XBRL: Issuers and Investors Guide

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With the SEC mandate for XBRL reporting that started this year, many public company financial executives are just getting started understanding what XBRL can do, how it works and how it can benefit analysts, investors and even themselves.

Articles in this document seek to address some of these issues and provide food for thought on where XBRL will take public company executives next. To learn more, visit the resource web sites below.

www.xbrl.us

- Software and Services Comparison Matrix
  - *http://xbrl.us/Learn/Pages/ToolsAndServices.aspx*
- Taxonomy
  - *http://xbrl.us/taxonomies/Pages/US-GAAP2009.aspx*
- Case studies
  - *http://xbrl.us/Learn/Pages/CaseStudies.aspx*
- Newsletter signup
  - *http://xbrl.us/News/pages/newsletter.aspx*

SEC's Office of Interactive Disclosure

- View XBRL-formatted financial statements
  - *http://www.sec.gov/spotlight/xbrl.shtml*
- SEC's XBRL Submission Previewer
  - *https://datapreview.sec.gov/previewer/*
- SEC's Information for EDGAR Filers (EDGAR Filer Manual)
  - *http://www.sec.gov/info/edgar/edmanuals.htm*

Adapting to a Changing Environment With a Move to XBRL

By Jaideep Shah, Senior Product Manager – XBRL, Fujitsu

Many publicly-traded organizations have sprawling global operations with thousands of specialized processes for financial reporting. In a changing and competitive world, corporate management has to adapt faster than ever before to update internal processes and systems for basic compliance, increased agility and transparency.

Among the many changes are

1. Adoption of International Financial Reporting Standards (IFRS) in several regulatory bodies with increasing pace

2. Increasing emphasis on accountability and corporate transparency with mandates such as Sarbanes Oxley (SOX) and equivalents around the globe

3. Sustained momentum around mergers and acquisitions in several industries, driving the need for accurate evaluations and consolidation of targeted companies

Advancing the transparency of global financial information

XBRL addresses a number of the concerns presented above. For example, the use of XBRL means that data from various company divisions and subsidiaries with different accounting systems can be assembled quickly and consistently. XBRL also facilitates automation of such data handling, reducing errors, costly collation and re-entry of information.

Large organizations, in the long run, can maximize the business value they receive from XBRL by embedding XBRL into their corporate performance management (CPM) and other analytic systems. Once data is gathered in XBRL, different types of reports, dashboards and mash-ups for both internal and external consumption can be produced as needed. In this way, business professionals can focus on more value-added activities such as the selection, comparison and analysis of data for decision making.

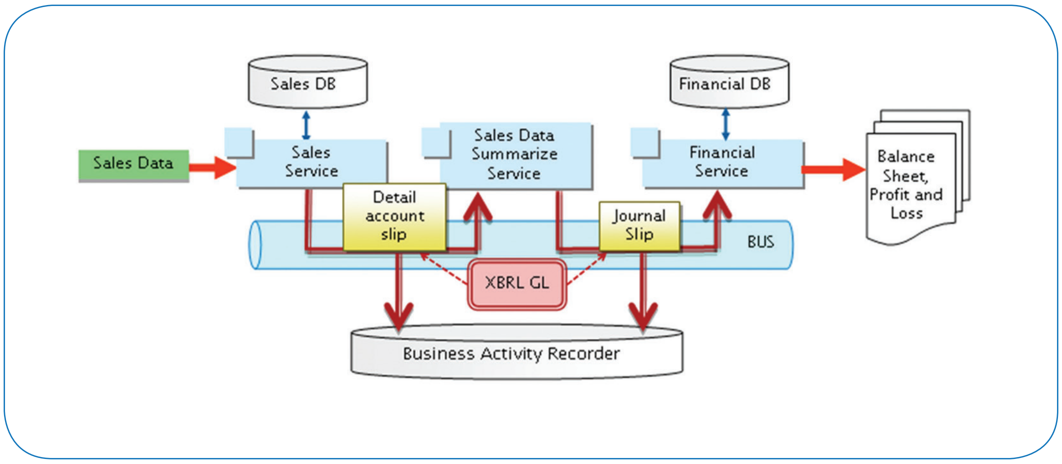
With internal consolidation and external M&A activity still going strong, a consistent way of comparing financial information across organizations is highly desirable, and XBRL offers a means to do that.

