



# Welcome to the Transformation

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# Outline

- § Why this is important
- § Some Australian observations
- § Be clear about the limitations
- § What's happening at an international level?

# This stone is rolling...

## § Evolutionary Impact

- § Regulatory filing
- § Statistical filing
- § Form-based reporting

## § Why?

- § Unambiguous definitions
- § Clear framework for change
- § Validation at periphery
- § Network effect

## § Transformational Impact

- § Securities Filings
- § Infomediaries & Analysts
- § Internal Corporate Reporting
- § SBR

## § Why?

- § The same reasons, plus -
- § Extensions
- § Normalisation
- § New Data: New Analysis

# Definitions

- § The majority of “metadata” is produced as a technical byproduct of projects.
- § It isn't usually developed by and for the business and allowed to drive the technology.
- § It generally gets as far as a “dictionary”.
- § The idea of a taxonomy is more sophisticated, but also vastly more useful:
  - § Unambiguous about definitions and relationships
  - § Can be understood by the business and can drive the technology

# Validation

- § How many times has as IT issue that you've experienced descended into finger pointing?
- § Interactive data raises the bar. If you prepare information, it is your responsibility to get it right. Validation enforces that responsibility.
- § That validation can be simple, or it can be complex, including the enforcement of a wide range of business rules.
- § Avoids, as much as possible, the GIGO phenomenon.

# Network Effect

- § You can't share information across organisations without interoperable software.
- § In a closed environment (even a closed country) you can achieve this interoperability by imposing your own rules (or your own software).
- § In an economy, you need a standard.
- § Application of that standard across heterogeneous systems creates a virtuous cycle.
- § The big names and small are all adding to the XBRL network effect.

# Extensions

- § XBRL lets you change the stuff you need to:
  - § Labels
  - § Presentation
  - § Calculations
  - § Add whole new sections
  - § Remove irrelevant ones
- § Extensions are the raison d'être for XBRL:  
Accounting is different for different entities.
- § Communicate the reality of performance.
- § Let analysts consume and understand the published reality and conform it to an analytical model of that entity.
- § Let regulators, industry and companies create modules that fit together
- § Facilitates normalisation

# Normalisation

- § You don't want two bar codes for Heinz Tomato Soup.
- § Where concepts are the same, in the same environment, they should have the same "tag"
- § The challenge is when you expand the environment: within an organisation, across organisations, across agencies and across countries.
- § Requires hard work from teams that want to work together to normalise/harmonise.

# Outline

§ Why this is important

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# Some Australian Observations

- § Today, SBR probably seems ambitious, new, perhaps unsettling.
- § In the short term, Australia's response to interactive data will become a question of national competitiveness.
- § Why? Let's explore that.

# Business to Government Dealings

- § Provision of information to government (including the compliance costs associated with that effort) consume something in the order of 1.5% of GDP.
- § The majority of this is tax related, but disparate local/state government information requirements appear to consume a disproportionate amount of effort.
- § Simplification of filing obligations free up capacity to allow economic growth.
- § Normalisation works.

# Listed Securities

- § Japan, US and China are moving to 100% XBRL-based filings for all listed companies.
- § Those countries can expect better capital allocation:
  - § Better coverage by sell-side analysts
  - § Better analysis by buy-side investors
  - § More FDI
  - § Through new types of structured products, more liquidity for small and medium caps
  - § Faster, more effective and more diverse investment responses to financial disclosures.

# Unlisted companies

- § The UK, Spain, Singapore and Denmark already have systems in place to allow XBRL-based filings, in place of paper (or e-paper) annual accounts for all companies.
- § Those countries can expect:
  - § Better credit decisions
  - § More effective straight-through B2B supply chains
  - § New ways of raising capital
  - § Banks better able to deal with small business
  - § Small business that is better informed about comparative performance

# So...

- § Implementing SBR will help individual businesses and the economy as a whole.
- § “Analyst friendly” XBRL for listed entities will improve the liquidity and efficiency of capital markets
- § XBRL for unlisted entities will contribute towards a more effective, more efficient business sector.
- § .... Today ASX and ASIC receive accounts in PDF or Paper.
- § .... Cross agency collaboration is fiendishly difficult.

# Contribute!

- § The SBR initiative might seem ambitious
- § It's well focused ambition
- § This is not just a question of absolute efficiency
- § It's literally about international competitiveness
- § Australian's love competition!

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# There are limits!

