

## **Structured Financial Information The Life Preserver for Those Drowning in the Sea of Data**

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Stardate 4523.3, the U.S.S. Enterprise receives a top-priority order to protect a shipment of grain to Deep Space Station K-7. Certainly this assignment is below the great Captain Kirk and the Enterprise – but orders are orders. Combine this with a new pet that Uhura is given, a fluffy small animal with an adorable purr, called a tribble. For those too young to remember, tribbles are born pregnant, love grain, and the more they eat, the more they reproduce. The cute tribbles soon became a major pain as they find the large shipment of grain. Exponential tribble reproduction leads to the Enterprise drowning in tribbles and the only thing that saves them was to transport the tribbles over to a departing Klingon ship.

Fast forward (or is it fast rewind?) to today's business environment. It is not "The trouble with tribbles" but the trouble with data. Computers are the grain. Data is the tribble. Unfortunately, there are no Klingon ships around to which we can blast our data, and instead we are drowning in it.

There is one important difference between tribbles and data. Tribbles liked each other and acted well in a community. Many times, data does not do well in a community. Data must be handled multiple times and entered over and over again into different computer applications and analysis tools. To alleviate this problem, we would ideally have an agreed upon structure that serves as the universal standard to allow business information to be seamlessly shared between applications. And in fact, we do. It is called XBRL (eXtensible Business Reporting Language).

Many entities are already seeing the advantages of XBRL, as numerous activities are occurring throughout the globe. While US efforts are sometimes labeled as a bit behind, the FDIC (Federal Deposit Insurance Corporation) is rolling out their Call Reporting modernization system, which requires all bank Call Reports be filed in XBRL format. The FDIC project, effective October 1, 2005, will allow data to be seamlessly consumed by the Central Data Repository, the "Grand Central Station" of banking

information shared by many US agencies. The CDR permits bank analysts to access important bank information in a matter of seconds rather than hours or days. This program will impact 8,300 reporting banks, adding to the growing need for XBRL compliant solutions.

Recently, Mike Bartell, CIO of the FDIC, reported on the joint XBRL effort with the Federal Reserve Bank (FRB) and the Office of the Comptroller of Currency (OCC).

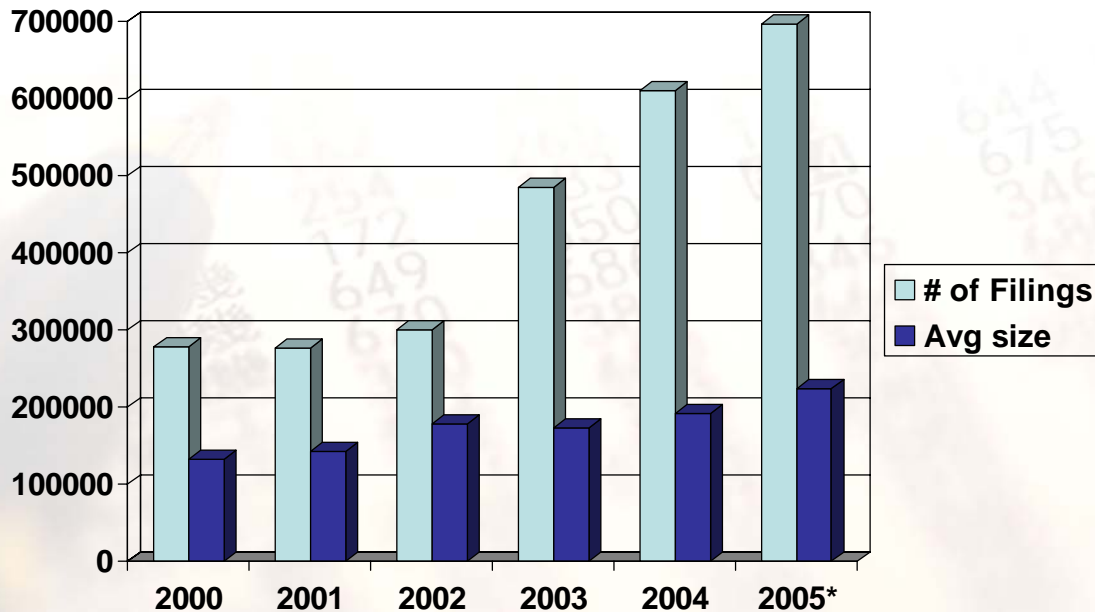
"XBRL is an imperative, not an option. At the FDIC we've long recognized its potential - XBRL isn't just a good idea on paper; it is real and it works," said Bartell. "Too much critical information today is buried or obscured by the massive volume of data that we all create and process. The longer it takes us to manage that data, the less responsive we are to the needs of industry and the public. While XBRL may not be the only answer, it is a key part of the solution needed to help address these issues. The new central data repository will help prove the real value of XBRL and lay the groundwork for broader and more rapid adoption in the US."<sup>1</sup>