How XBRL Transformed Fujitsu's Internal Financial Reporting Platform

Fujitsu is a global IT company with over 150,000 employees across 500 subsidiaries in 47 different countries. The company has been growing organically and through acquisition, with technology products in areas such as software, servers, storage, semiconductors, and mobile computing.

The benefits of XBRL were directly aligned with Fujitsu's internal goals of standardizing international accounting, addressing SOX-like legislation developing around the world and ensuring continuous business operation and information security. The company needed to unify the accounting groups' standards, policies and administration across the globe in all the overseas subsidiaries. In line with promoting methodologies that improve responsible corporate citizenship and transparency, IFRS became a good choice.

The use of fair value accounting is more prevalent in IFRS. Arguably, fair value accounting provides more transparency in practice than others. The fair value method requires strict evaluation and write-down of assets such as fixed assets. The inventory assets are also based on the lower of cost or market method, and the appropriate matching principle between expenses and revenues needs to be applied.



This meant reconciling and standardizing the accounting practices across the company without significant disruption. Achieving this transition in an integrated fashion around the world would involve transforming the IT system to handle it. This seemed like a gargantuan undertaking for a company of Fujitsu's size and reach.

Without foregoing its objectives, Fujitsu decided to take a phased approach to the updates based on the principles of interoperability and reusability. It became part of a larger IT transformation strategy and the project scope was set to only address the core of the financial process – the Fujitsu Order Control system.

The newly developed system as shown in the figure above is based on Service Oriented Architecture (SOA) and allows the various business units to continue the use of their existing disparate back-office systems. A centralized Business Activity Recorder was developed for data control and to maintain audit trails. Fundamental to this new system is the use of XBRL and XML as the standard data exchange formats between the various systems to support interoperability.

Fujitsu also leveraged XBRL's Global Ledger (XBRL-GL) framework, a set of modules designed to efficiently handle financial and non-financial business information. XBRL-GL represents the underlying details of operational, business and accounting systems so as to support outbound reporting as well as facilitate ERP integration.

Seamless transition to a modernized system

The success of the first phase is evidenced in many ways. The key processes were identified and automated, transactions are verified for accuracy, all required data can now be recorded, and historical data from previous systems has been migrated to the new system – all done without disrupting daily operations. The performance of the new SOA-based system has also been verified to be capable of processing the Fujitsu company-wide sales data. Both existing sales data as well as newly customized data can co-exist in the Business Activity Recorder. This allows a wider variety of users – including executives, managers, and operations staff – to access the data for better insight and investor communications. More importantly, user interfaces remained familiar but now provide richer data.

Thus, through judicious use of planning and technology, Fujitsu has paved its way to success.

For more information, please contact
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XBRL to Streamline the Corporate Actions Process

What's the next big move for XBRL?
It's likely to fall into the corporate actions arena, a perfect technology solution for today's convoluted and cumbersome process. But what is a corporate action? It's an activity that affects the legal or financial structure of securities issued by a public company, e.g., merger, stock dividend – some are mandatory, some are voluntary, some require an "action" on the part of the shareholder.

