

# IT'S BEEN THREE YEARS SINCE AN INTERNAL AICPA effort, known as the extensible financial reporting markup language (XFRML), was rechristened the eXtensible Business Reporting Language (XBRL) and the first international members embarked on the journey toward its worldwide adoption.

## XBRL and Metcalfe's Rule of Technological Change

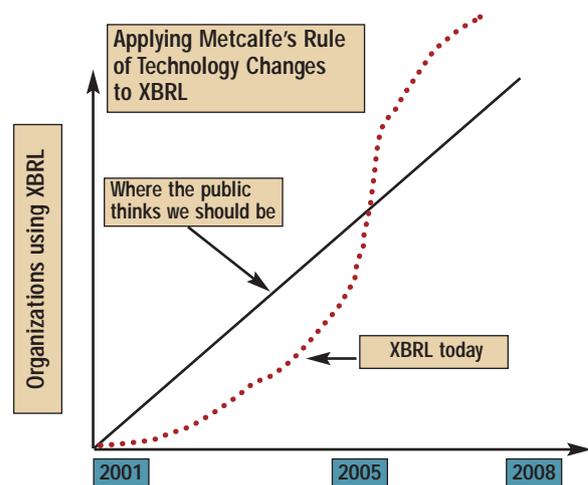
**IT'S BEEN THREE YEARS SINCE AN INTERNAL** AICPA effort, known as the extensible financial reporting markup language (XFRML), was rechristened the eXtensible Business Reporting Language (XBRL) and the first international members embarked on the journey toward its worldwide adoption.

To the casual U.S. observer not involved in the financial services industry, little has happened. Use of XBRL within the private sector hasn't matched the progress in the regulatory and public sectors. A handful of companies, led by Microsoft and Reuters, have filed supplemental financial reports in XBRL, but these filings are mostly symbolic and not official SEC filings. Major software vendors have given verbal commitment to product offerings that will include XBRL, but only customers such as major U.S. banks facing government filing deadlines have been asking for XBRL to be included in their financial software purchases.

SmartPros conducted a reader participation survey last August (<http://finance.pro2net.com/x41232.xml>) asking for a response to the following question: "Which of the following best describes your knowledge level of XBRL?" The 353 participants responded:

Strong level of understanding	3%
General understanding	12%
Weak level of understanding	16%
What's XBRL?	69%

Granted, asking about a person's "knowledge level" isn't the same as asking if they are aware of the existence of XBRL. Certainly the financial professionals who are currently implementing XBRL projects (such as the FDIC and Inland Revenue in the U.K.) would be among the 31% with some level of understanding about XBRL.



So what's the problem here? Has XBRL failed to live up to its promise? After more than three years, why are we still waiting for XBRL to take hold? Have patience, my friend. Major changes are about to take place. Meanwhile, we seem to be experiencing the effects of Robert Metcalfe's rule of technology changes.

Certainly the financial press, including this author, expected XBRL to have a greater impact on the financial community after three years. Following Metcalfe's rule of technology changes, however, the eventual impact could well exceed our expectations—and soon. From this brief sampling of announcements from the 8th XBRL International conference in Seattle last November (provided by Walter Hamscher, chair, XBRL International), consider the momentum XBRL will gain:

- EDGAR Online and Microsoft jointly announced a service to provide SEC filing information via Web services. Microsoft distributed copies of a pre-release version of a Microsoft Office 2003 Solution Accelerator for XBRL, and PRNewswire previewed XBRL for Earnings Releases.
- The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) announced that they had created XBRL Fellow positions in recognition of the significant impact that XBRL will have on the adoption of accounting standards.
- The Dutch Water Boards are the first to go live with XBRL for financial reporting under new EMU guidelines, with a mandate for electronic reporting now in place in Holland.
- Exchanges are leading the way in developing taxonomies and stimulating public companies to produce XBRL, whetting the appetite of investors worldwide for financial information in XBRL. This movement was reinforced by the launch of the KOSDAQ investor information service in XBRL and presenta-

## RESOURCES:

SmartPros XBRL Resource Center: <http://finance.pro2net.com/x41232.xml>

XBRL.org Press Releases: [www.xbrl.org/newsandevents/index.asp?sid=4](http://www.xbrl.org/newsandevents/index.asp?sid=4)

XBRL Frequently Asked Questions:

[www.xbrl.org/whatisxbrl/index.asp?sid=14](http://www.xbrl.org/whatisxbrl/index.asp?sid=14)

XBRL Survey with Major Accounting Software Vendors:

[www.xbrl.org/resourcecenter/whitepapers.asp?sid=21](http://www.xbrl.org/resourcecenter/whitepapers.asp?sid=21)

tions from the Shenzhen (China) and New Zealand exchanges.

- Strong technical advancements in the XBRL specification were announced, with XBRL International members collaborating on a new XBRL Primer from XBRL Japan along with public working drafts of the XBRL GL Version 1.1 Taxonomy, the Financial Reporting Taxonomies Architecture 1.0, and XBRL Specification 2.1 Candidate Recommendation 2.

Major government sector projects are already under way, including the \$39 million effort by the Federal Financial Institutions Examination Council (FFIEC) for modernization of quarterly bank financial reports. On the international taxation front, Inland Revenue of Great Britain's project for filing of corporation tax, Japan's National Tax Agency, the Australian Tax Office (ATO), and the Netherlands Belastingdienst (tax authority) have committed to the use of XBRL.

XBRL jurisdictions are established in Australia, Canada, Germany, Japan, Netherlands, New Zealand, the U.K., and the U.S., as well as the International Accounting Standards Committee Foundation. Provisional jurisdictions include Ireland, Korea, and Spain; the Shenzhen exchange in China has begun developing an XBRL-based filing system. Prelimi-

nary activity also has been noted in India, Singapore, South Africa, Norway, Sweden, Denmark, Finland, Columbia, Argentina, and Brazil.

More than 16 companies are listed as either XBRL software developers or XBRL solution providers in the latest listing of XBRL vendors, and recent counts of XBRL products are approaching 50. This support will certainly help fuel the upcoming growth.

Bottom line is this: Although XBRL may seem like something that has taken longer than you may think it should to develop and mature, the promise of XBRL will soon be fulfilled. The year 2004 will see many exciting developments in the world of XBRL, but just wait until you see what happens in 2005. As Metcalfe, the inventor of Ethernet, said, "Technology changes far less in the short term than we expect, but has far greater impact in the long term than we realize." ■

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