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XBRL GL: The General Ledger Gets Its Groove

BY NEAL J. HANNON

Each year, *Accounting Today* publishes a list of the top 100 technology products for accounting. Although the list contains several broad categories of software that helps businesses get their work done, the fact that so many different choices are available is evidence that the accounting market is very diverse, robust, and fundamentally flawed. See www.webcpa.com/article.cfm?articleid=9747 for the 2005 article.

Modern accounting was born centuries ago when the only method of recording business transactions was pen on paper. Fourteenth century Italian merchants are credited with developing double-entry bookkeeping, the system of recording each business transaction twice that's still used today. Ledgers were heavy books that recorded all significant entries of a business. At the close of business, the ledgers were summarized into a "general" ledger, and financial statements were prepared—not very different from what's done today.

A quick peek under the covers of accounting software packages will reveal that most are recording little more than the same debits and credits that were hand-written into the books of the merchants of Venice. Modern accounting systems record transactions into relational databases that smooth the way for quick retrieval of the data for further processing. But this improvement doesn't address the problem of "naked" data in our accounting systems.

Naked data occurs when an accounting application strips away or fails to collect the supporting information from a business transaction that could lead to a richer, fuller explanation of that transaction. Consider that most modern accounting applications allow for documentation of transactions natively within the applications. Once pulled outside the application by query or by a report writer, however, the data is typically stripped of all supporting information and becomes just a number. Analysis of the how and why for a particular number on a subsequent financial report becomes an exercise of going back to the original software application and hoping that enough identifying information still exists inside the application. Accounting applications tend to keep supporting data in ways that are unique to each application, complicating both the business reporting process and subsequent internal control and audit routines.

Introducing XBRL GL 2005

Fortunately, a new method of representing what is found in the databases of accounting and operational systems that keeps the exact content while allowing "fully clothed" data to pass outside the system is finally here. Currently under review as a public working draft, XBRL GL 2005 is a series of tags organized in a modular set (or taxonomy). According to the XBRL International website (www.xbrl.org), XBRL GL 2005 was developed to provide a standardized format for representing the data fields found in transactional reports and accounting and operational systems that allows organiza-

tions to tag journal entries, accounting master files, and historical status reports in XBRL. The modular set consists of the COR (Core), the BUS (Advanced Business Concepts), MUC (Multicurrency), USK (concepts for the U.S. and U.K.), and TAF (tax audit file) modules. See www.xbrl.org/int/gl/2005-07-12/gl-2005-07-12.htm for a more detailed description.

According to the XBRL International's GL working group, XBRL GL is "based on the model of a sophisticated accounting system's General Ledger journal history file, into which all of the detail from all of the sub-ledgers may flow. XBRL GL is a generic representation of the documents, parties, resources, events, and other details that start at the transaction level and flow in full detail or summary to the Ledger."

DID YOU KNOW? XBRL GL doesn't require a company to change the way it represents data internally, but it provides a guide to help developers consider what needs to be captured and exchanged. "Flick a switch" on an external reporting tool, and every system will look similar to the builders of reporting tools and consolidation tools and to any other software builders who need to use the data.

Source: XBRL GL Working Group, "XBRL GL: What's in it For Me?"

XBRL GL 2005 is the most significant improvement to the general ledger since manual bookkeeping moved to the database model. Why?

- With XBRL GL, significant business reporting data is enriched with meta data or information about the data that is never separated from the original transaction. This facilitates the creation of an automated audit trail and eases the reuse of the data in modern business reporting models, such as dashboard business process monitoring systems.
- Because of its ability to universally represent general ledger entries from various international applications, XBRL GL can act as a natural middleware for disparate application data to be fed naturally into a common program. For example, the Japanese company Wacoal (see "Breathing New Life into Old Systems," *Strategic Finance*, March 2004) utilized XBRL GL as the method for feeding data from several different legacy systems into Oracle Financials.
- Companies that need to consolidate data from different countries may find that not everyone stores required information exactly the same way or in the same place. XBRL GL tagged data can work with the data regardless of where the disparate information is stored and easily import the data into a new general ledger.
- XBRL GL has been designed to act as both an *audit* tool, with the ability to represent information as originally stored in the system, and as a *data exchange* format, with standard lists of terms for the most important interchange concepts to promote consistency and automated machine consumption.

At the July 2005 XBRL-US consortium meeting in Arlington, Va., Gianluca Garbellotto, XBRL business manager for DynAccSys, LLC, gave a presentation about a proposed use of XBRL GL within the federal government's Department of Housing and Urban Development (HUD). The DynAccSys demo showcased how XBRL GL output could be consumed and analyzed with Business Objects' query, reporting, and analysis tool for the desktop, matching the needs of HUD. The design criteria for the HUD project include:

- Link downstream information and reporting requirements with transaction data;
- Accept standard information to and from other internal, government, or private-sector sources;
- Provide "one-time" data entry; and
- Be modular in design and built with reusability as an objective.

Given these criteria, XBRL GL is a clear favorite to fill the need at HUD. XBRL GL has pioneered the development of standard methods of recording, storing, sharing, and reporting accounting-significant transactional data in an open-source environment.

Why do standards make a difference? They improve communication at all levels, especially between different computer applications. The sharing of business reporting information between systems both inside and outside an organization is greatly simplified by the use of a common translator such as XBRL GL. IMA has been and will continue to be a strong advocate for XBRL GL as an enabler to enterprise business reporting and will be hosting a webinar on this topic in the fall. Details will be announced next month. ■

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