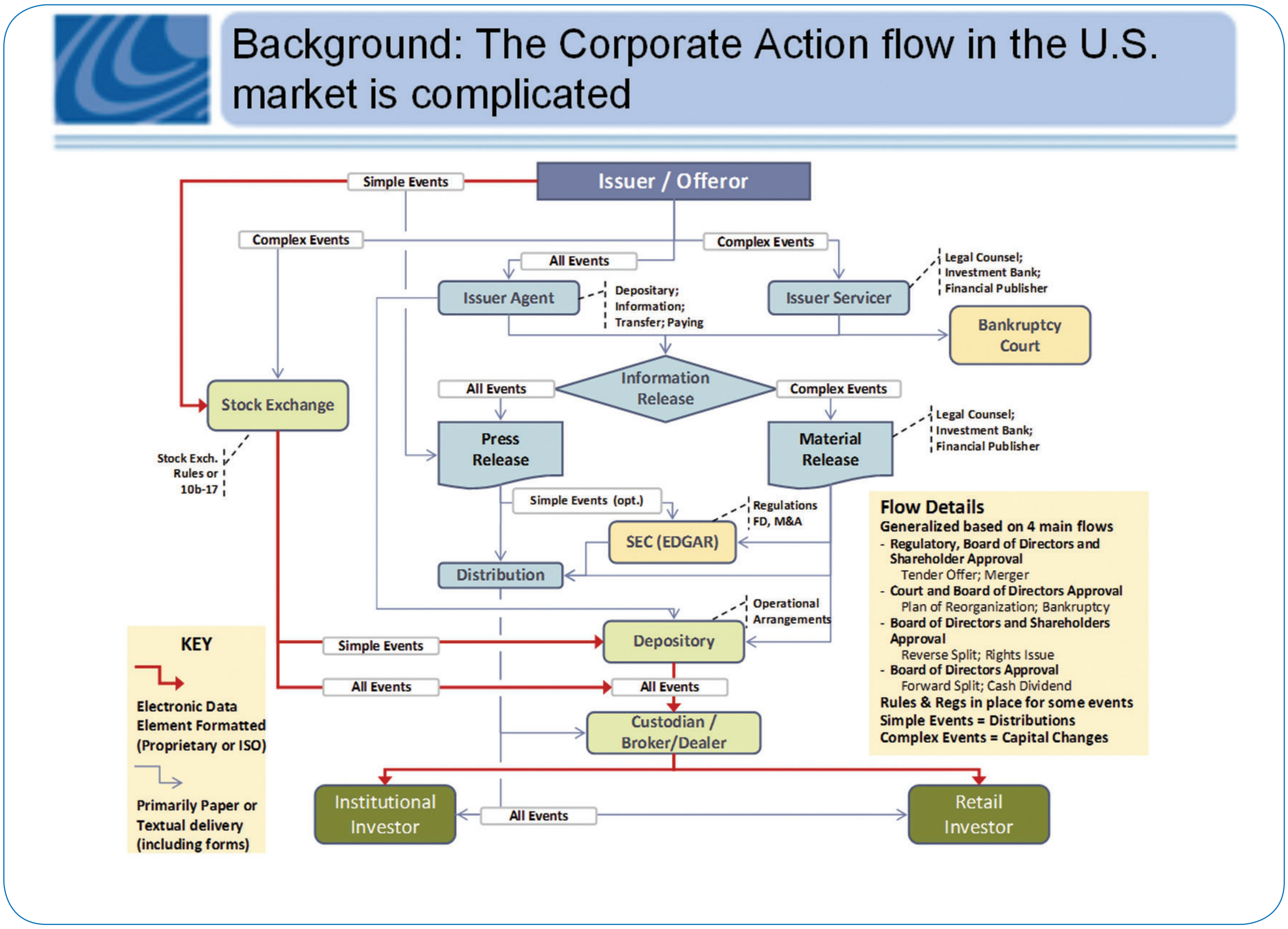
All of these actions must be communicated to investors. A simple event like a dividend requires the issuance of a press release. More complex events may require a prospectus or other regulatory document. The manner in which this "message" is disseminated has not fundamentally changed for decades. Issuers are required to distribute the event in textual form to newspapers, wire services, the SEC (EDGAR), their Stock Exchange and Depository. Once distributed, the role of translating and transforming the text into electronic data, for processing within the financial services industry, falls onto the many other parties involved including the depository, the exchange, banks, custodians and data intermediaries. The current process requires many people to manually interpret the information. Some events may require multiple messages from the issuer to communicate updated information. One action, for a complex transaction, can ultimately result in tens of thousands of electronic messages.

The financial services industry follows a global ISO (International Organization for Standardization) standard called ISO 15022 (to be replaced by ISO 20022) for financial transactions. The ISO standard lets all parties communicate information about the Issuers corporate action in a common data structure and format.

Investment managers obtain services from multiple global custodians. At each level there is a massive amount of reconciliation and "scrubbing" to derive a "golden copy" – a version accepted as the final. This nets to an accumulation of repeated, redundant work at many levels with controls on top of controls to manage the monetary, reputational, and opportunity risk inherent in such a system. The issuer is not aware of this process and of the scale of manual effort to interpret the text based announcement.

Investors need timely and accurate information to make time-critical investment decisions. How does the current process affect investors?

- The lack of standardized electronic dissemination introduces delays in the delivery of information
- Institutional investors use multiple custodians, thus they must deal with the inevitably conflicting data
- Errors and timeliness impact investors' decision process, increasing conflict and resulting in direct losses, reputational risk, and missed opportunities



Getting the same information electronically in a standardized format would reduce processing costs and the potential cost of error.

