



# XBRL: What Should the Audit Committee Consider?

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## What is XBRL?

XBRL, eXtensible Business Reporting Language, is a royalty-free, international information format designed specifically for business information, also referred to as “interactive data” by the U.S. SEC (or Commission). The concept of XBRL is that all individual disclosure items within business reports are assigned unique electronically readable tags, like a barcode. These tags are mapped to taxonomies, or standard definitions, developed by market constituents and are publicly available on the XBRL website.

## Why do I need to pay attention?

On January 30, 2009, the SEC issued a release adopting final rules that require companies to provide to the Commission financial statements in XBRL format, as well as posting such XBRL documents to company websites. The rules apply to domestic and foreign companies using U.S. GAAP and to foreign private issuers using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The XBRL data will be submitted as an exhibit via EDGAR in addition to, but not in replacement of, a company’s traditionally filed (ASCII- or HTML-formatted) financial statements, and will be due at the same time as the related EDGAR filing. The information produced in an XBRL format will include companies’ primary financial statements (including balance sheets, income statements, statements of comprehensive income, statements of cash flows and statements of owners’ equity), footnote disclosures, and financial statement schedules. A thirty-day grace period will be permitted for a company’s first XBRL exhibit submission, as well as the first submission, including detail tagged footnotes and schedules. The SEC is not requiring or permitting tagging of Management’s Discussion and Analysis (MD&A), executive compensation disclosures or other financial statistical or narrative disclosures under the rules.

## When will this impact my company?

The rules are being phased in over three years beginning with the first quarterly report on Form 10-Q or annual report on Form 20-F or Form 40-F that contains financial statements for fiscal periods ending on or after June 15, 2009:

- Year 1 – domestic and foreign large accelerated filers that use U.S. GAAP and have a worldwide public float above \$5 billion (determined as of the end of their 2nd fiscal quarter of the most recent fiscal year)
- Year 2 – all other large accelerated filers using U.S. GAAP with a public float above \$700 million (determined as of the end of their 2nd fiscal quarter of the most recent fiscal year)
- Year 3 – all other filers, including smaller reporting companies and all foreign private issuers that use IFRS



## **What are the risks and rewards of implementation?**

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The use of XBRL is expected to provide major benefits in the preparation, analysis and communication of business information through cost savings, greater efficiency and improved consistency of data. By using XBRL, companies and other producers of financial information and business reports can automate the processes of data collection. This should streamline the preparation of business and financial reports for internal and external decision-making. It also should improve the ability of companies to more precisely direct and publish financial information to investors, regulators, analysts, lenders and other key stakeholders. Consumers of business information will benefit from this increased accessibility and transparency of business data. In an effort to encourage reasonable efforts to provide reliable and accurate interactive data to the market, the SEC rules include a two-year phase out of provisions regarding the limited liability on data included in required interactive submissions (the limited liability provision terminates completely on October 31, 2014, and the XBRL exhibit will be subject to the same liability provisions as the related official filing at that time). Companies should become aware of the liability-related provisions for interactive data submitted to the Commission. For more information related to the SEC rules, visit the SEC website at [sec.gov/rules/final.shtml](http://sec.gov/rules/final.shtml)

## **What resources will be required to implement XBRL?**

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A company may choose to tag its own financial statements using commercially available software, or it may choose instead to outsource the tagging process to a service provider. A list of available software providers and outsourcing services is available on the XBRL website at [xbrl.us/vendors/Pages/default-expand.aspx](http://xbrl.us/vendors/Pages/default-expand.aspx). If relying on a service provider to tag the company's financial statements, the company will be required to review the tagging and all files to be transmitted to ensure that the XBRL financial statements are accurate and consistent with the information the company presents in its traditional-format filing. The initial investment is generally modest in both cost and development time, with minimal future applications.

## **Topics the Audit Committee should discuss with Management include:**

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- What has the company done thus far to prepare for the use of XBRL?
- What issues does the company have in fulfilling the SEC mandate?
- How will XBRL impact the company...costs, benefits, risks, reporting requirements?

## **Where can I find out more about XBRL?**

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Visit [aicpa.org/Professional+Resources/Accounting+and+Auditing/BRAAS/XBRL.html](http://aicpa.org/Professional+Resources/Accounting+and+Auditing/BRAAS/XBRL.html) to obtain more information, including background material, articles, links to webcasts and other Q&A documents. In addition, information regarding interactive data is available at the SEC website, [sec.gov/xbrl](http://sec.gov/xbrl), and the XBRL website, [xbrl.us](http://xbrl.us).