



Federation of European Accountants
Fédération des Experts comptables Européens

FEE/CNDCEC SME/SMP Congress

European Accountants: Shaping the future
How to advise, assist and audit SMEs in a changing regulatory environment

15 – 16 April 2010, Venice

Standing for trust and integrity



What is XBRL? (a brief introduction in “Plain English”)

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- eXtensible** → the reporting entity can add new elements (“extension”) to the language vocabulary (“taxonomy”) in order to ensure that its business data will be presented fairly.
- Business** → XBRL is designed to code business data, in a way that computers can directly manage (use, store, transfer ...).
- Reporting** → thanks to XBRL accountants, auditors and users can share, re-use and analyse data in a new interactive way.
- Language** → XBRL is a language, not for humans but for computers; an open standard, free of license fees, derived from XML and promoted by XBRL International.

Business data are not treated as a block of text, like in a PDF file or in a printed document, because XBRL is based on a different philosophy:

business reports are decomposed – following specific vocabularies (“taxonomies”) – into their basic items, each marked by a specific tag which identifies their features

PRINTED DOCUMENT	→	XBRL Instance
Assets:		
Property, plant and equipment 500000		<PropertyPlantAndEquipment>500000</PropertyPlantAndEquipment>
Investment property 300000		<InvestmentProperty>300000</InvestmentProperty>
Goodwill 100000		<Goodwill>100000</Goodwill>

so business data can be read, understood and manipulated by any software which can recognise the tags (like barcodes)

Why should we use XBRL?

We could answer because it's already mandatory in some European Countries and it will soon be mandatory in many others, but there are more important reasons:

XBRL-compatible software can validate and manipulate business data at light speed, so we will no longer need to re-type or do any other manual tasks

faster and cheaper data for better decision-making

XBRL can free up time and resources, so we can focus on more value added tasks such as analysis, forecasting and so on ...

simplification potential

the goal of a "one-stop shop": jurisdictions will be able to require a reporting entity to deliver information only once (for its financial statements, tax filing, statistical data ...), rather than requiring multiple filing of the same information, because data will be made available to every stakeholder (e.g via a Web-based repository) in the same electronic format

FEE involvement in XBRL

Over the last two years:

- FEE has been monitoring global developments of XBRL;
- FEE has created a task force to address specific XBRL matters;
- and in December 2009 FEE published the FEE XBRL Policy Statement to support the adoption of XBRL
 - while acknowledging the challenges
 - and where the right conditions prevail (i.e. support from authorities and a robust cost-benefit analysis).

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Policy Statement

Standing for trust and integrity

December 2009

Auditing and Assurance

Financial Reporting

eXtensible Business Reporting Language (XBRL) - The impact on accountants and auditors

Documents that using eXtensible Business Reporting Language (XBRL) or XBRL enabled documents are becoming more prevalent. Regulators, reporting entities and users of financial statements, annual reports and other financial information are interested in reducing costs, increasing efficiencies and the quality of information in dealing with financial reports. XBRL has the potential to play an important role in such endeavours and in particular in reducing costs such as the cost of capital by increasing transparency and ease of use of financial information.

This Policy Statement is designed to briefly explain XBRL and set out FEE's position on XBRL. FEE has monitored the developments regarding XBRL for some time and this policy statement is FEE's first initiative in respect of XBRL. FEE expects to continue to perform more detailed work in the area of XBRL in the future, for instance in relation to the negotiation gap that may exist in respect of assurance on XBRL generated data. FEE might also consider other areas where the use of XBRL becomes prevalent, like for instance company and tax filings.

Additionally, FEE is committed to actively contribute to the International Auditing and Assurance Standards Board (IAASB) initiatives related to XBRL and its implications for auditors and other stakeholders.