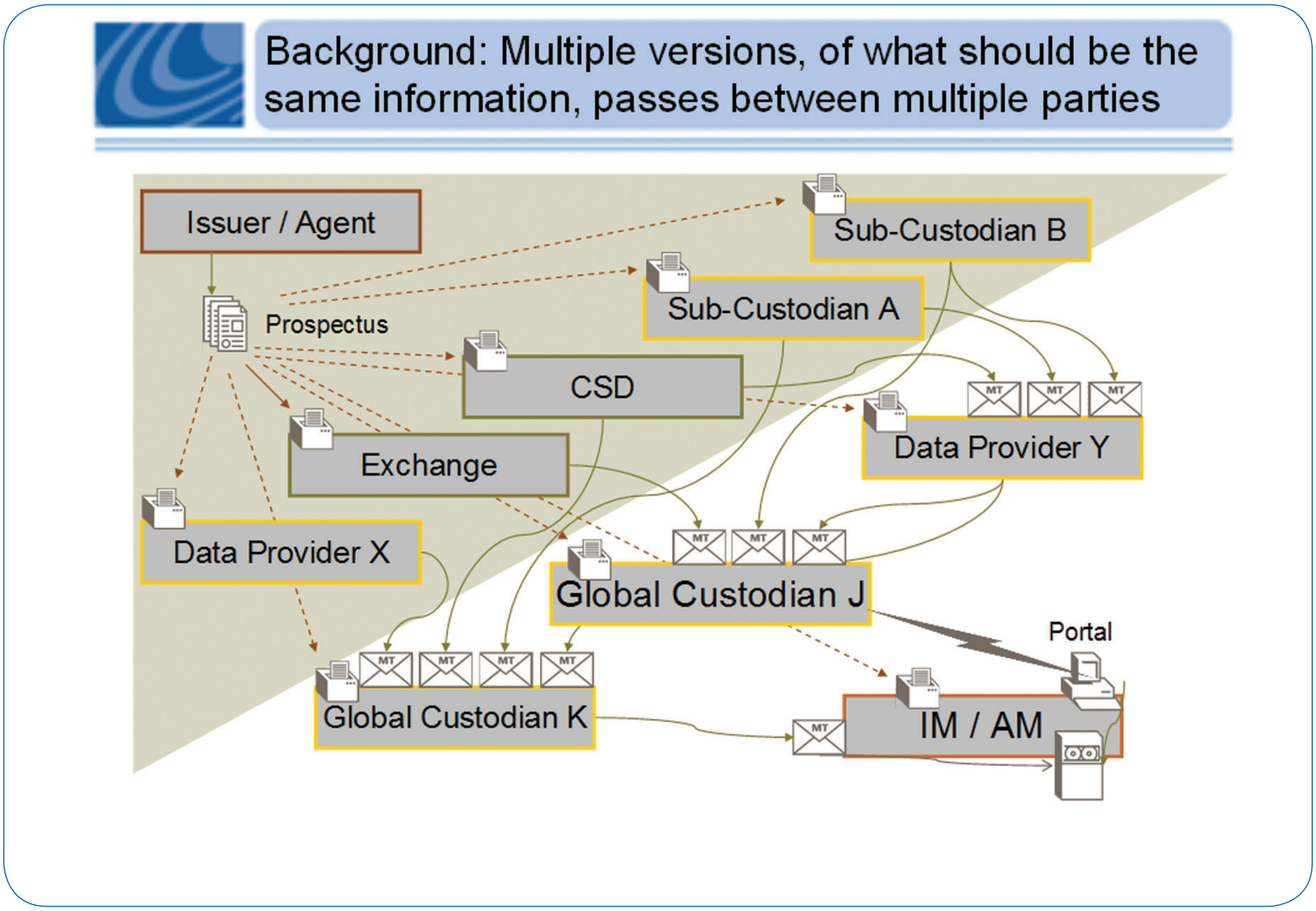
Issuers need to get engaged in this process - they need to be aware of the impact of this process on the investment manager. How it affects the timeliness and the possibility for error can have a significant impact on the success of that action.

