It's Time for GL-enabled Software

BY GIANLUCA GARBELLOTTO

Those involved with the development of XBRL have worked for years to encourage the business reporting supply chain to move forward on XBRL GL together. Previous columns have discussed the benefits and advantages of XBRL GL to the user community.

I've explored the rationale behind adopting XBRL GL from many different perspectives: The benefits are compelling, the potential is incredible, and the need is crying out. Yet no major accounting software packages have implemented XBRL GL yet.

Accounting software vendors are almost unanimous in explaining why: Customers don't ask for it. I am not convinced by this statement. In particular, I'm not sure that changes in a product or service happen because customers explicitly ask for them. I think changes come about more often because customers express needs and requirements and vendors find solutions to fulfill those. In other words, customers aren't looking for a hammer; they are looking to put a nail in a wall—the hammer simply happens to be the solution.

Also, given the clear signals of XBRL adoption in the United States and abroad, I believe that a proactive approach would be far more beneficial than a "wait and see" strategy. Adding XBRL GL capabilities to accounting and financial software now is the right choice at the right time. The review period for the most recent version of the XBRL GL taxonomy—the "Proposed Recommendation" approved by the XBRL International Standards Board in November 2006—ended in January 2007, and XBRL GL is about to become "Recommended" by the XBRL International Consortium.

This month I want to turn the focus from users to the software developers who can make XBRL GL and its benefits a reality in the very near future. Below is an open letter to accounting software vendors, a call to action that I hope will result in their active involvement in a process that will bring value to their products and customers.

Dear Accounting Software Vendor, **Your customers are hearing about the eXtensible Business Reporting Language (XBRL) and how it may affect them. It's time to take the initiative and communicate your company's XBRL plans.** Many software companies are considering how to add XML (Extensible Markup Language) capabilities to their products as either a standard import/export format or as part of the payload for Web services. Instead of developing proprietary schemas—with the limitations that come from a proprietary approach—it makes sense to benefit from a standardized approach. The standard recognized as both *global* and *holistic* is XBRL GL, the standardized Global Ledger.

XBRL is more than standardizing financial statements for the Securities & Exchange Commission and banks. It is also about internal efficiencies, systems integration, and making your products *more* useful to the marketplace. That "more" comes from XBRL GL, the standardized Global Ledger.

This notion surprises many inde-

pendent software vendors (ISVs), especially those who are familiar with XBRL. Most people are aware of the increasing importance of XBRL in preparing financial statements for filing with the SEC or placing on a corporate website or the requirement that banks use XBRL to file with the Federal Deposit Insurance Corporation (FDIC). XBRL is well known for external reporting, but few are familiar with the standardized work from XBRL that moves from end reporting to the details inside business systems—XBRL GL.

XBRL GL can increase the value of your software products in today's XML/XBRL/Web services/standards-based environment. XBRL GL is an extensive—and growing—modular framework for representing business, operational, and accounting information from the point it enters a business system as transactions or triggers through the audit trail to end reporting. It provides a single, extensible set of XML tags to represent:

◆ Parties involved in business transactions (customers, vendors, employees, salespeople, contractors);

◆ Resources consumed, used, exchanged (inventory, supplies, services, fixed assets), or measured for later reporting (benchmarking information, metrics, processes);

◆ Document information such as document number, document date, and document maturity date;

◆ Journal and entry information;

◆ Job costing, depreciation, mortgage, and much more.

XBRL GL is a global standard for representing the information found in typical operations, business, and accounting software. It provides a common language for your products to talk to each other, and it makes it easier for other products to talk to yours.

If you are an ISV supporting the business reporting supply chain—developing accounting software, job costing, payroll, point of sale, accountant's write-up, auditing, tax, budgeting, forecasting, or anything else supporting internal reporting—XBRL GL should be on your radar.

Tax regulators are looking to XBRL GL as a recommended or required format for exchanging detailed accounting systems data with accountants and tax auditors, increasing their ability to perform their institutional mission/activity while reducing the compliance burdens and increasing efficiencies for everyone. Both the Organization for the Advancement of Structured Information Standards (OASIS) Tax XML Technical Committee and the Organization for Economic Cooperation and Development (OECD) Taxpayer Services Subgroup have stated their opinion in this respect, and the OECD Tax e-Audit Task Group has repeatedly mentioned XBRL GL as a holistic, global approach that should be considered in the implementation of their Standard Audit File-Tax (SAF-T).

As the market adopts XBRL GL, many more products will work with yours—with a minimum of additional integration required. 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. A "flick of a switch" on an external reporting tool will make every system look similar to report builders, consolidation tools, and others who need to master multiple systems.

Final Considerations

As regulators, banks, and other organizations begin to request or require XBRL in its different forms for data interchange, an investment in under-standing XBRL GL can be leveraged toward understanding the larger world of XBRL. Adding XBRL GL can be a low-cost solution for any information system or software application that needs to meet the core requirements of interoperability and scalability considered a must by government and corporate entities.

Requirements like "one-time entry," modularity, and reuse of data are facilitated through XBRL GL adoption. As XBRL GL becomes recommended or required for data interchange, a number of countries are thinking of providing special benefits to companies whose business systems can provide audit data in a standardized format.

The XBRL GL Working Group conducts monthly outreach calls, provides internal and public mailing lists, offers public exposure of its taxonomies (standard vocabularies) and sample documents, and reaches out at meetings like the XBRL International general conferences (the next one will be in Munich, Germany, June 3-7, 2007). Volunteer representatives of the XBRL GL group are willing to discuss XBRL GL with the software development community, and commercial consulting services are available to help ISVs optimize the process of embedding XBRL into their products.

There have never been more favorable conditions to join the XBRL GL effort. Now is the best time to take part in making XBRL something that will bring value to your products and customers. ■

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