Reporting in XBRL—How much effort should it take?

Delbert Krause, Business Unit Executive, Cognos Software, IBM Information Management

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. How should corporate finance organizations prepare for filing their financial statements in XBRL?

XBRL is a hot topic of conversation in finance teams, at executive board meetings, and among auditors and accounting associations. Simply put, XBRL (eXtensible Business Reporting Language) is becoming the electronic standard for financial information and data exchange that in the long run will simplify the distribution of information and ensure greater control.

With all the competing noise, it's important to step back and think about the right level of effort and investment that your company should commit to XBRL and where that investment will

have the most impact. Depending on an organization's current filing process and requirements, the effort needed may run from a small, incremental investment to a beneficial overhaul of key processes and systems involved in the creation of financial statements.

At IBM, our focus on financial management and control connects us to this challenge in a very direct way. In response to the question "how should I

prepare for XBRL?" we believe there are three important considerations.

- **First, review your existing filing procedures.** While converting all of your financial statements into XBRL format may seem somewhat daunting, the requirements may actually be quite simple, depending on your situation. XBRL is just one step in the filing process. For many, that process is time consuming and

Cognos software

e-mail intensive. But opportunities exist to enhance the document creation process through automation and collaboration. Rather than just layering XBRL output into your existing filing process, evaluate how XBRL and available XBRL conversion solutions could enhance the activities and collaboration involved in the filing process.

- **Second, evaluate the delivery** of financial statements with an important consideration – who should be focused on XBRL? While it may seem obvious that the responsibility lies with internal finance staff, perhaps this is a task that can be outsourced. Many companies rely on third-party providers to coordinate, publish and file external financial statements. Those same third-party filers may provide an XBRL conversion service, enabling your team to focus on other, higher value projects.

- **Third, evaluate your requirements in the context of financial consolidation**. If your existing consolidation process depends upon manual or spreadsheet-based systems, it may be time to renew the entire close, consolidate, report process. Simply layering on XBRL technology will not ensure the level of quality and control required by finance teams and auditors. Make sure that there is a strong foundation of systems and controls for financial reporting, and then, if your financial consolidation process has adequate strength and control, managing XBRL may be simply a matter of connecting to solutions specially designed to provide XBRL output.

With that last thought in mind, if you are a current IBM customer, we recommend leveraging XBRL experts and solution vendors who have expertise in both the technology and the business requirements of XBRL-based financial statements. The ideal methodology is to leverage materials and *Performance Blueprints* from our Innovation Center.

The IBM Cognos® Innovation Center for Performance Management is our focal point for developing solution best practices and ensuring that they are available to our customers. As part of that mandate, *Performance Blueprints* that connect XBRL to IBM Cognos solutions are available to help customers extend the value of their technology investments in this important area.

The *IBM Cognos XBRL Performance Blueprint* delivers a unique advantage by deploying with our XBRL partners. These solution partners are totally focused on delivering XBRL output within a continuously changing landscape of XBRL standards and evolving global regulations. *Blueprints* coordinated with vendor software solutions deliver a powerful and simple method to quickly deliver XBRL output.

XBRL is an important development in the ongoing drive for accurate, transparent and compliant financial reporting. At IBM, we strive to support our customers at all levels – from basic automation of XBRL output, to renewing the financial consolidation process in a way that guarantees accurate financial data, and finally, to automating the creation and management of all your external financial documents.

About Delbert Krause

Delbert Krause is the Business Unit Executive, Financial Performance Management Solutions for IBM. In addition to his formal training in finance, Mr. Krause has more than 20 years of experience in consulting, selling, and marketing performance management software solutions for finance, business and IT users. Mr. Krause can be reached at delbert.krause@ca.ibm.com.

Learn more about *Performance Blueprints* for financial management and control at the IBM Cognos Innovation Center for Performance Management website.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: www.ibm.com/cognos

Request a call

To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.