- § Best practices
- § Training and knowledge sharing
- § Conformant software
- § Interoperability of software
  - § Formula
  - § Versioning
  - § Rendering

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# XBRL International

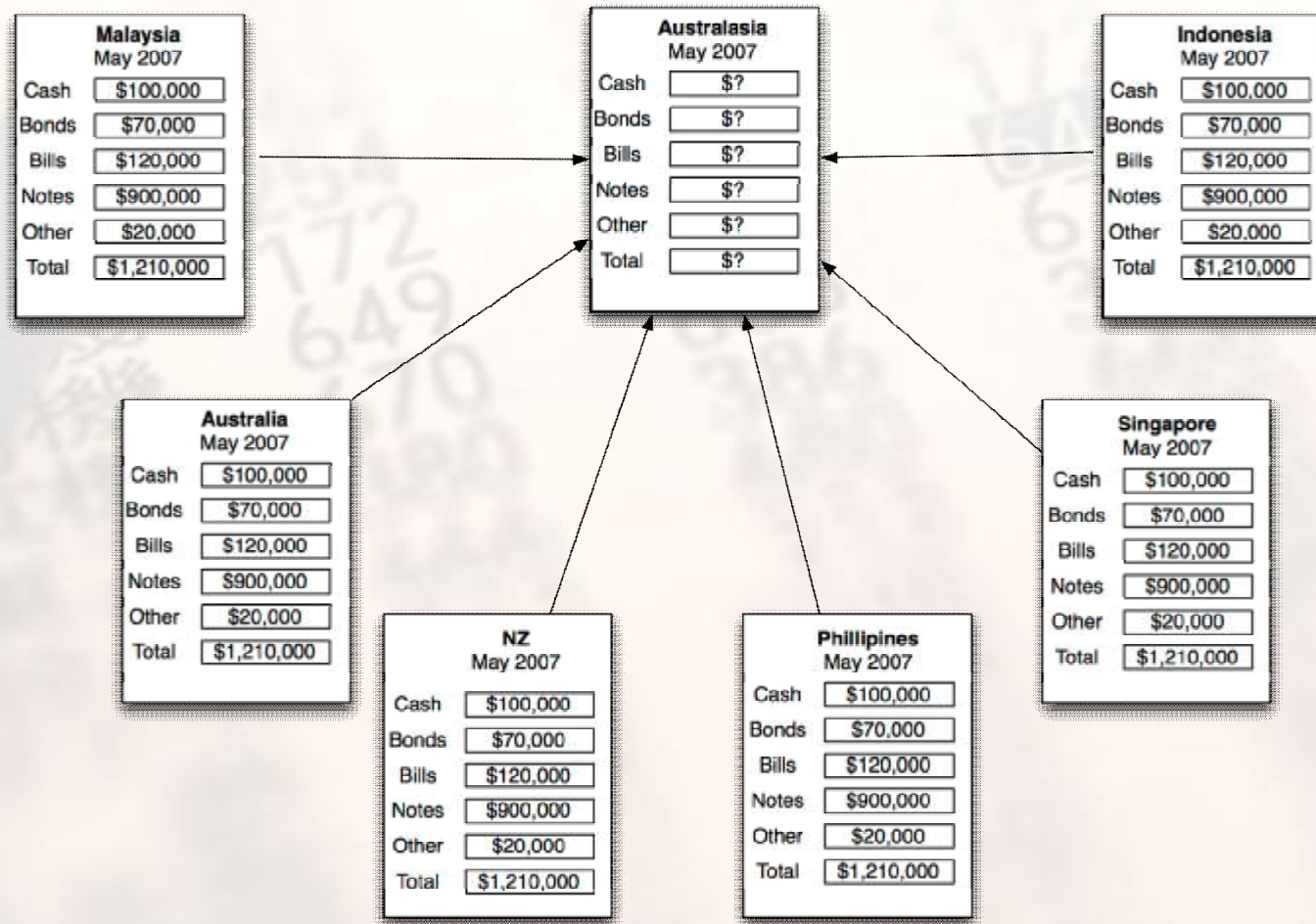
- § Governance in transition
- § Funding/Business Model still too hard
- § Technical work will transition in 2008 from specifications to best practices.

# Formula Working Group

Malaysia May 2007	
Cash	\$100,000
Bonds	\$70,000
Bills	\$120,000
Notes	\$900,000
Other	\$20,000
Total	\$1,210,000

- § Today XBRL lets you add and subtract
- § Mostly
- § Well. Ok. Not entirely.
  
