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Why XBRL Is a "Business" Reporting Language

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If XBRL is considered a business reporting language, then why do most of its implementations seem to deal only with the reporting of financial data? An interesting question, this issue was recently raised in an online XBRL forum (http://finance.groups.yahoo.com/group/xbrl-public/). Originally named XFRML (eXtensible Financial Reporting Markup Language), XBRL's name was changed very early in its history to the eXtensible Business Reporting Language—an early indicator of the awareness that the markup language has the potential to go far beyond its original focus on financial statements. According to Mike Willis, XBRL-International's founding chairman and deputy chief knowledge officer of PricewaterhouseCoopers' Global Assurance and Business Advisory Services (ABAS) practice, "XBRL was chosen because it described the overall business reporting process including the ledger, trial balance, and reporting concepts as well as a broad range of reporting concepts from financial to nonfinancial to performance to tax and to performance management." Willis notes, "The XBRL membership supported the idea. The benefits include the idea that XBRL is designed for the reporting process regardless of the nature of the content. Tax, financial reporting, management performance, trial balance, and ledger were all part of that discussion and idea."

All of which begs the questions: What else can XBRL do besides financial reporting? Will it be the standard for financial reporting, or will it fulfill a much larger role? For the scope of this discussion, the universe of software applications used in the corporate environment should be divided into groups based on their purposes, as shown in Figure 1. Also, an agreement on terminology is needed. The terms "financial" and "nonfinancial" represent a distinction based on the purpose for which a software application is used, not on the nature of the data that the application processes or delivers. For example, let's imagine that one application delivers the fact "Cash = 1,000":

- If the fact is used primarily to report to the SEC, the software application would fall in box 1 of Figure 1.
- If the software generates a fact that's primarily used by an auditor to verify the correspondence between the accounting balance and the physical amount of money in a petty cash box, it belongs in box 2.
- If the software's primary use is to generate facts used by a business to assess internal performance against a budget, it belongs in box 3.
- If the purpose of the software application is data migration between two different information systems, the software belongs in box 4.

Before 2000, XBRL was targeted for applications that belong in box 1. The extension to box 2, nonfinancial business reporting, was both natural and immediate. The name change in April 2000 to the eXtensible Business Reporting Language (XBRL) signaled a shift in scope and emphasis

that brought with it the inclusion of XBRL-GL, the journal taxonomy. XBRL-GL taxonomy was formally approved by the XBRL consortium in March 2002.

A further extension of applications to boxes 3 and 4, which would obviously broaden the potential applications, is also intuitively a natural consequence of the basic characteristics of XBRL. XBRL is a language that makes data readable by humans as well as capable of being processed by a machine. XBRL distributes data together with the context and the rules to interpret, validate, and represent the data. The introduction of the General Ledger taxonomy was a decisive step in the full implementation of this concept.

The GL taxonomy is structurally different from the taxonomies created for financial and business reporting. Financial and business reporting taxonomies seek to capture and express reporting concepts, such as GAAP, while XBRL-GL provides an agreed-upon structure for accounting system data fields. XBRL-GL can deliver much, if not all, of the data required to provide the proper data streams to both internal and external financial reporting. According to Louis Matherne, president of XBRL-International, "The importance of XBRL-GL as a feed into business information systems can't be understated. XBRL-GL has the potential to permit early tagging of significant business events that will improve the quality of both internal and external financial reporting."

Depending on the specific process, further processing of XBRL-GL data can take place through the GL taxonomy itself or by linking the normalized data to another taxonomy, such as one of the approved financial reporting taxonomies created by the XBRL consortium or an extended taxonomy created by a corporation or consulting firm.

According to www.xbrl.org, XBRL-GL is "an agreement on how to represent accounting and after-the-fact operational information of any kind." As such, it is designed to operate one step prior to the actual use of that information, providing a standard structure for "normalizing" the data before processing it in a report or operational process. (See "Breathing New Life into Old Systems," *Strategic Finance*, March 2004, for information on how XBRL-GL can be used by businesses today.)

Figure 1

	Financial	Nonfinancial/ Business Measurement
Reporting	1 SEC, Annual Reporting	2 Process Measurement
Nonreporting	3 Internal Reporting	4 System to System

The GL taxonomy is designed to detail any data element normally reported through a general ledger, while financial reporting taxonomies effectively represent the summarization of many underlying financial details. Through the xbrlInfo element, XBRL-GL also provides a connection between these two logics. In these different capabilities and in this connection lies the potential for broadening the scope of XBRL's applicability.

- Horizontally, XBRL can be broadened beyond business and financial reporting toward data processing and manipulation, giving a different, more powerful meaning to effortless reusability of the same data for many different purposes.
- Vertically, XBRL can be available and useful to small and medium-sized businesses and entities—beyond its natural target of multinationals, financial institutions, and big corporations subject to external and internal reporting requirements and Sarbanes-Oxley compliance.

From this analysis you might ask why there is the need to bother adding an intermediate stage between the collection of the data and its use, especially when the underlying data is linked to a financial reporting taxonomy. Why not just use the final taxonomy that, by definition, is already a standard representation of data that can be consumed by any XBRL-enabled software? There are three important reasons for using both the XBRL-GL taxonomy and a financial reporting taxonomy:

- **XBRL-GL enhances the standardization provided by XBRL.** Financial reporting taxonomies indeed provide a standardization of the data, but they are limited to reporting and representation purposes. XBRL-GL provides a structural standardization that's independent from the data's source system and from the way in which the data will be represented or used.
- **XBRL-GL enhances the reusability of XBRL-tagged data.** The same tagging is reusable not only for publishing the same report in different formats or consuming it

in applications devoted to aggregate a certain kind of report submitted by different parties but also for completely different and more "operational" purposes, such as feeds to digital dashboards or providing the basis for drilling down into the detail behind performance numbers.

- **XBRL-GL provides the possibility of drilling down to a detail of a balance.** XBRL-GL allows the company to choose how many levels of detail it would like to maintain while making that same information available for internal and external business reporting. Required audit trails for internal and external auditors can also be maintained in XBRL-GL.
- **XBRL-GL adds to XBRL the capability of being a universal, nonproprietary bridge application that can be implemented in almost any context.** This is crucial. The promise of real integration between operational systems and accounting systems is seldom fulfilled, even by a high-level solution like ERP. And when the promise is fulfilled to an acceptable extent, there is always the proliferation of additional operational tools that need to be integrated manually, such as spreadsheets or separate tools devoted to a specific type of operations. XBRL-GL provides an effective solution to this problem through an open standard that frees the customer from the rigidity of a proprietary system.

XBRL-GL provides a natural extension of the capabilities of XBRL from financial reporting to all other forms of business reporting. When businesses large and small begin to recognize the advantages of using a nonproprietary method of collecting business data, XBRL will begin its natural expansion into areas of reporting such as tax, internal performance reporting, and Sarbanes-Oxley compliance. Keep your eye on XBRL-GL. The potential for transforming business reporting is just beginning to surface. ■

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