

RISK ADVISORY SERVICES

EXTENSIBLE BUSINESS REPORTING LANGUAGE (XBRL): The Future of Financial Reporting

A GROWING FOCUS ON CORPORATE GOVERNANCE AND INCREASINGLY STRINGENT LEGISLATIVE REQUIREMENTS ARE FORCING COMPANIES TO TRANSPARENTLY DISCLOSE IMPORTANT FINANCIAL INFORMATION, WHICH OUTLINES THE TRUE STATE OF AN ORGANIZATION, TO STAKEHOLDERS AND THE PUBLIC.

Using a standardized, uniform method of reporting such as Extensible Business Reporting Language (XBRL) is a solution which promises to revolutionize financial reporting processes for businesses around the world. XBRL will provide analysts, investors, regulators and everyone in-between the opportunity to compare, analyze and interpret important financial information in an accessible and standardized way.

What is XBRL?

XBRL is a universal, web-based language for business reporting and analysis. It translates financial reports – available in any software format including the web – and allows financial results to be compared and analyzed in a consistent, uniform way. XBRL is literally a new dialect of electronic language which encodes specific pieces of financial information and translates it into a singular, coherent financial language. It is easy to understand since it does not affect the look of financial documents. Yet it imparts a level of transparency and uniformity to these otherwise confusing financial documents that has been noticeably absent from the arena of corporate financial reporting.

Why is XBRL Important?

Recently, the SEC announced its plan requiring public companies to file financial reports using XBRL. As such, large market public companies will be obligated to record and convert financial

statements to “XBRL tagged-filings” as early as spring 2009, with all publicly-listed companies following suit by 2011 – in time for the IFRS conversion date.

Think of XBRL as the official financial language of the future – its nature is platform-neutral and allows for an unprecedented level of connectivity between businesses, analysts, regulators and stakeholders. It is a solution which allows important financial information to be interpreted in a timely manner, without sacrificing accuracy. It is a solution that will be employed by major markets around the world, therefore affecting financial reporting standards on a global scale.

Advantages XBRL Offers

XBRL offers a wide-range of benefits to corporations, regulators, analysts and stakeholders because it allows for:

- Companies to automate data collection across all financial systems; “XBRL tags” make the electronic collection of data for any number of reporting purposes easy and quick and does not require the use of manual data entry processes.
- Organizations to quickly validate financial data and correct errors or misrepresentations in a timely manner.
- Analysts, regulators and general users of financial data to find and assess data more efficiently and effectively because of its transparent nature.



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Long-Term Implications of XBRL

The impact and implications of XBRL and its ability to improve financial analysis and reporting will make a significant impression on a number of organizational practices and procedures. Some trends that may effect reporting include:

- The time and cost expenditures associated with switching to this universally accepted reporting language.
- While the nature of the electronic tags will certainly be stronger under the guidelines of XBRL, the robust nature of the tags means those using and analyzing the data will have more data to analyze. In short, all companies will need to be prepared to answer questions about their tagged data.
- Accountants will need to familiarize themselves with XBRL and the techniques used to analyze financial data. This means companies may need to expand training programs to include up-to-date developments to all IFRS related issues.
- Electronic XBRL tags will be able to clearly identify which data is audited and which is not.
- The advent of CEO blogs and other real-time communications tools means information is quickly becoming more readily available and accessible to investors and shareholders. This said, real-time reporting may surpass current quarterly reporting standards to become the information delivery method of choice.

- Naturally these are just a few of the scenarios that may result from the introduction of XBRL into the Canadian business landscape. As XBRL, becomes the future of financial reporting - we at BDO remain abreast of the way this new language affects Canadian businesses.

How BDO Can Help

High-profile corporate scandals have forever changed the way corporations do business. Today's markets require increased transparency in order to protect investors and stakeholders. BDO can assist your organization in rolling out an XBRL plan that will compliment your organization's IFRS processes. 2011 is much closer than you think and the future language of financial reporting will quickly become a legal requirement. Contact BDO's Risk Advisory Services practice for guidance and insight regarding the adoption of this new reporting standard. Let BDO assist you in maximizing the benefits XBRL can bring to your organization.