XBRL and the Controller's Office

Gary Simon, Group Publisher, FSN Publishing Limited

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.

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Regulators around the world are starting to demand statutory filings in XBRL format, which makes it easier for those in the investment community to compare financial information.

Q **How should the Controller's office prepare to meet this requirement?**

After a number of years in gestation, XBRL (extensible Business Reporting Language) has at last been embraced by regulators around the world. For tax and other authorities charged with monitoring corporate performance, the move to electronic filing or digital reporting has been most welcome. The advent of standardized statutory filings has placed regulators in a strong position to streamline their process and analyze corporate data as never before. But when it comes to the controller's office, the benefits are less obvious and may take longer to bear fruit.

In the short term, XBRL has been an imposition. The need to tag financial data is a burden and the learning curve is steep. In the first instance, the controller's office has had to become familiar with the language, nomenclature and curious syntax of XBRL and be conversant with taxonomies in multiple GAAP formats. In fact, the educational requirements and operational burdens have been so great that many large corporations outsourced their first rounds of XBRL compliance to printers who, seeing a part of their market in danger of disappearing, rushed to offer external tagging services. But the limitations of ceding responsibility to a third party soon became apparent with errors quickly creeping into the financials and companies facing high costs (reportedly more than $100,000) for the privilege. Nevertheless, this needs to be compared to the costs of performing tagging processes in-house. Controllers now find themselves in the position of having to carve extra time out of the close process in order to accommodate the additional burden of XBRL tagging.

But if tagging needs to be performed internally, what are the options? Third party products offer 'drag and drop' tagging capability between accounts and XBRL statements. Some of these techniques are manually intensive, effectively allowing accounts held in Microsoft® Word and Microsoft Excel® to be tagged line by line. Others have built-in heuristic intelligence, which provides some of the initial matching. However, the tagging of text and footnotes remains a challenge. Separate capabilities are being built into popular financial consolidation tools and in common with industry trends some solutions are beginning to appear in the "cloud." There are also limited signs of capability being built directly into ERP products. But overall the picture remains murky. The tools/solutions market is in an embryonic stage and controllers will have to contend with continuing uncertainty and perhaps ad hoc consultancy for some time to come.

Nevertheless the longer term prognosis is good. The wider availability of digitized financial data offers the prospect of comparing performance figures more easily so that companies will be able to benchmark and model themselves against competitors all around the world (assuming they are using similar accounting standards). The convergence of US GAAP and IFRS remains at the heart of achieving this goal.

Furthermore, if companies can use a common data dictionary for external reporting, surely they can use a similar basis for internal reporting as well. This potentially offers the biggest payback for large enterprises, which will be able to streamline their close processes and improve data quality at the same time. For the time being, most controllers are concerned primarily with the compliance aspects of XBRL but a shift in focus to management reporting could reasonably be envisaged within the foreseeable future.

Keeping a consistent approach will be important and the introduction of iXBRL or in-line XBRL has caused some confusion. Essentially, iXBRL is not a change to XBRL itself but a change in the delivery mechanism, allowing a single electronic document to simultaneously serve both human beings and machines. In essence, iXBRL provides 'electronic skins' in which the upper layer can be read as a normal document but the related XBRL tagging is held (in-line) beneath the surface. It is a worthy technical development that will improve the usability of XBRL. But so far, this innovation has been confined to the UK.

As with all leaps forward there is a certain amount of associated disruption and challenge but the important message for controllers is to stay the course. The benefits of XBRL will be manifold. It may just take a little longer to get there. Nevertheless, there is a good chance that history will show it is a good initiative.

About Gary Simon

Gary Simon is the Group Publisher of FSN Publishing Limited, Managing Editor of FSN Newswire and the author of many product reviews and white papers on financial software. Simon is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society, with more than 23 years of experience implementing management and financial reporting systems. Simon was a partner with Deloitte for more than 16 years and has led some of the most complex information management assignments for global enterprises in the private and public sector. Gary Simon may be contacted at gary.simon@fsn.co.uk.

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Markham, ON L3R 9Z7
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