eXtensible Business Reporting Language: What You Need to Know About XBRL

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Speaker

Gary Purnhagen
Director of Compliance Services
Gary.Purnhagen@BusinessWire.com
212-752-9600 ext. 1313
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

• **eXtensible Business Reporting Language**
  – Document format that allows software to understand the contents of business reports

• SEC’s mandate
  – New exhibits containing the financial statements, footnotes and schedules for SEC filings when updated financials are being filed

• Open global standard
  – Regulators and other organizations around the world have/are adopting and mandating this format
Why?

- Will allow the SEC to apply technology to the review of filings
- Will eventually benefit investors in research and analysis of disclosure information by applying technology
- Will also eventually benefit preparers, once the format is embedded in internal systems
XBRL is based on XML

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

Just plain, ordinary information
Taxonomies: Agree on Many Things

\( X \text{ adds to } X \): 
- Multi dimensional financial data representations
- Financial reporting vocabularies (taxonomies)
- Aliases and other definition relationships
- Mathematical relationships between concepts
- Flexibility about how to present items to users
- Structure for authoritative policies and guidance
- Building blocks (“discoverable taxonomy sets”).
- Capacity to create your own sets of relationships (data owner etc)

**Definitions**
Related to Liquid Assets

**Presentation**
Cash & Cash Equivalents

**Label**
Cash in Bank

**Calculations**
Cash = Currency + Deposits

**Contexts**
UK $£
FY2003
Budgeted

**References**
GAAP I.2.(a)
CoA 1100

**Formulas**
Cash ≥ 0

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Plus…. Ubiquitous Extensions
Benefits Beyond the SEC’s Mandate

- 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
- Lower cost of producing information
  - After the language is embedded in your internal process
Implications to financial analysis

- Travelocity
- Airlines
- Car Rental
- Hotels

A B C
Implications to financial analysis
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 exhibits do 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
  - Total approx. 1500 companies
- **2011** – On or after June 15, 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)
- If first filing after 6/15 is a 10-K, you have a pass for year one but not for year two
Submission Format

- XBRL exhibits will be required anytime a registrant is filing updated financials. Possible filings requiring XBRL exhibits:
  - 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
    - Not earning releases
Data Tagging Details

- **First Year** (beginning with first filing)
  - Financial statements need to be completely tagged (every line item)
  - 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.
  - Each accounting policy within the significant accounting policies footnote is tagged as a single block of text
  - Each table is tagged as a separate block of text
  - Each amount (i.e. monetary value, percentage, and number) is required to be separately tagged
    - Increase in “facts” being tagged – average 600%
Tagging

• “Block Tagging”

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
Tagging

• “Detailed Tagging” – beginning with year 2

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</Income Taxes> - ending tag
Miscellaneous

- 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
- 30 day grace period for first filing and first detailed tagged filing
- XBRL files will be excluded from the officer certification requirements
Potential Expansion of Requirements

- Audit requirement
- MD&A
- CD&A
- Earning Releases
- Corporate Actions
- Eventually all business information will be tagged with XBRL
Registrant’s Considerations

• Three aspects to process:
  – Mapping of tags
  – Validation
  – Tagging of financials to create exhibits

• Begin preparation well in advance of filing

• Recognize that XBRL is far more complex and hence more time consuming than HTML conversion

• Companies that currently handle HTML in-house should examine feasibility of performing XBRL in-house:
  – Expertise
  – Software
  – Time
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

Mapping → Review Elements → Create Initial XBRL Exhibits and Rendering → Review and Approval → Update → Final Changes → File and Post

**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>xbrli:monetaryItemType</td>
</tr>
<tr>
<td>XBRL Type</td>
<td>monetaryItemType</td>
</tr>
<tr>
<td>Substitution Group</td>
<td>xbrli: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>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>
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

- Creating company specific extensions
  - Block tagging – 10% of line items in statements
  - Detailed tagging – 45% of disclosure items
- “Tagging”
  
```xml
<us-gaap:AccountsReceivableNetCurrent decimals="-3" contextRef="Pri_20081231" unitRef="USD">6188000</us-gaap:AccountsReceivableNetCurrent>
```
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>
</tr>
<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>
<td>abc-20090930_cal.xml</td>
<td>EX-101.CAL</td>
<td>39750</td>
</tr>
<tr>
<td>11</td>
<td>XBRL TAXONOMY EXTENSION LABEL LINKBASE</td>
<td>abc-20090930_lab.xml</td>
<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>
</tr>
<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
Review and Approval

- Compare HTML (EDGARized) document to Rendering
  - Labels
  - Values
  - Know the reason for any differences
Now that the “template” 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

• **Test Filing**
  – 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
• XBRL US
  – 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, mapping and tagging XBRL is a significant undertaking
• Surveys indicate that it takes companies on average over 120 hours to prepare for year one
• Estimate for preparing for year two is 300 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
  – SEC’s mandate will be more stable
  – Software will be improved
Recommendations for selecting a Supplier

- Knowledgeable Accountants:
  - Financial reporting, US GAAP and XBRL
- Experience with SEC’s XBRL program
- Collaborates with you
  - Direct access to taxonomist
- Follows best practices in mapping
- Offers complete solution:
  - Mapping, Tagging, Validation & EDGAR
- Turnaround times that works with your filing process
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?

Gary Purnhagen
Director of Compliance Services
Gary.Purnhagen@BusinessWire.com
212-752-9600 ext. 1313