XBRL Factor: eXtensible Business Reporting Language is Here

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Speakers

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Agenda

• Overview
• SEC Rules
• Preparing for the SEC’s XBRL Mandate
• XBRL Conversion Process
• Lessons Learned from the First Wave of XBRL Submissions
What is XBRL?

• **Business Reporting Language**
  – Software can understand the content of business reports

• Document format mandated by SEC
  – New exhibits with financial statements, footnotes and schedules

• Open global standard
Business Reporting Supply Chain

Processes
- Business Operations
- Internal Financial Reporting
- External Financial Reporting
- Investment, Lending, and Regulation

Participants
- Companies
- Financial Publishers and Data Aggregators
- Investors
- Trading Partners
- Management Accountants
- Auditors
- Regulators
- Software Vendors

XBRL
XBRL is based on XML

- Gary Purnhagen
- 324 Broadway
- NY
- NY 10001
- USA
- 1 212 991 8679
- Birthdate: ##/##/####

Just plain, ordinary information

Metadata: information about information
## Financial Statement

### Statements of Consolidated Income

(Twenty-one of Dollars Except Per Share Data)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>10,540</td>
<td>11,075</td>
<td>11,490</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>7,219,028</td>
<td>7,307,611</td>
<td>7,248,514</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,320,982</td>
<td>2,307,611</td>
<td>2,248,514</td>
</tr>
<tr>
<td>Percent to net sales</td>
<td>23.4%</td>
<td>27.2%</td>
<td>21.9%</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>1,720,855</td>
<td>1,740,367</td>
<td>1,673,449</td>
</tr>
<tr>
<td>Percent to net sales</td>
<td>34.1%</td>
<td>33.4%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>14,783</td>
<td>14,783</td>
<td>14,783</td>
</tr>
<tr>
<td>Operating income</td>
<td>489,774</td>
<td>575,065</td>
<td>575,065</td>
</tr>
<tr>
<td>Percent to net sales</td>
<td>9.7%</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>54,627</td>
<td>61,168</td>
<td>61,168</td>
</tr>
<tr>
<td>Interest and net investment income</td>
<td>4,087</td>
<td>(5,761)</td>
<td>(5,761)</td>
</tr>
<tr>
<td>Other expense - net</td>
<td>14,783</td>
<td>29,540</td>
<td>29,540</td>
</tr>
</tbody>
</table>

### XBRL Taxonomy

- **Tagging**: The tagging process involves identifying and labeling financial data with XBRL tags. This step is crucial for ensuring that the data can be accurately mapped to the XBRL schema.

- **Mapping**: Mapping involves translating the financial statements into an XBRL instance document, aligning the data with the XBRL taxonomy.

- **Consumed**: The consumed data represents the information that has been processed and is now in a form that can be easily understood and used by machines.

- **Rendered**: The rendered data is the final output that is human-readable and compliant with XBRL standards.
Benefits Beyond the SEC’s Mandate

After the language is embedded in your internal process

- Lower cost of producing information
- Lower cost of consuming information
- Faster access to information
- More timely and accurate data for decisions
- Enhanced analytical capabilities
- Enhanced functionality
- Ease of access to definitions to enhance comparability
Implications to financial analysis

Diagram:
- Travelocity
  - Airlines
    - A
  - Car Rental
    - B
  - Hotels
    - C
Implications to financial analysis

- Google Financial
- Industry A
- All companies that...
- Watch list
- A
- B
- C

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Summary of SEC Rules

- Requires companies to provide financial statements in interactive data format using XBRL
- Applies to domestic and foreign companies using U.S. GAAP and to foreign private issuers using IFRS (as issued by IASB) in 2011
- Tagged disclosure includes companies primary financial statements, notes and financial statements schedules
- XBRL exhibits supplement HTML or ASCII documents
- Limited liability protection within 24 months of the time the filer is first required to submit XBRL.
- XBRL data does not need to be audited at this time
SEC Mandate
3 Year Phase-In Schedule

• **2009** – Domestic and foreign large accelerated filers with a worldwide public float above $5 billion that use US GAAP, starting with their 10-Q or Form 20-F or Form 40-F containing financial statements for a fiscal period ending on or after June 15, 2009
  – *Approx. 485 companies*