Today, the time is right to evolve the process:

- With financial market turmoil, there's clear incentive to improve transparency and reduce costs
- Companies are now beginning to file in XBRL format to the SEC's EDGAR system so they are more familiar with the XBRL format and process
- Customers are pushing to resolve corporate action problems, among the weakest areas of securities automation and concurrent with the highest risk of failure, through the use of ISO standards
- Non US organizations (Group of 30, European Union) are also interested in improving communication between issuers and investors for a more streamlined corporate action process.

It's clear that issuers need to get involved in the process right from the start. XBRL US has joined forces with the Depository Trust & Clearing Corporation (DTCC) and SWIFT, the global banking cooperative for financial transaction processing to develop an initiative called Issuer to Investor: Corporate Actions. This program aims to:

- Develop the business case for redefining the current process by drawing together representatives from the issuer, intermediary and investor communities



- Develop a XBRL taxonomy for the corporate actions process that builds on the current US GAAP taxonomy being used by public companies today

- Harmonize the ISO 20022 data standard with the XBRL technology standard

The biggest challenge will be to raise awareness among issuers about the current corporate actions process. We believe that once issuers understand the inefficiencies of the current process, they will recognize the benefits that a more streamlined, standardized process will bring.

Does XBRL Change the Way You Look to Investors?

XBRL is all about the data, not about the presentation. That can be a tough message to accept if you are the investor relations officer or the CFO of a public company and you want to be sure you're conveying the right message to shareholders. Companies work hard to ensure that their financial statement reports are accurate and convey the right image of the company's position as an investment. And the new world of XBRL-formatted financial statements doesn't change that goal.

But public company information is generated to help people make decisions. And information is used differently depending on the consumer. Securities analysts want to extract data to input into their own models to perform analysis and generate reports, depicting the data in their own way. Investor relations and upper management need to create reports showing how their stock is performing versus peer companies. Regulators want to see corporate data in a report format common to preparers and regulators so they can discuss the information with the public company, if necessary.

But XBRL was not created for presentation – it was designed to allow public companies to create the most accurate, transparent, computer-readable data possible so that investors, upper management, analysts and others could extract information more quickly and perform better analysis.

The SEC Mandate

When the Securities and Exchange Commission (SEC) mandated the use of XBRL for public company reporting, they included a requirement that companies post their XBRL-formatted documents to the company's corporate website no later than the end of the day it was filed with the SEC's EDGAR system. The SEC issued a recent report "Staff Observations From Review of Interactive Data Financial Statements", and noted this about rendering:

> *"Filers should be aware that there is no requirement that the rendered files appear identical to the HTML/ ASCII filing . . . In addition, filers should not deviate from the guidance in the rule release and EFM (Edgar Filer Manual) (e.g., change, delete, or summarize information in the Interactive Data File) solely in an attempt to correct rendering issues."*

SEC statements suggest that they agree that XBRL is about the data and rendering should not be the primary concern of public companies. But that's a tall order for public companies that need to meet the needs of their stakeholders. They are concerned that investors visiting their site will be confused by the XBRL file and understandably, they want to communicate their investment position clearly and accurately.

Approaches to Presenting Your Financials

Many companies are not aware that it is acceptable to simply link to the SEC's Interactive Viewer. That provides a low-cost, easy alternative to giving shareholders and prospective investors the same information that's available in the XBRL file but in a human-readable format.

Other companies have purchased tools that present their XBRL document and the rendered version of those financials together. The tools they use pull data off their own XBRL instance documents and render financial statement reports.

Eventually, companies will be able to embed XBRL into their processes and have financial statement data immediately populate on their web site. That provides a real benefit to investors by making accurate, detailed data available real-time. It benefits the company by reducing the time spent posting data, reviewing it for accuracy and formatting html pages each quarter.

Technology Solutions

The XBRL community recognizes that although the focus of XBRL is on data, how that data appears can be just as important. A solution is underway called "inline XBRL" which embeds XBRL into an HTML document as metadata. This essentially provides the consumer of the information with both the data itself and a rendered report of that data. The benefit of inline XBRL is that the way the data appears is controlled by the creator of the data using standard HTML, e.g., a public company preparer has control over the look and feel, and ultimately branding of their own financial statement. This gives analysts the data they need to input to their models but also shows them how the public company wants the information to be reported. The marketplace has begun developing tools based on this technology and they should be available to public companies soon.

Solutions from the Marketplace

As more and more data becomes available through the SEC mandate, smart developers will create innovative ways to solve the rendering issue. Public companies will be able to give their stakeholders, prospective investors, regulators and their own employees and management, interesting and useful tools to meet every data need. We're at the tip of the iceberg in terms of analytical and reporting tools that work with XBRL but we can expect to see development move quickly over the coming months and years.

