

# Broaden Your View on XBRL's Representational Capabilities

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Do you think of your operational and reporting systems as “cookie-cutter” operations? “To make financial statements, take two cups of transactions; add one tablespoon of journal entries. Cook the books for an hour. For another batch for the tax administration, repeat the process. For another batch for the statistical organization, repeat again.” What if we can throw away

the cookie cutters and get the right information, expressed in the right way, at the right time? This is possible by mixing and matching the different varieties of XBRL.

XBRL, the eXtensible Business Reporting Language, is gaining more and more visibility in the international business community. Implementations are well on their way in many countries, and statistics on cost savings and performance enhancements are becoming available. In the United States, where adoption is proving slower, the mandatory FFIEC (Federal Financial Institutions Examination Council) XBRL filing for banks and financial institutions becomes one year old this month, and its results in terms of error reduction and increased efficiencies are impressive.

The number of corporations participating in the Securities & Exchange Commission's Voluntary Filing Program is also slowly but steadily increasing, and other federal government agencies are considering XBRL for various purposes.

Despite this growth, there simply isn't enough information out there for business leaders to make informed decisions in the early adoption stage—the moment when corporate decision makers start saying to themselves and their IT departments: “XBRL is coming along. Should we start considering adoption...or not? What's in it for me beyond the fact that someone, someday, is going to require an XBRL report from me?”

To answer this crucial question, we need to go beyond XBRL's most visi-

ble purposes and understand its complete value proposition. To help build a strategic vision of why XBRL is important, this article will propose and discuss a list of its main use cases inside and outside an entity—leaving aside the technical aspects to focus exclusively on the business perspective. Some of these uses will surprise people. XBRL isn't only about external reporting, it's also—and, some would argue, mainly—about internal use for reporting and much more. Understanding these two components and their interaction is the key to taking full advantage of XBRL's enormous potential.

The value of a standardized format to represent business and financial data for regulators and others who gather and consolidate information from a large number of sources is evident. But the value for those who generate business and financial data—for whom XBRL may look like any other format for distributing mandatory reports—is much less evident.

Standardized data is valuable to those who originate it only if it is reusable. The obvious first step is if XBRL-formatted data filed with the SEC can be reused for a different

type of reporting, whether internal or external. Internally, that data might be used to collect digital signatures for accountability purposes; externally, it might be shared with the tax administration or statutory authority that is collecting book vs. statutory reporting reconciliations and previously required a different format for the same data.

But this is still talking about reusing data as it is found in summary reports. Imagine if data at the detailed transactional level could be standardized and captured as it flows through the corporate information system toward final reporting or if each single piece of business and financial data could be represented with XBRL (as well as the different end reports to which they summarize), enabling automatic reconciliation of different internal and external reports. Welcome to the world of XBRL GL, the standardized Global Ledger.

The following use cases should provide a clear insight on the different uses of XBRL from a nontechnical, business point of view. The cases are divided in two sections: use cases for XBRL GL alone and use cases for *hybrid reporting*, the joint use of XBRL GL and XBRL for Financial Reporting (XBRL FR).

### **XBRL GL Use Cases**

**Data Migration.** XBRL GL facilitates movement from one operation/accounting product to another. When a company grows out of a software product or needs to switch for any reason, the availability of XBRL as a standardized import/export format would be a valuable feature for the new software being considered: It would allow pre-analysis and guidance in moving data between systems and help the

company to prepare its data for import more efficiently.

**Data Archival.** Companies need to capture and archive their data. But when a company changes software products—or even uses different versions of the same software—it can run into compatibility issues. XBRL GL makes the data reusable, regardless of the platform, vendor, product, or version. If you were using “Pacnamics Books Accounting 5” two years ago but use “Quick DynAcc Accounting 6” today, your archived data will still be in the same basic structural format.

**Data Integration.** As a universal and global metadata structure, XBRL GL facilitates interoperability between different applications (technical interoperability) and different business/accounting practices (domain interoperability). Data coming from different business areas—whether within the same organization or across different ones—can be moved or exchanged between the various modules of an information system or between different information systems. This makes XBRL GL particularly effective for ETL (extract, transform, and load) applications.

**Consolidation.** XBRL GL also offers a standardized way to identify and manage consolidation and elimination entries when data is coming from different units or departments and needs to be represented in consolidated statements.

**Payload for Web-Services-Oriented Architectures.** XBRL GL makes data accessible independent from the application(s) it resides in, allowing companies to share, exchange, and validate data with external parties, including customers/vendors, banks, auditors, or business partners to which one or more functions or

processes have been outsourced.

**Auditing and Compliance.** XBRL GL enables a seamless audit trail and allows implementation of rules-based monitoring, triggers, and alarms across the whole information system and its various components.

**Tax Reconciliations.** XBRL GL can represent multiple sets of books simultaneously, including results for book and results for tax. It can represent the type of book vs. tax difference, making it ideal for exchanging information with people and systems tracking information for accounting for taxes and complying with SFAS 109, “Accounting for Income Taxes,” and IAS 12, “Income Taxes.”

### **XBRL GL/FR (Hybrid Reporting) Use Cases**

**Bridge between Transactions and Final Reporting.** XBRL GL lets users integrate information coming from the main ERP system with other information stored in separate systems—as well as in the informal systems known as “spreadsheet hell”—standardize it, and use it to feed one or more XBRL FR taxonomies (or other XML schemas), reusing the same data for different internal and external reporting. For example, gathering information for tax reporting with spreadsheets is a one-way stream—it is nearly impossible to go from summary to detail. Using XBRL GL as the gathering mechanism can be a superior “two-way” collection of data: You can move from summary to the underlying detail as well as from detailed to summary (sometimes referred to as the “seamless audit trail”). It is an obvious facilitator of management dashboards, enabling managers to see the detail beneath an end assertion.

**Reconciliation.** The use of XBRL GL to represent data at the detail/

transaction level and the ability it offers to link to multiple XBRL FR taxonomies or other schemas provide a powerful and effective means to drill up, down, and around summary reports to the underlying detail data, allowing the reconciliation of:

- different internal or external reports: executive, statutory, regulatory, auditing; and
- multi-GAAP reports in a global enterprise environment.

Many such reports are used in operations and by auditors. A typical customer or vendor aging report will include details related to invoices and payments as well as summaries by aging period. The IRS's new Schedule M-3 asks for amount per books, permanent differences, timing differences, and amount per tax; XBRL GL can represent the detail associated with book (or books) and tax as well as the differences.

### Take Full Advantage

XBRL is about more than financial statements and journal entries. It's also about standardizing the data and reports within a business and between information-trading partners. XBRL GL and XBRL FR can represent far more than most people think. Using the two together—both linking together logically and sometimes even co-existing in the same report—can make your business more information efficient. ■

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