- § That is not enough!
- § Users also need a standardised way to describe...

# Data consolidation across entities...



# Business rules and Data Quality Validation

- § If Profit decreases for three quarters in a row, call the borrower in order to arrange a credit review....
- § If the change in market value for Securitized Assets varies by more than three times the standard deviation for the industry set, email the regulated entity to confirm the data....
- § If the words “SEC prosecution” or “AMF delit d'initie” or “die BaFIN strafrechtliche Verfolgung” appears in the management discussion.... Sell the stock!

# Math

§ Financial and statistical models require computation....

$$\frac{P_0}{BV_0} = \frac{b * ROE_1}{(k - g)}$$

# Versioning

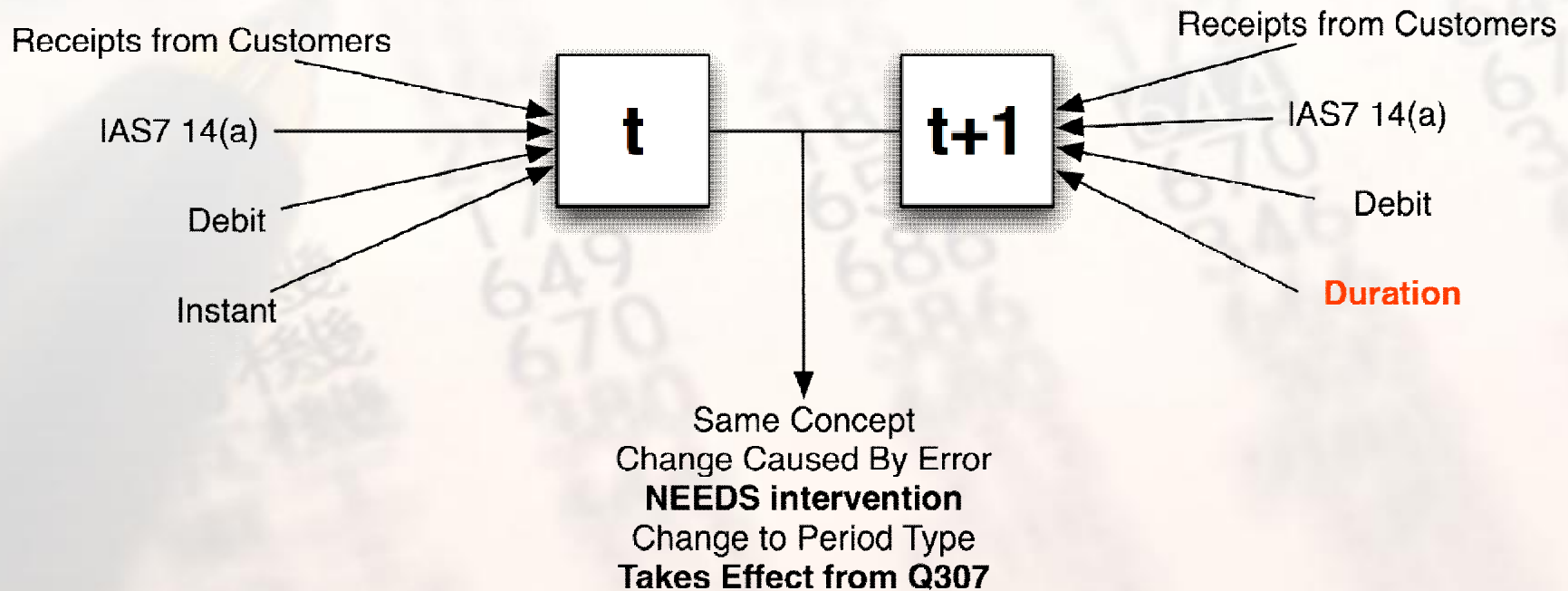
**Death**

**Taxes**

**Change**

Some things are certain. How do you identify and act on change in XBRL taxonomies?

# Versioning



# Global Ledger

- § XBRL GL is a powerful mechanism for generically expressing, exchanging and transforming data used to record business transactions.
- § Different accounting and enterprise reporting systems retain this information in different ways.
- § XBRL GL is a standard layer that can be used to allow data from those systems to be combined, compared, reviewed or used in other processes. For example:
  - § Creating tax reports from disparate systems
  - § Creating IFRS and local GAAP reconciliations
  - § Facilitating standardised audit across corporations

