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XBRL AND WHAT IT MEANS

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On May 30, 2008 the SEC proposed that issuers be required to file a supplemental exhibit which would “tag” their financial statements in XBRL (“Extensible Business Reporting Language”) format.

XBRL is a technology language for the electronic communication of business and financial data and is being implemented worldwide. XBRL-formatted documents enable greater efficiency, improved accuracy and reliability as well as cost savings to those involved in supplying and using financial and business information data.

XBRL provides an identifying tag (similar to bar-coding) for each individual item of financial data. All the elements are grouped together into a collection of financial and business-reporting terms called a “taxonomy.” A taxonomy is simply the collection of predefined tags that are available for registrants to “affix” to their financial data (i.e., the listing of available barcodes). Registrants will not have to manually affix such tags to their financial reports. Most companies will use a software vendor, which will assist with the tagging process.

XBRL is not an accounting standard and will not change what is reported, only how it's reported. The tagging means that the information in a business report is computer readable and can be more easily extracted, searched and analyzed by users of that information.

The proposed rule calls for a three-year phase-in period for all companies and each company will have two years to fully comply with the XBRL requirements. Phase-in details are as follows:

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| Year 1 | Large Accelerated Filers with greater than \$5 billion in common equity float (as of the end of a company's preceding second quarter) and filing under U.S. GAAP must comply beginning with their Securities Act registration statements, periodic reports, and transition reports that contain financial statements for fiscal periods ending on or after December 15, 2008. |
| Year 2 | All remaining U.S. GAAP-based Large Accelerated Filers must comply for fiscal periods ending on or after December 15, 2009. |
| Year 3 | All remaining filers, including International Financial Reporting Standards (IFRS)-based filers and smaller reporting companies, for fiscal periods ending on or after December 15, 2010. |

XBRL submissions will be provided in addition to traditional filings (e.g., EDGAR) based on HTML and ASCII formats; for the duration of the phase-in, XBRL does not officially replace any traditionally filed information.

XBRL tags must be applied to information contained in the primary financial statements and footnotes. For all mandated filings, a separate XBRL tag would be required for each piece of data or numeric item contained in the primary financial statements. In the first year of interactive reporting, each footnote would be required to have a single discrete XBRL tag (referred to as “block” or “summary” tagging). In the second and subsequent years, filers would be required to use discrete tagging. XBRL tags for specific information contained within a footnote (referred to as “detail” tagging).

Detail tagging is when specific pieces of information within a footnote or schedule are given an individual XBRL tag. This means that a single footnote will typically require the use of more than one XBRL tag in order to completely create it in XBRL format. Specifically:

- Each accounting policy section within the accounting policy footnote must be tagged separately
- Each table within each footnote will be tagged with a single tag (i.e. the entire table will be “block” tagged)
- Each amount (i.e., monetary value, percentage, and number) contained either in tables or embedded within narrative will be tagged separately
- Each narrative disclosure required to be disclosed by U.S. GAAP (or IFRS) and Commission regulations will be tagged separately (i.e., FIFO/LIFO inventory basis)

The Commission proposal would generally require companies to provide the interactive data file at the same time as the filing to which it relates.

Under certain circumstances, Companies will have limited protection from liability similar to the protections currently available for XBRL filings made under the voluntary program. If the interactive data file is submitted in accordance with the filing requirements of proposed rule 405, the company will be protected from liability for making a false or erroneous interactive data filing. Proposed rule 406 would provide limited protection to a company that filed an erroneous document if the company made a good faith and reasonable effort to file correctly, and if the company corrected the filing as soon as reasonably practicable after becoming aware of the mistake. However, this protection is limited. Just as with the traditional (HTML/ASCII) filing, it would not protect a company from liability under the anti-fraud provisions of the federal securities laws for filing materially false or misleading information or omissions.

The proposed ruling does not require formal auditor involvement in terms of reviewing or attesting to the XBRL submission. An XBRL mandate could have audit or other attestation implications; however, any requirements will be subject to deliberation and approval by the SEC and PCAOB. The SEC may require auditors to expand the scope of audit work to cover XBRL-tagged financial statement information in the form of an attest engagement. While the PCAOB has issued a question-and-answer document on forms of attest engagements for voluntary filers, further consideration under a mandatory program will be warranted.

Although it may be premature to speculate, assurance requirements may include the performance of audit or attest procedures specific to the XBRL-tagged financial statements. Such procedures might encompass determining the appropriateness of tags assigned to

specific financial statement elements and assessing whether the XBRL-tagged financial statements are consistent with the underlying conventional financial statements.

The SEC is also working with key regulators and standard setters around the world, to begin aligning XBRL initiatives. Longer term, XBRL may also play a significant role in the global movement toward International Financial Reporting Standards (IFRS). The SEC, and Chairman Cox in particular, has drawn an explicit link between the SEC's XBRL initiative and the Commission's growing support for IFRS, convergence, and the development of one set of global standards for financial reporting.

There are two general approaches for companies to undertake this "tagging" process: a "bolt-on" approach and a "long-term" approach.

The "bolt-on" approach is the less expensive alternative as it allows the company to maintain the same financial reporting process that it currently has and once the financial statements and footnotes are completed they are then converted into XBRL format. This approach will be more attractive to companies as it will not require a significant investment to implement.

The second approach, which is more long term in nature, builds the "tagging" into the financial reporting software package so that the "tags" are maintained internally at the transaction level.

Either approach chosen to comply with this proposed SEC mandate will require companies to modify their existing timelines for financial reporting as XBRL reporting will create an additional layer of review. The earlier companies begin thinking about and considering the implications of this proposed SEC mandate, the easier the adoption of XBRL will be for registrants.

The final SEC rules regarding XBRL are expected to be released later this year.