

Small Steps, Giant Leaps

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No, this isn't Chapter 1 of *Walking on the Moon for Dummies*. It's something far more easier: Put simply, the extensive process changes and related efficiencies enabled by the use of XBRL in your company can be achieved today. The know-how and off-the-shelf technology is already available, and every small step that

you take toward adoption will allow you and your company to become familiar with the technology at a very limited cost—all while addressing pervasive issues and achieving meaningful results.

XBRL adoption can be approached in different ways. One way is to implement it at the highest reporting level by simply converting end reports to XBRL after they are generated and prepared for publication. This “bolt-on” approach allows quick compliance with a regulatory mandate or participation in a voluntary filing program, but it does nothing to leverage the benefits of XBRL in terms of process enhancements and costs savings. Another approach to adoption is to build XBRL into internal information systems and processes and use it to address some of the crucial issues that make the process of

generating those end reports costly and inefficient. This obviously requires more time and better planning, but it can be done more easily than you think and will enable you and your company to take advantage of XBRL's full potential.

The XBRL Global Ledger (GL) taxonomy framework, which is the primary tool for the implementation of XBRL for internal purposes, has very broad representational power. It can be used to standardize anything from entries, transactions, and documents up to subledgers, ledgers, trial balance, and the links between all these and multiple types of end reports, both internal and external. At the same time, XBRL GL addresses issues that are crucial in any corporate reporting environment, such as data integration between disparate systems or the problems related to

validation and analysis of data dictated by the applications where the data resides and the consequent proliferation of spreadsheets that bridge the gaps between those applications and the real reporting requirements. This is why even a pilot project relatively limited in scope can help build familiarity with XBRL for internal use while still bringing substantial benefits that will be the basis for future developments.

Here are some suggestions for possible starting points for your first internal XBRL project. Included are estimates of the effort required for each as well as a description of the potential benefits with an eye to maximizing the benefits/effort ratio.

Standardizing the Trial Balance

In brief: This is the best value you can get for an initial implementation project.

Effort: Limited. The structure of a typical trial balance boils down to accounts, amounts, and dates. The structure of an account can be very complex, representing various kinds of segments and aggregations that are relevant in the specific entity's context, but the number of data points that are required to represent

a trial balance is limited, and its structure isn't complex.

What you can achieve: The trial balance plays a crucial role in internal reporting because it's the connector between the underlying detailed data (ledgers, subledgers, transactions) and end reporting. There are multiple crucial process enhancements that can be achieved with a standardized trial balance, including:

1. Consolidation of data from different entities/departments and from disparate systems;

2. Automated generation of end reports in XBRL or in any XML-Schema-compliant format;

3. Automated reconciliation between end reports through the underlying trial balance detail.

How you can get started: The representation of a trial balance is probably the most documented use of XBRL GL. The primary source for XBRL GL best practices is GaLaPa-GoS (Global Ledger Practices Guide for Study, <http://gl.iphix.net>), where you can find the trial balance best-practice representation. Affordable off-the-shelf tooling is available to map from any accounting software to XBRL GL. See the Mapping section of <http://iphix.net/resources/howto.htm> for an overview of the topic. At the basic level, a trial balance can be exported in text or spreadsheet format from virtually any application, and that works well for the conversion to XBRL GL. The Convergence Assistant found at <http://convergenceassistant.com> is a free Web tool that automatically converts an uploaded Comma Separated Values (CSV) file containing a trial balance into XBRL GL. The tool also provides guidance on how to use XBRL GL to generate end reports in XBRL and automate their reconciliation.

Ledgers and Subledgers

In brief: Extending the standardization layer to include ledgers and subledgers expands the project scope significantly while still involving relatively aggregate data that's easy to standardize.

Effort: Limited to medium.

Ledgers and subledgers relate to very diversified information, but they're still at an aggregate level that's relatively straightforward for representing with XBRL GL.

What you can achieve: Adding ledgers and subledgers to the adoption project extends its scope to the main areas of a typical accounting/ERP application—general ledger, AP/AR, payroll, inventory, fixed assets. Possible uses include:

1. Data exchange with third parties, such as service providers, CPAs, outsourcing partners;

2. Data archival—a standard backup format that can be applied to any application in the corporate information system and that can be retrieved even after a long time, regardless of the application in which the data used to reside or changes in software and versions, etc.

How you can get started: Same as Standardizing the Trial Balance.

Documents and Transactions

In brief: The standardization of documents and entries enables great and pervasive benefits. Since it involves a higher level of complexity, however, it probably isn't a good place to start.

Effort: Significant.

What you can achieve: On top of the benefits listed for Ledgers and Subledgers, there are:

1. Support for data migration;
2. Post-merger or acquisition integration;
3. Application of business rules

to process and validate the data in a standardized, distributed, and application-independent way regardless of where the data was generated or is stored.

How you can get started: Same as Standardizing the Trial Balance. Given the broader scope and the greater impact that standardizing transactions can have, it's possible to focus on a limited target such as a legacy application or a process that involves rekeying data from one system to another using spreadsheets or largely manual activities. This will allow for testing the XBRL technology yet will still achieve measurable benefits.

Implementing XBRL GL

XBRL GL is a generic representation of the files in a typical accounting software or ERP system. It provides the set of data points and structure to standardize business and accounting documents and data and integrate them effectively into the business and auditing reporting process. At the same time, it provides a layer of standardization in any information system that enables significant and quickly achievable cost savings. Even better, XBRL GL can be implemented with a step-by-step approach that targets the most crucial issues within your corporate reporting environment one at the time. The results are impressive, and can be—and are—achieved today. ■

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