The SEC Mandated XBRL… So Now What?

This article was contributed the American Institute of Certified Public Accountants (AICPA).

The adoption of XBRL by the SEC has marked the largest and most complex implementation of XBRL around the globe to date. Millions of dollars are being invested in software, tools and in the SEC's EDGAR Database to support the thousands of companies that will submit financial information in XBRL format and to enable consumers to more easily access this information for analysis. Continual updates to the US GAAP Taxonomies to incorporate new accounting concepts and standards will help to improve the use of XBRL-formatted data that investors will come to rely upon. Capable tools will facilitate analysis of the abundance of data that will become available in the market as a result of more public companies submitting their tagged financial statements under the SEC's phased-in mandate. When XBRL is implemented by all public companies, we will expect to see improvements in the efficiency of the entire market as preparers and consumers benefit from streamlined processes and more accurate and transparent data.

The SEC mandate of XBRL-tagged financial information marks an enormous milestone in the widespread adoption of XBRL. However, the potential for process improvements that this nascent technology could provide is much broader than just external reporting. Investments already made in XBRL tools and taxonomies can be leveraged for a "broader footprint" for many types of business reporting. So where do we go from here?

Although many organizations and newly formed working groups are exploring ways in which XBRL can improve their business processes and current reporting applications, there are currently only a limited number of actual uses of XBRL technology within the United States. Prior to adoption by the SEC, the largest use of this standard was by the FFIEC which adopted XBRL in 2005 under its Call Report Modernization project[1] . The agency has achieved process improvements, increased productivity and more accurate data through its use of XBRL for quarterly data submissions.

Another example of how XBRL implementation has increased productivity and provided process improvements is its use by the State of Nevada. State Controller Kim Wallin implemented XBRL to track grants and other financial information which eliminated the manual cutting and pasting of information that was required to produce the grant reports. Through automation using XBRL, grant reporting (which had previously been a two week process) was reduced to one day and the elimination of manual efforts has allowed for a more robust internal control structure. These implementations demonstrate that the use of XBRL can reduce costs while improving the reliability of various types of information.

Government reporting is an area of great promise for XBRL. XBRL US recently made a joint announcement with the National Information Exchange Model (NIEM)

[1] *More information on this project can be found in the FFEIC whitepaper, Improved Business Process Through XBRL: A Use Case for Business Reporting, located on the XBRL US website.*

to investigate how to leverage the strengths of both standards towards better government reporting. NIEM is the XML-based information exchange framework for U.S. government agencies and organizations. NIEM and XBRL are open, free standards with significant adoption momentum and proven applications.

NIEM focuses on standardizing transaction exchanges of non-financial elements used across all levels of government. XBRL US' digital dictionary (taxonomy) contains elements for financial data reporting that are currently used by U.S. public companies to report US GAAP financial statements. Leveraging the strengths of both standards is expected to result in greater transparency, accuracy and consistency in government reporting.

Narrative information can also be tagged and consumed in XBRL format, which expands its capability to satisfy the needs of all types of business reporting applications beyond financial reporting. The Enhanced Business Reporting Consortium (EBRC) has drafted an updated taxonomy for tagging the Management Discussion and Analysis (MD&A). Narrative disclosures that are provided in MD&A are increasingly useful and the ability to consume this information in a common format provides enhanced transparency to the market and demonstrates XBRL's ability to be leveraged for other reporting streams. The EBRC has invited open collaboration to expand the taxonomy with more detailed tags that will enable easier access for users to the information. Collaboration has been a key driver to the success of this data standard and is an essential component to advance the technology further.

Another example of a collaborative effort to leverage XBRL into other areas is the study conducted by the AGA (Association of Government Accountants) to test the feasibility of applying XBRL to the public sector. The project studied the benefits of developing and using an XBRL taxonomy for government reporting of the State of Oregon's Comprehensive Annual Financial Report (CAFR)[2]. The project team included representatives across the public sector financial reporting supply chain that worked together to create a Governmental Accounting Standards Board (GASB)-based taxonomy to tag the two primary statements in the Oregon CAFR. The results of this project are a good starting point for the use of XBRL for government reporting however, more work is needed in this area to enable state and local governments to fully implement XBRL into their processes.

