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Twenty-three reasons why companies choose integrated XBRL

Introduction

eXtensible Business Reporting Language (XBRL) is a standard designed to improve accuracy and reliability in the electronic transmission of enterprise financial data. The standard was developed by an international non-profit consortium of approximately 450 major companies, organizations and government agencies.

XBRL can dramatically improve the automated processing of business information by tagging data, rather than processing information as text. This tagging allows enterprise systems to recognize data and treat it intelligently; automatically selecting, analyzing, storing and presenting information. In a continuing bid to improve transparency and accuracy of financial reporting, the U.S. Securities and Exchange Commission (SEC) has now mandated that public companies must submit key statutory filings using the XBRL standard. As a result, XBRL is rapidly gaining world-wide acceptance as the standard for the exchange of business information.

Companies around the world must determine how they will approach compliance with the mandated use of XBRL. Approached properly, XBRL can significantly accelerate financial reporting, decrease errors, streamline processes and ultimately, lower costs.

There are two types of software solutions on the market today to assist companies in producing XBRL output:

- Bolt-on XBRL tools
- Integrated XBRL solutions



Bolt-on XBRL tools

Bolt-on XBRL tools are software solutions that add an extra step at the end of the external reporting process to tag and create XBRL output. The typical process to create XBRL output with a bolt-on tool is as follows:

- An organization produces its external reports, as usual
- At the end of the external reporting process, the organization produces Microsoft® Word® or Microsoft Excel® documents
- A bolt-on XBRL Tool then applies XBRL tags to Microsoft Word or Microsoft Excel output before finally producing the XBRL output.

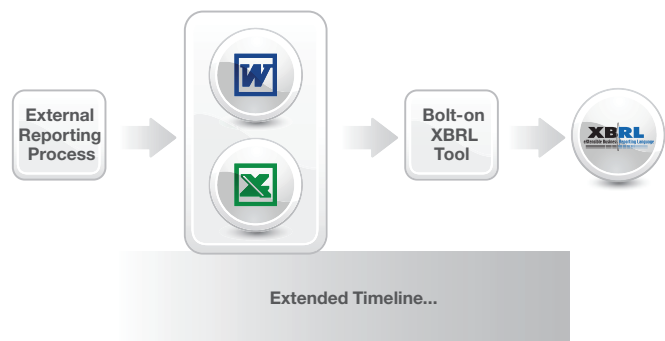


Figure 1: Typical bolt-on XBRL process

Because bolt-on tools require additional effort at the end of the process, external reporting timelines are extended. Furthermore, this additional work must be repeated at each reporting period. This can become an untenable burden and introduces risk for companies who must report business information regularly.

For example, a 10-K report for a typical mid-sized company in the USA requires 2,000+ XBRL tags. With a bolt-on tool, the volume of work at the end of the reporting period grows significantly, extending timelines and introducing additional risk.

Integrated XBRL solutions

With an integrated XBRL Solution, the XBRL tagging process is embedded within the external reporting process. As such, XBRL tags can be applied and validated at any time

within the external reporting process – avoiding a “mad rush” to apply the XBRL tags just prior to filing with the SEC. Integrating XBRL into the external reporting process makes the tagging, validation and creation of XBRL documents dramatically more efficient and less error prone.

IBM® Cognos Financial Statement Reporting (FSR) is the only integrated XBRL solution on the market today. IBM has helped clients of all sizes in various industries confidently achieve seamless XBRL reporting. This document is not an exhaustive review of all the functionality contained within IBM Cognos FSR. Rather, it focuses on the unique benefits compelling companies around the world to choose an integrated XBRL approach.

