

XBRL <<<<<<<

By Gianluca Garbellotto

Simpler Isn't Always Better

“Simple” is a great keyword to grab anyone’s attention for marketing purposes. There’s an ongoing tendency from inside and outside the XBRL community to propose assumptions or restrictions in the use of the XBRL 2.1 Specification in order to simplify its use and, ultimately, help its adoption. Making XBRL “simple” sounds appealing, especially for those who are considering its adoption, but it will also make XBRL less useful. The complexity isn’t in XBRL—it’s in the domain of business and financial reporting that XBRL relates to.

It’s important to remember that XBRL is only *part* of the solution to the real challenges companies, governments, other organizations, and market and information participants are facing. Making XBRL easier to use may sound noble, but not when it prevents XBRL from serving its broader purpose of integrating business reporting.

The kinds of simplification being proposed will make the implementation of XBRL more complex and problematic. The restriction commonly being proposed would limit the usefulness of the parts of the XBRL Specification that are necessary for its broader application to the integra-

tion of the business reporting supply chain as a whole. This includes representing detailed and transactional data as it flows from initial representation to internal and external end reporting as well as facilitating a seamless audit trail.

A “simpler” XBRL will be applicable primarily to financial reporting and closely aligned to end reports, forms, and documents. Because its applicability is limited to improving the representation of end reports, a “simpler” XBRL doesn’t improve the processes used to generate those reports. While the conversion of financial statements to XBRL after they’ve been assembled has an obvious value for data consumers—regulators and analysts—and for the financial system as a whole, it has little to no value for those who produce the data. XBRL used in this fashion becomes simply another format that financial statements have to be converted to before filing. It only speeds up the delivery of the data; it doesn’t serve to improve the quality of data or the ease of producing it, it doesn’t make reporting more scalable or facilitate the auditing of its inputs, and it doesn’t establish the infrastructure for more data, in more detail, delivered more often.

A “simpler” XBRL doesn’t enable the process changes and the increased efficiencies in the creation of end reports that the XBRL Specification is designed to achieve, including automation of manual processes, a consistent view of data residing in disparate systems, the elimination of spreadsheet proliferation and their requalification as user interfaces rather than unmanaged storage facilities for data and business rules, support for the internal and external auditing processes, and the seamless audit trail.

Concerns are frequently raised about the implications of auditing and assurance on the XBRL financial statements. The objection being made is that it will be very difficult to move from the current model to providing assurance on the XBRL instances until there are clear and shared best practices. A “simpler” XBRL would make things much more difficult in this respect as well. The increased data quality and consistency that derives from the transition from manual to automated processes enabled by XBRL, as well as the availability of a seamless audit trail, will help overcome those concerns. On the other hand, if the conversion to XBRL happens only



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after the report is created, the auditor will have an additional layer to certify, where there’s the potential of finding additional issues but nothing to provide additional confidence on the quality of the process as a whole. The same kind of reasoning can be applied to another frequent concern: the additional risks related to material errors in the mapping of the financial statements to the relevant XBRL taxonomy and to the material creation of the XBRL document.

So far we’ve discussed why a “simpler” XBRL may not be an appropriate solution. But even if the analysis is limited to the restrictive use of XBRL for representing financial reports at the highest level, the simplification being proposed still creates some issues. No reporting environment is the same, and neither are the requirements for different XBRL implementations. Different business requirements have to be represented with different technical implementations. For example, a project like Standard Business Reporting (SBR), which addresses compliance businesses and government at multiple levels in a given jurisdiction, will have very different requirements from a jurisdictional GAAP

taxonomy creation project. To properly meet those different requirements, it’s necessary to make full use of different features of XBRL. A “simpler” XBRL would be unable to address this diversity of requirements and would force the requirements to be adjusted to the technology available, something that XBRL was designed to avoid in the first place.

Even if the word “simple” has an undeniable appeal, its use in the context of XBRL is probably driven more by a desire to overcome short-term concerns about its adoption rather than in response to a complete evaluation of its implications. XBRL can and should be used to enhance and improve business

reporting processes and to generate the efficiencies and the significant cost savings for businesses and companies. Put simply, a “simpler” XBRL won’t be fit for its own purposes.

It’s laudable to work to bring XBRL to “the masses.” Working collaboratively to improve and hone the functionality of the Specification is also admirable. Agreeing on conventions for certain areas of reporting for more consistency, when done well, can ease implementation and adoption. The furor and choosing of sides around a “simpler” XBRL show a need to renew and bring the XBRL community back around to the more noble and comprehensive goal: benefiting everyone in the business reporting supply chain—not just some participants, and not at the expense of others. **SF**

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