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A new role for the accountant

**How XBRL makes compilation financial
statements / other reportings easier and
cheaper**

Drs. H.W. Knoop RA

Member SBR Platform NL

Member SBR Banking NL

Developments in the Netherlands

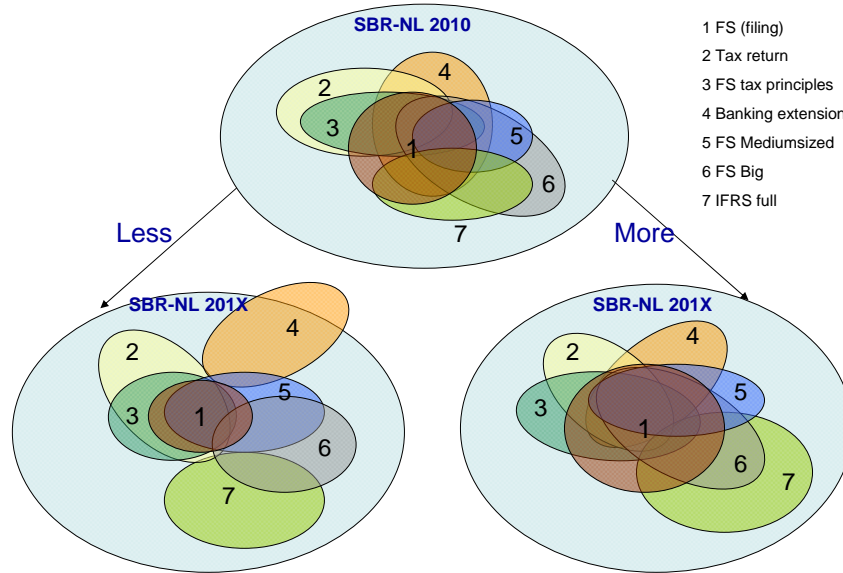
- 
2004 **SBR for ALL companies in the Netherlands**
SBR for Waterboards and Municipalities
- 
2007 **Financial Statements (filing)**
Dutch Statistics Report
Tax return VAT
Tax return pay-roll taxes
- 
2008 **FS on tax GAAP**
Tax return corporate income tax
- 
2009/ **Banking extension**
2010 **Taxonomy big and mediumsized companies**

Developments in The Netherlands

Which changes are required:



- **Authoritative taxonomy(ies)**
 - Minimum position included
 - Extensions on taxonomy possible
 - Not in taxonomy: then not required
- **Dutch law was changed**
 - FS on tax accounting principles possible
 - Filing of instance documents possible
- **Style sheets**
- **Covenant government - banks**
- **SBR Platform**
- **Future: XBRL Audit**

