Research Shows XBRL Filing Costs Lower than Expected

EXtensible Business Reporting Language (XBRL) is a global data standard used for reporting business information in a computer-readable format. The standardization of business reporting information eliminates the costs associated with manually processing this data or using proprietary products that lock data in incompatible formats. When it enacted the Final Rule for XBRL\(^1\), the U.S. Securities and Exchange Commission (SEC) was interested in the potential that XBRL could provide to the filing and disclosure process and expected preparers and consumers to benefit with reduced costs and easier access to more transparent data.

Those who create accurate XBRL filings that comply with the SEC’s Final Rule, need additional skills and knowledge. In order to meet their requirements, many companies (especially smaller companies that do not have extensive resources) have outsourced their creation and filing process, incurring additional costs.

To understand the true costs of small companies complying with the SEC’s mandate, XBRL US and the AICPA surveyed 14 XBRL filing agents providing XBRL tagging and filing services to 1,299 small public companies\(^2\) (32% of small publicly listed companies).

Our survey showed that 69% of the companies paid $10,000 or less on an annual basis for fully outsourced creation and filing solutions of their XBRL filings. Meanwhile, 18% of the companies paid annual costs of between $10,000 and $20,000 for their full service outsourced solutions. Only 8% of companies paid more than $25,000 in annual costs. No company’s annual cost exceeded $50,000. Through discussions with the vendors, we found that companies that paid higher annual fees did so due to complexities in their financial statements and rush charges imposed given the many last-minute changes to the filings (e.g., filing changes for an IPO). Charts illustrating this information in a more in-depth manner can be found at the end of the document.

These results demonstrate that the investments to standardize corporate disclosure data are not overly burdensome on small companies and, in fact, are worth the additional cost. Companies using XBRL benefit due to their ability to reach more investors and provide analysts with easy access to more detailed financial disclosure information.

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\(^1\) In 2009, the SEC adopted rules, Interactive Data to Improve Financial Reporting, Release No. 33-9002 (Jan. 30, 2009), (Final Rule), to require public companies to file financial statements and footnotes using XBRL.

\(^2\) For purposes of this survey, small companies are defined as $75 million or less in market capitalization.
Chart 1: Represents number of companies in the study that pay annual costs in the ranges shown.

Chart 2: Represents percentage of companies in the study that pay annual costs of the amounts shown in thousands (e.g., 70% of companies pay $10,000 or fewer).