In April 2005, the US Securities and Exchange Commission (SEC) began a Voluntary Filing Program that allows companies to voluntarily submit their financial results in XBRL format. Many expect this program to be the first step in what will become the SEC mandating XBRL as part of the submission process, and they are probably correct. Why? First, the SEC is having trouble with tribbles. The chart below shows the growth in the number and size of SEC filings.

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<sup>1</sup> XBRL.ORG US press release, August 4, 2005

## Why the SEC needs help...



Source: EDGAR On-line \* = filings annualized based on 6 months

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The second problem that the SEC must solve is their congressional mandate from the Sarbanes-Oxley bill. Section 408 requires the SEC to perform an enhanced review of issuers and requires the SEC to review each issuer no less than once every three years. Furthermore, Congress states that the SEC must review an issuer more often if one or more of the following criteria are met:

- issuers have issued material restatements of financial results;
- issuers experience significant volatility in their stock price as compared to other issuers;
- issuers with the largest market capitalization;
- emerging companies with disparities in price to earning ratios;
- issuers whose operations significantly affect any material sector of the economy; and
- any other factors that the Commission may consider relevant.

The only reasonable way for the SEC to implement section 408 of Sarbanes-Oxley<sup>2</sup>, especially in view of the ever-increasing number of filings, is to request that this information be received in a structured format. It is not evident yet if the SEC will adopt XBRL. They can mandate their own standard, but to do so would be to go against the international trend of XBRL being adopted by similar agencies to solve the exact same problem.

It is reasonable to assume that XBRL is coming to the US government, and now is the time to prepare. How? Take advantage of the SEC XBRL Voluntary Filing Program now. Filing Exhibit 100 with the XBRL version of your financial statements from the 10Q and 10K, or separately under the 8K, will provide your finance team XBRL training without the burden of deadlines or penalties. Rivet Software has created a guidebook for those interested in the SEC filing program using Rivet™ Software's Dragon Tag™ application, an easy to use Microsoft Excel™ and Word™ add-in.<sup>3</sup> To date, eight out of the eleven companies who have filed their financial reports to the SEC in XBRL format have used Rivet's Dragon Tag.

If you are not involved with an SEC filer, can you avoid XBRL? Probably not. XBRL is rapidly becoming the de facto standard for defining, exchanging and storing financial business information by regulators, stock exchanges, statistical offices, banks, and corporations across the world. The United Kingdom has a number of XBRL projects moving forward within the UK government. Other regulators such as the Belgium tax authorities in 2006 and Dutch tax authority by 2007 will be introducing mandatory filing of financial statements in XBRL. The Dutch government will soon have companies filing information to it via an XBRL format. Leveraging the power of XBRL, the Dutch government was able to combine a number of previously existing forms into a single XBRL form, thereby streamlining the entire reporting process.

Time and time again an entity has a variety of business applications that don't speak to each other...not to mention the impossibility of speaking with external entities' applications. XBRL is a great assistance with this "language barrier". Applications talk to other applications, within an entity

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<sup>2</sup> US Congress, H.R. 3763, January 23, 2002, Section 408 Enhanced Review of Periodic Disclosures by Issuers, (a) Regular and Systematic Review, (b) Review Criteria, and (c) Minimum Review Period.

<sup>3</sup> Link to the filing guide:

<https://www.rivetsoftware.com/resources/files/Filing%20SEC%20documents%20with%20DT.pdf>

and externally. Data is entered once, not many times. Data becomes more like tribbles and behave well in a community.

Just before entering warp drive, the Klingons received the surprise package of all of the Enterprise's tribbles. Are you on the Enterprise or the Klingon vessel?