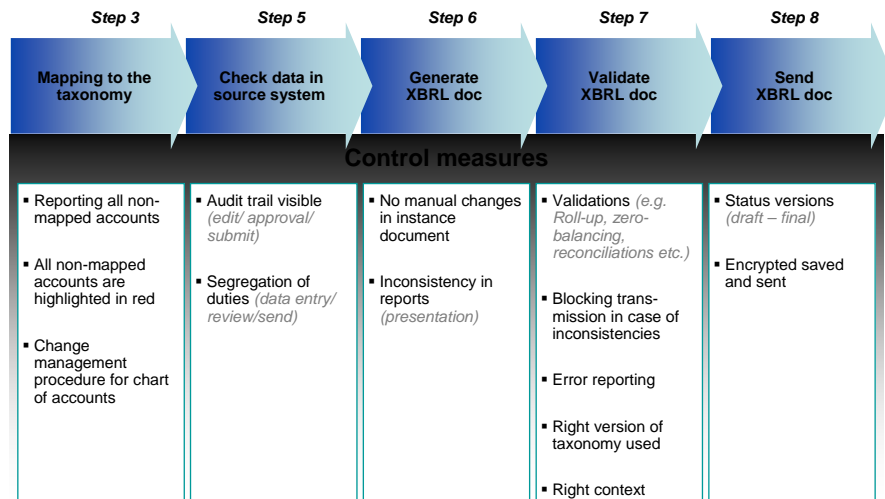


Desired situation: Control Methodology

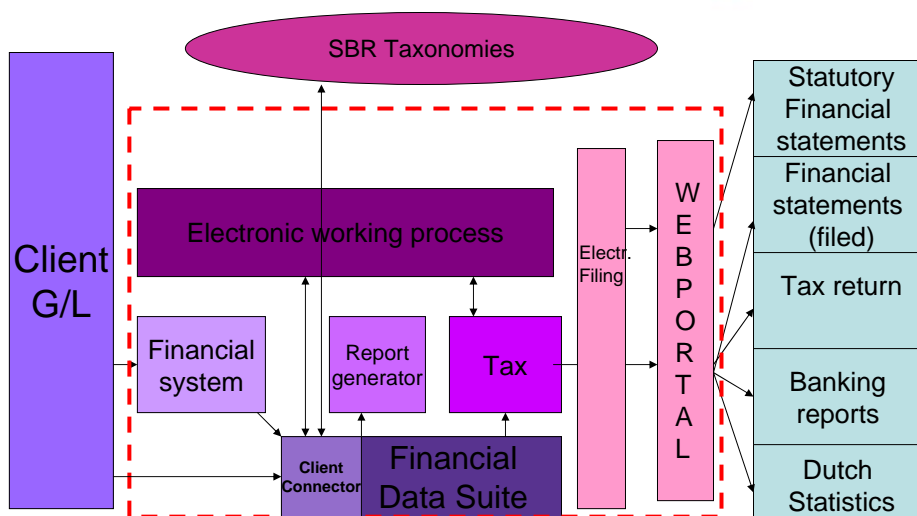


SBR Control Methodology

A number of Control measures



Working processes within GT



Some recommendations

Integrated software:

- ↳ Financial accounting, report generator and tax software integrated in one system
- ↳ Link with latest version of taxonomy
- ↳ Import and export features of XBRL
- ↳ Only extensions on taxonomy possible
- ↳ Validation rules in software
- ↳ Consolidation rules

Electronic working programs

Client portal:

- ↳ Data sharing with client
- ↳ Authorisation process of documents included
- ↳ Authorisation service provider

Questions?

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XBRL : the impact on auditors and accountants

Bruno Tesniere
Partner PricewaterhouseCoopers
Chairman XBRL France
Member of the FEE XBRL task force

- A changing landscape ?
- Creating new challenges
 - ↪ For the auditors
 - ↪ For accountants

A changing landscape ? Migration of reporting to the Internet and take-up of XBRL technologies

EADS N.V.
Consolidated Income Statements (IFRS)
for the years ended December 31st, 2009, 2008 and 2007

in million €	2009	2008	2007
Revenues	42,822	43,265	39,123
Cost of sales	(38,383)	(35,907)	(34,802)
Gross margin	4,439	7,358	4,321
Selling expenses	(245)	(933)	(846)
Administrative expenses	(1,372)	(1,233)	(1,314)
Research and development expenses	9	(2,821)	(2,606)
Other income	170	189	233
Other expenses	(102)	(131)	(97)
Share of profit from associates accounted for under the equity method	115	188	210
Other income from investments	19	23	86
Profit (loss) before finance costs and income taxes	6	(289)	(33)
Interest income	316	617	502
Interest expense	(503)	(581)	(701)
Other financial result	(445)	(508)	(138)
Total finance costs	12	(472)	(737)
Income taxes	13	(703)	333
Profit (loss) for the period	(752)	1,597	(407)
Attributable to:			
Equity owners of the parent (Net income (loss))	(763)	1,572	(446)
Non-controlling interests	11	25	9
Earnings per share		€	€
Basic	39	(0.94)	1.95
Diluted	39	(0.94)	1.95

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

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Key figures
 Segment Information
 Restructuring and Cost Saving Programmes
 Hedging
 Accounting Considerations
 Innovation Strategy
 Sales Financing
 Guidance 2010

FINANCIALS & GUIDANCE
 Key Figures

	2004	2005	2006	2007	2008	2009
(in EUR)						
Revenues, in million EUR	31,761	34,206	39,434	39,123	43,265	42,822
EBITDA pre exceptions (1), in million EUR	3,841	4,365	2,033	1,751	4,439	1,446
EBIT (1), in million EUR	2,432	2,852	399	52	2,830	(322)
R&D (self-financed), in million EUR	2,126	2,075	2,458	2,608	2,669	2,825
Net Income (2), in million EUR	1,203	1,676	99	(446)	1,572	(763)
Net Income (1), in million EUR	1,342	1,769	199	(433)	1,613	(722)
Earnings per share (EPS) (2) in EUR	1.50	2.11	0.12	(0.56)	1.95	(0.94)