• **2010** – All other domestic and foreign large accelerated filers using US GAAP
  – *Approx. 1500 companies*

• **2011** – *All remaining filers*, incl. smaller reporting companies, and all foreign private issuers that prepare their financial statements in accordance with IFRS (as issued by the IASB)
Submission Format

- XBRL exhibits will be required with a company’s annual and quarterly reports, transition reports and Securities Act registration statements:

- Forms under the ’34 Exchange Act:
  - 10-Q/A, 10-K/A, 8-K, 20-F/A, 6-K 40-F and 10

- Forms under the ’33 Act Securities Act:
  - S-1, S-3, S-4, S-11, F-1, F-3, and F-10

- Forms 8-K and 6-K when they contain updated interim financial statements or financial statements that have been revised to reflect the effects of certain subsequent events
Data Tagging Details

• **First Year** (beginning with first filing)
  – Financial statements need to be completely tagged (every line item)
  1. Each complete footnote and schedule are tagged as a single block of text: *Block tagging*
     
     **Average number of tags** – 150

• **Second Year and beyond** – *Detailed tagging* for footnotes and schedules.
  2. Each significant accounting policy within the significant accounting policies footnote is tagged as a single block of text
  3. Each table within each footnote tagged as a separate block of text
  4. Within each footnote, each amount (i.e. monetary value, percentage, and number) is required to be separately tagged
     
     – **Average number of tags** – 600
Overview of Requirements

• 1\textsuperscript{st} year set up:
  – Selecting the appropriate taxonomy element to tag line items in your consolidated financial statements
    • Notes & Schedules – block tagging

• 2\textsuperscript{nd} year set up:
  – Selecting the appropriate taxonomy elements to tag the details within the Notes and Schedules

• On-going:
  – Maintenance of company’s taxonomy (schema)
Company Website

- XBRL files are required to be posted on the company’s corporate web site (if it maintains one) every time XBRL Exhibits are submitted to the SEC.
- XBRL files to be posted on the same calendar day as the filing
- The XBRL files are required to be posted for at least 12 months on the issuer’s website
- A hyperlink to the SEC’s EDGAR website is not allowed
- Post XBRL files individually, not as a zip file
- No requirement to provide rendering of XBRL files
Potential Expansion of Requirements

- Audit requirement
- MD&A
- CD&A
- Earning Releases
- Corporate Actions
- Eventually all business information will be tagged with XBRL
Current Status

• Roughly 475 companies have submitted XBRL exhibits for 5 reporting cycles
  – Over 75 % - outsourced
  – Less than 25 % - doing it themselves
• Validation issues
• Rendering issues – SEC’s viewer for XBRL files
• Now required to submit detailed tagging of footnotes and schedules
• Not much analysis of the data happening yet
XBRL Process Flow

1. Mapping
2. Review Elements
3. Create Initial XBRL Exhibits and Rendering
4. Review and Approval
5. Update
6. Final Changes
7. File and Post
Mapping and Review

**ASSETS**

- **Current assets:**
  - Cash and cash equivalents
  - Accounts receivable, net of allowance of $80 in 2009 and $57 in 2008
  - Prepaid expenses
  - Income tax receivable
  - Deferred income taxes
Mapping and Review

Properties

<table>
<thead>
<tr>
<th>Property</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>AccountsReceivableNetCurrent</td>
</tr>
<tr>
<td>Namespace</td>
<td><a href="http://xbrl.us/us-gaap/2009-01-31">http://xbrl.us/us-gaap/2009-01-31</a></td>
</tr>
<tr>
<td>Data Type</td>
<td>xsrli:monetaryItemType</td>
</tr>
<tr>
<td>XBRL Type</td>
<td>monetaryItemType</td>
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<tr>
<td>Substitution Group</td>
<td>xsrli.item</td>
</tr>
<tr>
<td>Period Type</td>
<td>instant</td>
</tr>
<tr>
<td>Abstract</td>
<td>false</td>
</tr>
<tr>
<td>Nullable</td>
<td>true</td>
</tr>
<tr>
<td>Balance</td>
<td>debit</td>
</tr>
</tbody>
</table>

