

What CFOs Need to Know about XBRL



Benefits of participating in XBRL early include:

- Lower cost of financial reporting.
- Internal information reporting improvements.
- Better understanding of your competition with benchmark information
- Being perceived as well-run “tech-savvy” company.

eXtensible Business Programming Language (XBRL) is a truly revolutionary technology. “(XBRL) has the potential to slash hours of waste, cost, and inefficiency — not just for users of financial data but for the companies that prepare it as well,” said SEC Chairman Christopher Cox in a recent public statement.

Experts expect the SEC will announce a mandatory move to XBRL filings in the fourth quarter of 2008. So what exactly can XBRL do for CFOs, and how can you take advantage of it? We’ve put together the following document that answers your pressing questions about XBRL—and puts you on a path to success.

XBRL and You

CFOs should care about XBRL for four primary reasons:

- Companies that prepare early for XBRL initiatives can minimize the cost impact and quickly benefit from this technology.
- Using XBRL to report information to regulators such as the SEC is only part of the value. In fact, as much as 99 percent of its value will come not from reporting, but from the internal use of XBRL in various and creative ways.
- There is a very good chance that the SEC will require public companies to file their financial information using XBRL.
- This is a unique opportunity to influence the burgeoning XBRL standard by participating and ensuring that the needs of CFOs are considered.

What will it cost me to implement XBRL?

A good place to get your feet wet is the SEC Voluntary Filing Program. The bottom line is that XBRL will save you money over the long term. In a June 2007 Journal of Accountancy article, United Technologies reported that XBRL can be implemented for a reasonable price and can generate a positive ROI. At first, United Technologies invested about 80 hours learning the tools and creating its filing. Today, it takes about four hours. Costs vary, as do the benefits. The potential upside is great and the initial costs are low, it is worth learning more about XBRL.

The Future is Now

What is the impact of XBRL on financial reporting?

Paper-based reports are a 20th Century experience and internet-based reporting is today’s trend. In fact, today’s financial reports were first developed in the early 1900s. We now live in the Internet age, yet we still use a paper-based model for financial reporting. XBRL is a move from a “paper-based” reporting scheme, which is unstructured, to an internet “XBRL-based” reporting scheme that significantly improves the analysis, comparability and compliance of data.

How are financial reports better with XBRL?

The biggest difference is ease of use—not just for you, the CFO, but for a wide range of interested parties, including investors, suppliers, employees, customers and government regulators. Currently, financial reports share one key element: the information within the report cannot easily be reused without first being re-keyed into a downstream application, such as a spreadsheet. Information that’s structured for meaning—as is the case with XBRL—does not simply sit inertly on a piece of paper. Instead, it is dynamic and interactive.

Who is using XBRL and how are they benefiting?

Today, many regulators and companies are reaping the rewards of XBRL. Here are just a few examples:

- Federal Deposit Insurance Corporation (FDIC) went live with its XBRL system in 2005, and has since reduced errors from 18,000 to zero, with an estimated savings of \$26 million over the next ten years.
- The Dutch Government went live in 2007 and expects to save \$345 million annually as a result of implementing XBRL.
- The Australian Tax Office is implementing XBRL and expects to save \$780 million (Australian) per year.

The SEC and XBRL

Is the SEC going to require my financial statements (and other filings) in XBRL?

It is highly likely, based on the actions of the SEC to date, that it will eventually require public companies to make their filings using XBRL. Several years ago the Federal Deposit Insurance Corporation (FDIC) went through the process of evaluating -- and ultimately implementing -- XBRL. The FDIC is quite happy with the benefits it has realized from XBRL. The SEC has been watching and discussing XBRL with other regulators currently implementing XBRL. This is probably one of the reasons the SEC is so interested in XBRL.

Why is the SEC involved with XBRL?

The SEC's mission is to protect the investing public. As such, it wants to make as much information as possible available to investors. The SEC coined the term "interactive data" as a description of what XBRL can do. Computer applications can pull information out, search it, sort it, sift it, and otherwise work with the data. The analysis capabilities of the SEC will definitely benefit from the use of XBRL, as will investors in general.

When will the SEC mandate XBRL?

XBRL is no longer a question of if, but when. There is a lot of speculation as to when and how the SEC would require XBRL. Research firm Gartner expects the SEC will announce a mandatory move to XBRL filings in the fourth quarter of 2008. Many people believe that XBRL will be phased in gradually. For example, some speculate that the largest filers, say the top 500 corporations, would be required to use XBRL first. Then others would be phased in according to some plan.

Next Steps

Financial reporting was built for paper. But today we're in a digital age that requires a digital solution—a solution that's faster, better, cheaper and more efficient. XBRL has the potential to successfully differentiate your company from the competition, and give you the ability to communicate better in capital markets. UBmatrix can help you realize the value of XBRL today and prepare your organization for tomorrow. For more information about XBRL or the SEC Voluntary Filing Program please visit www.ubmatrix.com/products/sec.htm.

About UBmatrix

UBmatrix, Inc. is the leading provider of XBRL-based information exchange solutions for global organizations and enterprises allowing them to more efficiently and effectively address the challenges of business and financial information management, exchange and reporting. XBRL is fast becoming the standard for financial information exchange and reporting demonstrated by the XBRL programs being driven by the SEC, FDIC and the European Central Bank Supervisors. UBmatrix XBRL solutions increase operational efficiency and financial transparency, and ensure reporting accuracy and regulatory compliance. UBmatrix is based in Silicon Valley with development centers in Kirkland, WA, and New Delhi, India. For further information, visit www.ubmatrix.com.