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A changing landscape ?
 Migration of reporting to the Internet and take-up of XBRL technologies

BOWNE Interactive XBRL Viewer

Activity
 Upload and Manage Documents
 SEC Mutual Fund Filings
 SEC Corporate Filings

Search Name or Ticker Symbol:
 Page Up

3M Co 2009-09-30
 Display Full Definition & Reference

Consolidated Statement of Income (USD \$)
 In Millions, except Per Share data

	3 Months Ended		9 Months Ended	
	Sep. 30, 2009	Sep. 30, 2008	Sep. 30, 2009	Sep. 30, 2008
Consolidated Statement of Income				
Net sales	\$ 6,193	\$ 6,558	\$ 17,001	\$ 19,760
Operating expenses				
Cost of sales	3,171	3,432	8,920	10,278
Selling, general and administrative expenses	1,209	1,269	3,642	3,938
Research, development and related expenses	335	344	967	1,058
(Gain)/loss from sale of businesses				23
Total operating expenses	4,715	5,045	13,529	15,297
Operating income	1,478	1,513	3,472	4,463
Interest expense and income				
Interest expense	55	52	165	158
	(8)	(28)	(26)	(76)
- References	7	24	139	82
Reference 1: http://www.xbrl.org/2003/role/presentationRef	1	1,489	3,333	4,381
- Publisher FASB	10	479	1,040	1,402
- Niemi Accounting Standards Codification	1	1,010	2,293	2,879
- Topic 835	4	19	35	55
- SubTopic 20	7	\$ 991	\$ 2,258	\$ 2,824
- Section 50	8	695.5	697.7	701.3
Paragraph 1				
LIABILITIES				
Earnings per share attributable to 3M common shareholders - basic (in dollars per share)	\$ 1.36	\$ 1.43	\$ 3.24	\$ 4.17
Weighted average 3M common shares outstanding - diluted (in shares)	710.8	703.1	702.3	710.7
Earnings per share attributable to 3M common shareholders - diluted (in dollars per share)	\$ 1.35	\$ 1.41	\$ 3.21	\$ 4.11
Cash dividends paid per 3M common share (in dollars per share)	\$ 0.51	\$ 0.5	\$ 1.53	\$ 1.5

6 <https://xbrlviewer.bowne.com/> *Standing for trust and integrity*

Creating new challenges for the auditors

Auditor Association with XBRL

Current ISAs do not require auditors to perform procedures on XBRL-tagged data as part of the financial statement audit. Accordingly, the auditor's report in accordance with the ISAs on the financial statements does not cover the process by which XBRL data is tagged or the XBRL-tagged data that results from this process, and no assurance is given on the accuracy, consistency and completeness of the XBRL-tagged data itself.

(Source : IAASB - Staff Q&A – XBRL the emerging landscape – January 2010)

Creating new challenges for the auditors

- When paper vanishes and is being replaced by electronic data, is the audit opinion still relevant ?
- What level of assurance stakeholders may require in respect of XBRL enabled financial statements ?
- Considering the dynamic nature of XBRL enabled documents will the auditor need to provide data level assurance ?

Creating new challenges for the auditors

- Current lack of standards to perform assurance work on XBRL generated financial statements;
- Auditor's involvement in the provision of assurance related to XBRL generated data, beyond the information currently included in hard-copy financial statements;
- The accuracy, completeness and comparability of extensions to taxonomies;
- Changes in the audit approach and/or audit opinion;
- Issues with the use of electronic signatures;
- Managing the possible widening of the expectation gap;
- Managing specific risk associated with the association of an audit opinion and a set of financial statement both in an electronic and dynamic format.

Creating new challenges for the auditors ... as well as opportunities

- Facilitating the “acquisition” of data as part of the audit (re-keying of data and other manual tasks can be avoided);
- Reducing the effort required to gather and compile financial information, freeing up time and resources to focus on more value added tasks;
- Better analytical reviews fed with external / benchmark market data.