Labels

<table>
<thead>
<tr>
<th>Type</th>
<th>Lang Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Label</td>
<td>en-US Accounts Receivable, Net Current</td>
</tr>
<tr>
<td>Documentation</td>
<td>en-US Amount due from customers or clients, within one year of the balance sheet date (or the normal operating cycle, whichever is longer), for goods or services (including trade receivables) that have been delivered or sold in the normal course of business, reduced to the estimated net realizable fair value by an allowance established by the entity of the amount it deems uncertain of collection</td>
</tr>
<tr>
<td>Total Label</td>
<td>en-US Accounts Receivable, Net Current, Total</td>
</tr>
</tbody>
</table>

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Mapping and Review

• Reviewed by Controller’s group
  – Financial Reporting Manager
  – Assistant Controller

• If in-house, need to be very familiar with the Taxonomy
Mapping and Review

- 2009 US GAAP Taxonomy
  - 16,590 Elements, of which 5,930 are us-gaap, non-abstract, monetary concepts
  - 2,954 with “instant” period type, of which 1,616 are debits, 1,336 are credits and 2 have no balance type
  - 2,976 with “duration” period type, of which 1,407 are credits, 1,476 are debits and 93 have no balance type
  - 1,120 dimension members
Exhibits and Rendering

- “Tagging”
  
  `<us-gaap:AccountsReceivableNetCurrent decimals="-3" contextRef="Pri_20081231" unitRef="USD">6188000</us-gaap:AccountsReceivableNetCurrent>`

- Creating company specific extensions
Exhibits and Rendering

- “Block Tagging” – Year 1 and 2

NOTE 5. INCOME TAXES

The Company recorded a tax provision of $50 million, an effective income tax rate of 10.5%, for the quarter ended August 31, 2009 and recorded a tax provision of $130 million, an effective income tax rate of 40.0%, for the quarter ended August 31, 2008.

<Income Taxes> - beginning tag
NOTE 5. INCOME TAXES
The Company recorded a tax provision of $50 million, an effective income tax rate of 10.5%, for the quarter ended August 31, 2009 and recorded a tax provision of $130 million, an effective income tax rate of 40.0%, for the quarter ended August 31, 2008.
</Income Taxes> - ending tag
Exhibits and Rendering

- “Detailed Tagging” – Year 2

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</Income Taxes> - ending tag
Exhibits and Rendering

- Exhibits

<table>
<thead>
<tr>
<th>Seq</th>
<th>Description</th>
<th>Document</th>
<th>Type</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>XBRL INSTANCE DOCUMENT</td>
<td>abc-20090930.xml</td>
<td>EX-101.INS</td>
<td>1116206</td>
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<tr>
<td>9</td>
<td>XBRL TAXONOMY EXTENSION SCHEMA</td>
<td>abc-20090930.xsd</td>
<td>EX-101.SCH</td>
<td>17269</td>
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<tr>
<td>10</td>
<td>XBRL TAXONOMY EXTENSION CALCULATION LINKBASE</td>
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<td>EX-101.CAL</td>
<td>39750</td>
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<tr>
<td>11</td>
<td>XBRL TAXONOMY EXTENSION LABEL LINKBASE</td>
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<td>EX-101.LAB</td>
<td>117931</td>
</tr>
<tr>
<td>12</td>
<td>XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE</td>
<td>abc-20090930_pre.xml</td>
<td>EX-101.PRE</td>
<td>74870</td>
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<tr>
<td>13</td>
<td>XBRL TAXONOMY EXTENSION DEFINITION DOCUMENT</td>
<td>abc-20090930_def.xml</td>
<td>EX-101.DEF</td>
<td>55725</td>
</tr>
</tbody>
</table>
Exhibits and Rendering

• Rendering

<table>
<thead>
<tr>
<th>Document Information</th>
<th>Consolidated Balance Sheets (USD $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity Information</td>
<td>In Thousands</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Parentheticals</td>
<td>Accounts receivable, net of allowance of $680 in 2009 and $537 in 2008</td>
</tr>
<tr>
<td>Consolidated Statements of Income</td>
<td>Prepaid expenses</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>Income tax receivable</td>
</tr>
<tr>
<td>Nature of the Business</td>
<td>Deferred income taxes</td>
</tr>
</tbody>
</table>
Review and Approval