When considering the need for XBRL, Oregon State Controller John Radford remarked, "Our XBRL investments in an efficient global marketplace today will help sow the seeds for lower interest cost tomorrow. For government financial statement preparers, the marginal cost to convert existing financial reports in XBRL will increase market efficiency and that's a good thing. Our experience in Oregon is that the actual cost is slightly more than converting existing files from spreadsheets and word processors to XBRL. As market players convert to XBRL, state and local governments should be ready."

The environment for business reporting is evolving; the concept of paper based and static reports will be replaced with online information available on demand. To prepare for the new digitized world where better informed, real time decisions will be critical, CPAs in business and government should take a proactive role to become educated and involved in how this new technology will transform the manner in which all business is conducted.

[2] *See www.agacgfm.org research publication, "XBRL and Public Sector Financial Reporting: Standardized Business Reporting: the Oregon CAFR Project", for a complete list of participants and more detail on the study and the findings.*

Working with the US GAAP Taxonomy – Use of Extensions in the Rollout

Transforming your US GAAP financials into XBRL format can require a bit of creativity. The digital dictionary for US GAAP reporting (called a taxonomy) holds around 17,000 elements. External reporting managers have to identify the 200 or so elements from within that collection that best match their own financial statement captions. While the sheer size of the taxonomy may sound daunting, it is structured into industry-specific entry points so that you can narrow it down to your own industry group. Next, the elements are broken down into type of statement, e.g., Statement of Cash Flows, Income Statement, and then into disclosures. The hierarchy of elements is clearly visible in the taxonomy so that preparers can easily identify parent-child relationships and understand which elements roll up into an aggregate.

Maintaining the US GAAP Taxonomy

The US GAAP Taxonomy is updated once per year, with a public review period that starts in the Fall during which time visitors can look at the elements and submit comments on new elements that should be added, labels or definitions changed or other revisions. The Public Review is then closed, changes reviewed and potentially incorporated and the new release published early in the Spring so that it can be used for financial statements that year. New releases are made annually to limit confusion about which taxonomy to use and to ensure the highest level of consistency in data created from year to year.

During the course of the year, there may be industry changes and there may be changes in accounting standards. In 2009, there were a significant number of new pronouncements from the Financial Accounting Standards Board (FASB) and some companies had to use those new accounting standards in their 2009 financial statements. Given the urgent need for the new standards, XBRL US created an addendum to the 2009 Release that included over 200 new elements that companies were able to use. These elements are technically considered "extensions" and are not part of the 2009 Release (they will be incorporated into the 2010 release).

Using Extensions

So what exactly is an extension? Going back to the definition of XBRL, the "X" in XBRL stands for "extensible" – meaning that a company can create a new element for a unique reporting situation and add it back into the current dictionary of terms. The goal of XBRL though, is to improve comparability so while it's important to give companies the ability to explain their own unique reporting situations, from a user standpoint, we need to limit the number of extensions as much as possible. The more extensions there are in XBRL-formatted financials, the less comparability from company to company.

XBRL US did an analysis of the 450+ XBRL documents that have been submitted so far to see what kind of extensions are being created. We found that on average, analyzing filings that have been submitted to date under the SEC mandate, most company financials included extensions for 7% of their statement elements, e.g., a special line item created to reflect what they considered to be a unique reporting situation. But while the average was 7%, the range was wide. Of the submitted filings reviewed, the percentage of elements that were extensions ranged from 0% extensions to as high as 52% extensions. Clearly, the latter situation with 52% extensions is problematic and can result in a lot of data that cannot be compared from one company to the next.

Among all the companies, we found that extensions were created correctly to:

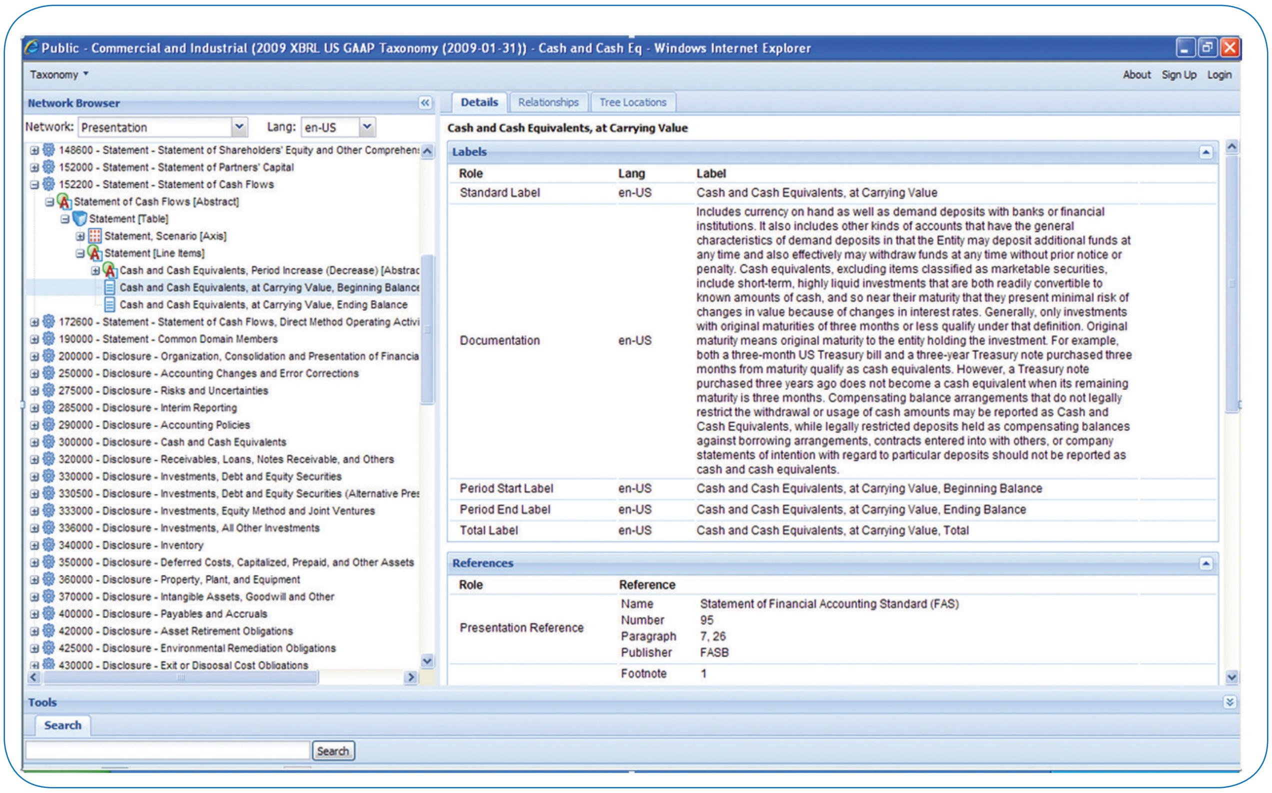
- Aggregate elements not available in the taxonomy – creating a new element that captures several elements added together
- Develop new elements that were more specific than what was available
- Reflect accounting changes if the 2008 taxonomy was used, which did not include new FASB pronouncements
- Use new FASB pronouncements that came out in the last few months, even since the 2009 taxonomy release was published
- Depict elements excluded from the taxonomy as not allowed in US GAAP
- Provide extensions for the same element in Cash Flow and Income statement
- Reflect industry specific extensions not yet covered in the taxonomy
- Development of dimensional equivalents (i.e. Trade Receivables)

But in some cases, companies created extensions erroneously because the preparer didn't understand that an element was already available.

How can you minimize extensions in your financials?

The most important step you can take is to Know Your Taxonomy. Take the time to review the elements in the taxonomy which are easily viewable in the XBRL Review Tool which can be found at http://xbrl.us/taxonomies/Pages/US-GAAP2009.aspx.

This tool (depicted below) clearly outlines the hierarchy of elements, and provides computer and presentation labels plus definitions and FASB references. Many companies outsource their XBRL creation to a service provider but the selection of the elements must be



reviewed and approved by the company's external reporting team. Only your own financial executives can make the call concerning which elements best reflect your financial statements.

Secondly, get familiar with your peers' XBRL-formatted financials. Analysts and investors will be reviewing multiple companies within the same industry. It's to your benefit to select the same elements as your peers to improve comparability and to make sure that investors understand your message.

Over time, XBRL financials will become more and more consistent in how the data is represented. Taking care with your own XBRL creation today can move the marketplace more quickly to better, more accurate information.

Questions or comments about anything in this Guide? Please email them to webmaster@xbrl.us