Creating new opportunities for the accountants

- Reducing the effort required to gather, compile and prepare financial information;
- Saving costs by enabling preparation of data in one form and automatically generating many output (tax filing, statutory filing, statistical filing) with one open non proprietary standard;
- Facilitating compilation engagements when the accountant uses accounting expertise.

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XBRL and Business Register in Spain

The top of simplification process

Iñaki Vázquez

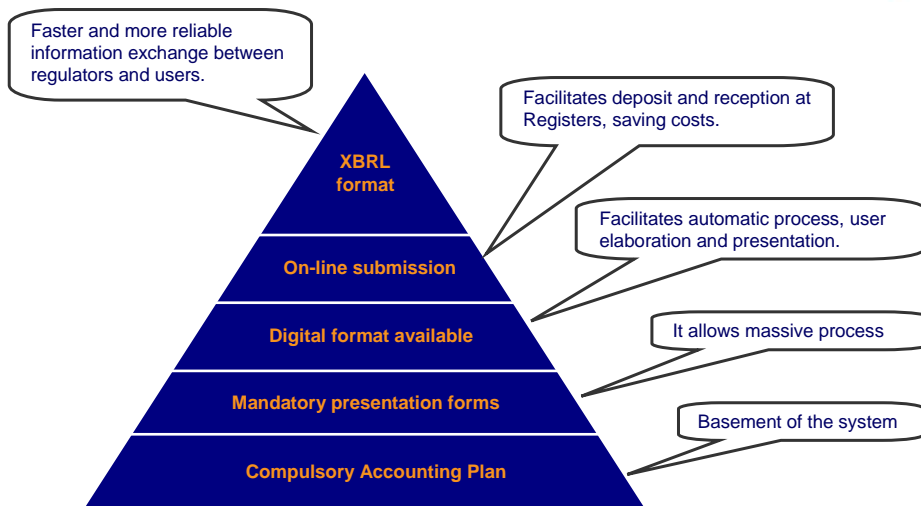
Colegio de Registradores

1. Standardisation Process.
2. XBRL Deposit Project
3. Challenges

OBJECTIVE: Simplifying management and reporting for SME's

1990. Mandatory National GAAP for all companies. It includes elaboration of Balance Sheet, Profit and Loss Statement, and Notes to Financial Statements.
1994. Compulsory standard forms for presenting annual accounts in the Business Register. This forms can be simplified, and include:
- Identification Sheet.
 - Balance Sheet.
 - Profit and Loss Statement.
1995. Presentation to Registers of standardised forms in paper starts.
1996. Association creates the Statistics Centre to process all the financial statements and provide information to the Central Bank.

- 2000. Voluntary digital presentation available. Previously has been defined the format (ASCII files) and published in the National Gazette.
- 2001. Association develops and presents a free software for digital generation of the deposit as well as a software for reception in the Registers.
- 2004. On-line submission of financial statements available. Using digital signature and Registrars Association Web.
- 2008. National GAAP changes. Consequently standardised forms change (now Notes to FS are available).
- 2009. Mandatory XBRL format for digital deposits (instead of ASCII files).
- 2010. XBRL financial statements are available on the web of registrars.



DIFFERENT WAYS TO PRESENT ANNUAL FINANCIAL STATEMENTS

PAPER

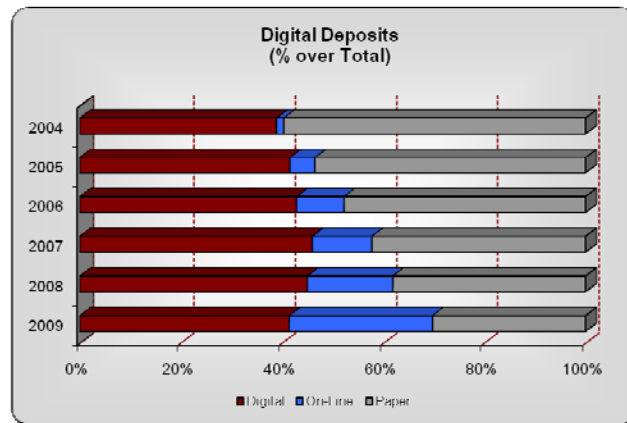
Formularies provided by Mercantile Register.
 PDF Files downloadable from websites:
<http://www.mjusticia.es>, <https://www.registradores.org>,
<http://www.icac.meh.es>

DIGITAL

Standard formats published.
 XBRL file, XML file, TIFF or JPG images, PDF and
 TXT (depending on the document).

