

XBRL <<<<<<<

By Gianluca Garbellotto

XBRL Implementation Strategies: The Built-in Approach

In the May 2009 column, we took a closer look at the the easiest and most basic method to implementing XBRL, the bolt-on approach. This month we'll move up to the next rung of the ladder and focus on the built-in approach, where XBRL is embedded in the reporting process. Typically, the built-in approach requires that the consolidating/reporting application in use supports mapping to XBRL taxonomies. Consequently, the conversion to XBRL becomes a natural extension of the reporting process rather than being another output from a manually converted Excel spreadsheet that has no connection to the underlying systems and data.

If the consolidating/reporting application doesn't support XBRL, or if there's no such application in use, it's still possible to achieve the benefits of the built-in approach, albeit in a different way. XBRL Global Ledger (XBRL GL) can be used to standardize trial balance accounts and amounts—as well as the way in which they are aggregated into one or more end reporting “views”—corresponding to XBRL taxonomies. This can be done using inexpensive mapping software and open source components. By interposing

a layer of standardization between the software applications in use within the corporate information system and the internal/external reporting layer, it generates the same results as a reporting application that supports mapping to XBRL taxonomies. (For more information on this implementation strategy and a working example, check the Convergence Assistant at www.convergenceassistant.com.)

Cost

As we move away from the bolt-on approach toward more complex, embedded solutions, assessing cost becomes more a matter of quantifying the cost reductions derived from the process benefits of leveraging XBRL internally. John Stantial's article, “ROI on XBRL,” for example, discusses how United Technologies Corporation (UTC) used the built-in approach to implementing XBRL and achieved a 25% overall reduction of time and costs in the corporate reporting process (*Journal of Accountancy*, June 2007).

Benefits

The main benefits of the built-in

approach can be grouped into three categories:

Assembly and review of end reports. Compared to the bolt-on approach, it provides collaborative and contextual review (vs. the traditional linear paper document review), automated aggregation of the reports (vs. manual, spreadsheet-based aggregation), and a single reporting process (vs. the typical situation of separate processes for the General Ledger data and for everything else).

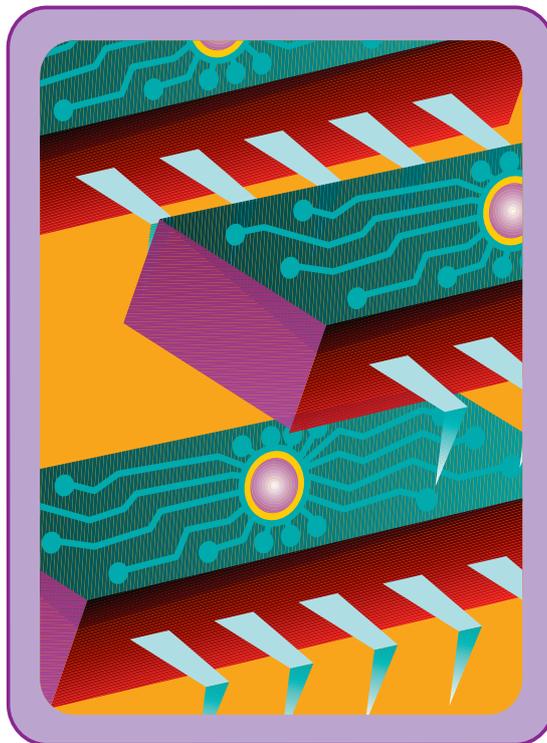
Change management in compliance requirements. If any changes are needed, there's only one place they need to be made—the reporting process. With new requirements already embedded in the Securities & Exchange Commission (SEC) mandate (see the discussion of the Year 2 requirements in the May 2009 column), these benefits can get to be very significant in the short/medium term—and that's before we even start to discuss other potential concerns, such as the adoption of the International Financial Reporting Standards (IFRS).

Easier transition to a “deeply embedded” approach. When the built-in approach is implemented through standardization with XBRL GL

at the trial balance level, it allows a seamless and gradual transition to the deeply embedded approach. Besides serving as the foundation for the creation of end reports, the trial balance is also the natural interface between internal/detailed data (transactions, documents, entries, ledgers and subledgers, journals, etc.) and aggregated reporting for internal or external use. A built-in approach based on the standardization of the trial balance and its links to end-reporting XBRL taxonomies paves the way for an easier transition to a broader use of XBRL within the corporate information system—and the significant efficiencies that broader use enables.

Limitations

With the built-in approach, there's no separation between the process to create an end report and its conversion to XBRL. This means that it's possible to drill down from the summarized data in the report to the underlying detail and to reconcile different end reports created



from the same underlying data. It's important to note, however, that if the built-in approach is made possible by a specific reporting application, this reconciliation/drilldown is enabled by the application itself (in its proprietary format) and only for the data available to that application, which frequently doesn't cover 100% of the relevant corporate data. The use of XBRL GL to standardize data at the trial balance level or

below overcomes this limitation.

Intermediate Step

The built-in approach opens up interesting opportunities to achieve the immediate goal of compliance while beginning to realize the benefits of leveraging XBRL for internal use. It provides a way to approach more extensive use of XBRL and represents a gradual and more effective path to standardized corporate data management.

The third, and final, column looking at XBRL implementation strategies will examine the deeply embedded approach and why it's essential to understand the impli-

cations and benefits it provides when deciding how to prepare for filing reports in XBRL. **SF**

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