Twenty-three reasons to choose integrated XBRL

You should choose integrated XBRL for the following reasons:

- Reason 1: Seamless integration to source data
- Reason 2: Tag Once™ technology (with auto-roll forward)
- Reason 3: Tag text and data in Microsoft Word and Microsoft Excel
- Reason 4: Tag independent documents
- Reason 5: Block tagging
- Reason 6: Level IV tagging
- Reason 7: Automated taxonomy customization
- Reason 8: Taxonomy version management
- Reason 9: Taxonomy custom view
- Reason 10: Taxonomy collaboration
- Reason 11: Support for the latest XBRL taxonomies
- Reason 12: Commercial grade taxonomy builder
- Reason 13: SEC public validation criteria
- Reason 14: XBRL specification validation
- Reason 15: Built-in XBRL Viewer
- Reason 16: Collate “text blocks”
- Reason 17: Inline XBRL output (XHTML)
- Reason 18: Generate SEC-ready files
- Reason 19: Concurrent completion of tagging and external reporting
- Reason 20: Rounding
- Reason 21: Workflow
- Reason 22: Internal control
- Reason 23: Audit trail

XBRL tagging

1. Seamless integration to source data

Last minute changes to report data are a common occurrence. But applying these changes is challenging when the data is referenced in several locations and a huge problem when it impacts calculations that result in a cascade of changes throughout the report. For companies operating today, such risk for errors or distortions are intolerable to shareholders and executives. The resulting errors are costly; both financially and to a company's reputation.

The solution is to tie all report data back to "a single version of the truth" and IBM Cognos FSR does just that. IBM Cognos FSR provides an easy-to-use method to pull data from a wide variety of data sources including: the leading ERP systems, the leading financial consolidation applications, relational databases, and OLAP databases. Every number in the final report links directly back to a single data source ensuring that there are no conflicting numbers anywhere in the report. And changes to the source numbers automatically cascade through the report. For example, journals posted in the source system(s) automatically flow into the XBRL document, ensuring that companies draw from, and report "one version of the truth".

2. Tag Once™ technology (with auto-roll forward)

With IBM Cognos FSR, data is XBRL tagged just once and future reporting periods automatically pick up the same tags. There is no need to re-tag the document if data changes within the same reporting period because the updated data automatically flows into the XBRL document. And, there is no need to re-tag the document for future reporting periods, because the tags are automatically retained. As a result, the risk of errors in the XBRL tagging process is significantly reduced and the efficiency of creating the XBRL output is increased dramatically.

3. Tag text and data in Microsoft Word and Microsoft Excel

IBM Cognos FSR users can easily apply XBRL tags to both financial data and narrative disclosure because IBM Cognos FSR uses Microsoft Word and Microsoft Excel as the foundations for its end-user interface. IBM Cognos FSR even lets you tag financial data embedded within the narrative disclosure. IBM Cognos FSR will automatically compile the multiple XBRL tags into a single, unified XBRL formatted document for submission to the appropriate regulatory body. IBM Cognos FSR lets you use the tools that you are familiar with, Microsoft Word and Microsoft Excel, making it faster and easier to achieve XBRL reporting.

4. Tag independent documents

Since statements and disclosures related to a specific external report may exist in different spreadsheets and documents, IBM Cognos FSR allows these "objects" to exist independently while still providing the ability to tag them as one document in the creation of a single unified XBRL formatted document. You can continue to work with multiple Microsoft Word and Microsoft Excel files, like you do now, so that multiple users can collaborate on the same overall document at the same time.

5. Block tagging

IBM Cognos FSR's integrated XBRL capabilities allow users to easily "block tag" by simply highlighting the note and assigning the appropriate XBRL tag. Multiple blocks of Microsoft Word text or Microsoft Excel data that make up a common disclosure are assigned the same XBRL "Text Block" tag. XBRL document generation effectively and efficiently weaves these blocks together to complete the XBRL disclosure, while preserving the required formatting; a function that is unique to IBM Cognos FSR. The solution allows the concurrent viewing of all blocks associated with one element and even provides a preview option to view the tagged blocks just as they would appear in the SEC Viewer.

6. Level IV tagging

The SEC's XBRL rule calls for "block" tagging in year one, however, in year two the SEC requires companies to provide detailed tagging for the notes to financial statements. Called Level IV tagging, it requires that within each note, any monetary value, percentage, or number has an XBRL tag applied in addition to the "block" tagging. IBM Cognos FSR's integrated approach to XBRL makes Level IV tagging simple since it supports tagging within an already tagged block of text and fully supports dimensions (i.e. tables).

