

This series presents the PricewaterhouseCoopers Point of View on a range of auditing, accounting and regulatory issues affecting our clients and our profession. These positions represent the collective view of our network of firms.

Extensible Business Reporting Language (XBRL)

What are the issues?

XBRL is capable of enabling a transformation of the world of business information and reporting.

XBRL provides a structure for numeric and narrative content to be formatted into a common computer-readable language which can facilitate an environment where companies can tell their own story to the market, avoid standard reporting templates and significantly reduce the cost of reporting. While some companies understand the potential value of XBRL, it is the regulators who have made the first concerted move to introduce it.

What is our response?

Further adoption of XBRL will be driven by a better understanding of its value proposition. To date most preparers have not been persuaded by the value of XBRL. However, some early adopters have been willing to state publicly that its use has delivered some cost and time reductions in the reporting process. Furthermore its use can reduce the impact of intermediaries in the reporting process and will over time, as taxonomies are developed, allow companies to better tell their story.

The long term progress of XBRL will be determined by the extent to which market participants collaborate on its development. As an enabler, XBRL has the potential to transform the business information supply chain but experience shows that transformational change does not occur unless all supply chain participants actively participate in determining the taxonomy. Without users and preparers coming together to share their knowledge, insights and practical understanding of what information is important, how information is created and used internally, progress will be limited.

Companies need to understand the practical implications of the use of XBRL. Regardless of the current regulatory position in the territory of a parent company, it is important for companies to understand the process which needs to be applied to tag a financial report, the tools that are available to facilitate the process and the internal controls that need to be in place. Being prepared

for change is important and doing so does not require a large investment of time. Furthermore, this type of experimentation should act as the catalyst for a wider internal dialogue on the potential benefits of XBRL, particularly its use further back into the internal reporting process.

The application of XBRL to reporting should be used as a mechanism to increase user understanding. XBRL should enhance the distribution of financial and business information to all users and their ability to analyse information. Understanding business performance requires an appreciation of the big picture and not single line items, such as turnover or profit. Here XBRL has an important role to play in facilitating linked disclosures which can enhance user understanding.

What does this mean?

XBRL has the ability to help improve reporting. Now is the time for all supply chain participants to invest time to understand the real value of XBRL and to take action to realise its potential. The risk is that no action occurs and the regulators are left to call the shots.

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