, while balancing increasing regulatory requirements and changing business imperatives, can yield significant payoffs in terms of accuracy, integrity, completeness and usefulness of data. This, coupled with savings in time and human effort, will be your real return on investment.

About Denise Rabun

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