XBRL taxonomy

7. Automated taxonomy customization

IBM Cognos FSR's built-in Taxonomy Editor helps users easily and quickly edit a taxonomy with minimal training. With the financial statements in the Microsoft Word and Microsoft Excel objects as a guide, the user selects the most appropriate element from the base XBRL taxonomy. If the element doesn't exist, the user can simply create and record a new element for that concept. With the required concepts documented, IBM Cognos FSR takes over and automatically generates the required custom taxonomy including presentation and table relationships, as well as the calculation validations that exist with the XBRL files.

8. Taxonomy version management

When the XBRL consortiums deliver their regular updates to the base XBRL taxonomies, companies may need to update a previously used tag with the newly updated version of the element as well as address any new reporting requirements from the accounting standards boards and regulators. IBM Cognos FSR can roll the taxonomies forward from period to period. When you rollover the taxonomy from the previous period's old taxonomy to the current period's new taxonomy, IBM Cognos FSR automatically updates the tagged elements so that they always use the most up-to-date taxonomy. This significantly eases the effort required to maintain or update the taxonomy.

9. Taxonomy custom view

With over sixteen thousand XBRL elements listed in the 2009 US-GAAP taxonomies, it can be challenging finding the most appropriate XBRL element for tagging. IBM Cognos FSR only presents the elements needed by the user arranged in accordance with the user's statements and disclosures. Users can then avoid using the massive XBRL base taxonomy and limit their XBRL tag search to a much smaller selection without the clutter. As a result, usability is greatly increased and XBRL tagging errors are considerably reduced.

10. Taxonomy collaboration

Given the complexity of today's filings, it is likely that several people may need to use the taxonomy editor at the same time. IBM Cognos FSR's collaboration feature supports this by allowing multiple users to concurrently access and/or edit multiple sections of the taxonomy at the same time. IBM Cognos FSR lets you manage your taxonomy the way you want – with one person managing the entire taxonomy or with multiple people, each collaborating as they manage their own section of the taxonomy.

11. Support for the latest XBRL taxonomies

IBM Cognos FSR supports the latest XBRL taxonomies, ensuring that you can always maintain up-to-date XBRL submissions; such XBRL taxonomies include US-GAAP, IFRS, COREP, FINREP, GRI, and any taxonomies that conform with XBRL International recommendation requirements.

12. Commercial grade taxonomy builder

IBM Cognos FSR supports the creation, from the ground up, of XBRL taxonomies that are fully compliant with SEC and XBRL requirements. This functionality may be necessary for the advanced XBRL user who needs to extend the XBRL taxonomy to address unique requirements specific to their organization.

Validation

13. SEC public validation criteria

Once the XBRL tags are applied, it is important that the document comply with the SEC XBRL submission requirements, defined as the SEC Public Validation Criteria. IBM Cognos FSR contains a summary of the SEC rules associated with the latest XBRL specification and an internal engine that automatically validates that the document is in full compliance. These sets of rules apply validation to both the instance document and the taxonomy.

For the more advanced XBRL user, IBM Cognos FSR also supports an internal, customizable validation engine to validate the entire report based on rules defined by your organization. With IBM Cognos FSR you have even greater assurance that your XBRL output is 100% accurate and complies with SEC submission criteria.

14. XBRL specification validation

IBM Cognos FSR supports testing of XBRL documents for validation with the latest XBRL specification. It also supports testing of XBRL dimensions (i.e. tables) for proper structure in accordance with the XBRL International Dimension Specification. As a result, you can be confident that the XBRL document produced conforms to all formal validation criteria.

Instance generation

15. Built-in XBRL Viewer

Once the XBRL tagging is complete, the report can be viewed within IBM Cognos FSR using the built-in XBRL Viewer. This avoids having to exit the system to view the XBRL instance using the SEC XBRL Viewer and speeds up the XBRL tagging process – making the XBRL tagging process even more efficient.

16. Collate “text blocks”

Unique to IBM Cognos FSR is the ability to “block tag” multiple Microsoft Word narratives and Microsoft Excel data ranges with the same XBRL ‘text block’ element that make up a disclosure. IBM Cognos FSR “weaves” them together as a whole while preserving the required formatting. As a result, it is easy to create “text blocks” that are formatted the way you choose.