- Compare HTML (EDGARized) document to Rendering
  - Labels
  - Values
  - Know the reason for any differences
Update and Final Changes

• Now that the “shell” has been created, update during live filing period
  – New elements
  – New calculation relationships
  – Labels
  – Values
  – Period
File and Post
Recommendations

• **Start early**
  – Best practice - six months prior to official filing day

• **Trial run**
  – Quarter prior to official filing – without actually filing

• **Leave ample time for review during official filing period**
  – Finalize significant changes (e.g., changes to elements, periods, etc.) well in advance of the official filing date.
Recommendations (continued)

• Detailed review – throughout the process
  – Of inputs (elements, reporting period, decimals, value type) and outputs (rendering and validation results).
  – Validation – manual and automated
    • XBRL rules – see XBRL US Preparers guide
    • SEC rules – see EDGAR Filer Manual

• A common mistake is to view the XBRL conversion process as merely an extension of the EDGARization process. Rather, XBRL conversion should be viewed as a blending of both the financial reporting process and the EDGARization process.
Recommendations (continued)

• The XBRL structure is more important than the presentation

• IR should be involved with company efforts. *Who will be asked about it?*
XBRL Limitations

Limitations

• Rendering – SEC Viewer
  – Differences between HTML/ASCII and XBRL financial statements:
    • Column headings, Abstracts, Underlining, Formatting, Parenthetical information, Column/Row layout
  – Improvements made with update:
    • Different currencies
    • Nil concept
XBRL Considerations

Considerations

• Segments / Dimensions – When appropriate to use, Impact on elements
• FASB (as of February 5, 2010):
  – New Taxonomies
  – FAQ’s / Guidance on elements
• SEC:
  – New guidance
  – Staff Observations
  – Validation rules (Chapter 6 of the EDGAR Filer Manual)
XBRL Complexities

Be aware of the complexities:
- Selecting the right element
- Label roles
- Positive or negative sign balances
- Calculation inconsistencies
- When rendering is an issue
In-House vs. Outsourcing
Reasons for Performing Work In-House

1. You know your financials better than anyone else
2. Cost containment
3. Will need to learn the language sooner or later
4. Corporate culture
You Know Your Financials Better Than Anyone Else

• True, but learning XBRL is a significant undertaking
• Surveys indicate that it takes companies on average over 120 hours
• An ideal approach is to work with a service provider to ensure proper taxonomy element selection
Cost Containment

• Internal cost:
  – Time to learn XBRL, map and tag financials to taxonomy…
  – Software cost
  – Freeing up personnel
  – SEC estimates
    • Year One - $76,860 - $146,240
    • Year Two - $ 93,925 to $173,970

External cost:
  – Market is charging considerably less
Will Need to Learn the Language Sooner or Later

- Applications will not require you to learn XBRL
- Orbitz, Travelocity, Amazon are all based on XML. We don’t need to know that language to operate these applications
- Unfortunately, this is not the case with XBRL software
Corporate Culture

• Typically, convert and submit SEC filings in-house

• Plan accordingly:
  1. Expertise
     – XBRL US GAAP Taxonomy Preparers Guide
     – SEC EDGAR Filer Manual
  2. Software
  3. Time

• Valid strategy: outsource for first two years then take XBRL work in-house
  – Taxonomy selection complete
  – Software will be improved
Recommendations

• Work with a service provider that has expertise with:
  – Financial reporting & US GAAP
  – EDGAR & XBRL

• Collaborate with a service provider that works directly with your financials in selecting the taxonomy elements

  *Best practice – assigned taxonomists*
Business Wire

• Leading EDGAR filer
• Offering XBRL services since 2005
  – XBRL and EDGAR work performed in-house
  – Companies work directly with dedicated taxonomist
• Leading provider of Investor Relations Services
• Global market leader in commercial news distribution
• A trusted partner for all of your Disclosure requirements
Questions?

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