17. Inline XBRL output (XHTML)

IBM Cognos FSR is one of the few solutions that can generate “Inline XBRL Output Using XHTML”. Anticipating future regulatory requirements, IBM Cognos FSR already enables the submission of embedded XBRL tags within the HTML version of the financial report. This format could also be made available from the company’s website. By creating an XHTML document, IBM Cognos FSR delivers one single document that meets requirements for both human rendering (HTML) and the application-to-application exchange of tagged data (XBRL). To see this in action, users can select “Highlight XBRL” when viewing the Inline XBRL output. This will expose each and every number in the report that is tagged with XBRL. Furthermore, hovering over each highlighted tag shows details behind XBRL tagged data, enriching users with important background information when needed.

18. Generate SEC-ready files

IBM Cognos FSR generates XBRL documents that are ready for SEC submission and only need to be attached as exhibits as part of the regular submission process. When using a financial publisher or other filing agent, these XBRL documents are delivered along with the primary form (10-K, 10-Q, 8-K, etc.). The XBRL output from IBM Cognos FSR is ready to be sent to the SEC, with no additional edits required.

Integration with external report process

19. Concurrent completion of tagging and external reporting

With bolt-on XBRL solutions, there is a risk that the XBRL tagging process will identify mistakes in the core report, even after it has already been approved by the CFO. IBM Cognos FSR delivers the completed external report at the same time as the XBRL tagged report. With IBM Cognos FSR’s integrated XBRL approach, mistakes discovered through the integrated tagging process can be corrected before the report is deemed “final”, ensuring that the CFO only signs-off once – as well as ensuring that all output formats (Microsoft Word, Adobe PDF, XBRL and/or EDGAR-ready HTML) are 100% in-sync.

20. Rounding

IBM Cognos FSR provides an automated method to round financial data to thousands, millions or billions while ensuring that all numbers tie-out to the bottomline totals. This feature helps eliminate a significant amount of manual effort, improving the efficiency and accuracy of the external reporting process.

21. Workflow

A workflow process within IBM Cognos FSR tracks the status of each section of the document, with due dates and responsibility assignments. IBM Cognos FSR’s Workflow Condition feature ensures users cannot proceed to the next step if this is not allowed (i.e. the condition is false). With workflow, the administrator can easily see the status of each section of the document, which sections are overdue and who is responsible for each section. This applies to both the completion of the core report as well as the integrated XBRL tagging process. IBM Cognos FSR’s integrated XBRL provides visibility into the entire submission process, ensuring that the proper steps have been followed in the review, approval and submission of documents.

22. Internal control

IBM Cognos FSR provides a comprehensive set of internal controls to ensure that the proper steps are being followed within each section in the document, including the integrated XBRL tagging process. IBM Cognos FSR's audit trail feature tracks the change in status of each of the internal controls related to the XBRL tagging process so companies can easily understand change history and ensure that internal controls are respected.

23. Audit trail

IBM Cognos FSR provides a comprehensive audit trail – tracking each change to the document. With the IBM Cognos FSR audit trail, users can easily compare any two versions of the document to see what was changed, who changed it, and when it was changed. IBM Cognos FSR helps to increase management's confidence in the financial statements.

Conclusion

Surveys show, and experience has proven, that corporate financial reporting errors not only impact the bottom line, they can erode a company's reputation in the market. Section 302 of the Sarbanes-Oxley Act even requires executives to personally certify the accuracy of their company's financial statements. With so much at stake, companies must ensure that they reduce the risks and costs of company filings, while increasing reliability, transparency and accuracy of financial reporting. In today's operating environment, undue risk for errors is intolerable.

XBRL tagging can be a powerful way to accelerate processes and increase the reliability of financial information. But companies must consider their real-world reporting processes when they determine their approach: the bolt-on approach actually extends reporting timelines; increasing effort and costs while introducing risk to financial statements.

IBM Cognos FSR's integrated XBRL solution fully aligns with the SEC's requirements by making it easier to tag financial data and commentary, and deliver output in any number of formats, including XBRL. By choosing IBM Cognos FSR, companies not only address their XBRL tagging requirements but also reduce the risk and costs associated with their current external reporting process.

About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of business intelligence, predictive analytics, financial performance and strategy management, and analytic applications provides clear, immediate and actionable insights into current performance and the ability to predict future outcomes. Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest productivity, confidently automate decisions and deliver better results.



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