ON-LINE

Same formal content than digital deposit, but
 submission trough Registrars web with digital
 signature.



In 2009, on-line and digital deposits are almost 70% of total financial statements deposited.

BUILDING XBRL DEPOSIT FRAMEWORK

- Starting with standardised forms we had to “translate” it into XBRL.
- Working framework needed: XBRL Association of Spain. Founder Member
- We need data dictionaries:
 - ↳ Identification data of informant unit, and the report itself (DGI Taxonomy). Workgroup Presidency
 - ↳ Accounting information included in Financial Statements (PGC2007 Taxonomy). Member
- Mandatory**
- SME's financial statements in XBRL as the key for massive availability of XBRL reports / information.
- Software creation for generating annual accounts in XBRL and for receiving this XBRL in the Registers. ND2 & NRD2
- Integration of XBRL in commercial accounting software. INTECO API

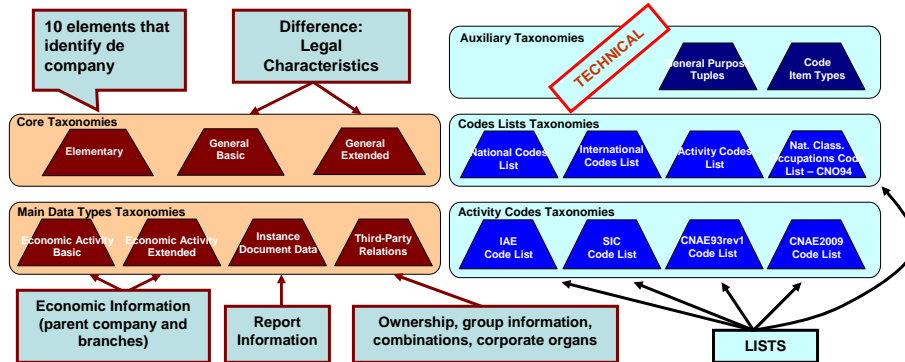
Standardised forms

- Created in collaboration among the Central Bank, Ministry of Economy and Registrars.
- Three main designs:
 - ↳ Normal: for big and medium companies
 - ↳ Abbreviated: simplified forms for small companies.
 - ↳ PYME: forms for those small firms that uses a special GAAP.
- Forms include:
 - ↳ Identification Sheet,
 - ↳ Balance Sheet,
 - ↳ Income Statement,
 - ↳ Changes in net worth Statement,
 - ↳ Cash flows Statement,
 - ↳ Notes to Financial Statements

DGI Taxonomy (General Identification Data Taxonomy)

- Modular structure that allows every use.
- To identify the informant unit as well as the report itself.

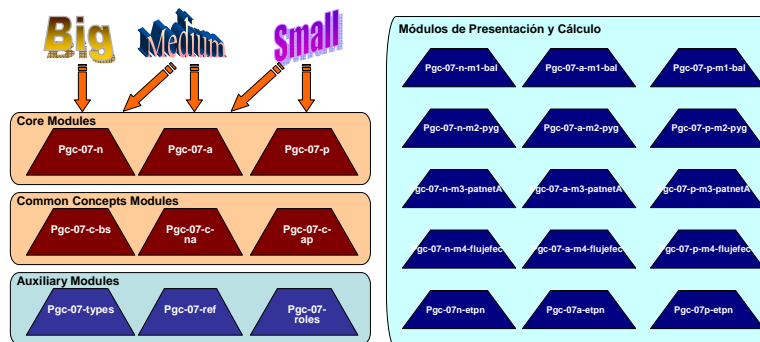
Working group presided by
Mercantile Registrars Association



- Used by not only PGC2007 taxonomy, but also by Central Bank and National Stock Exchange Market Commission taxonomies.

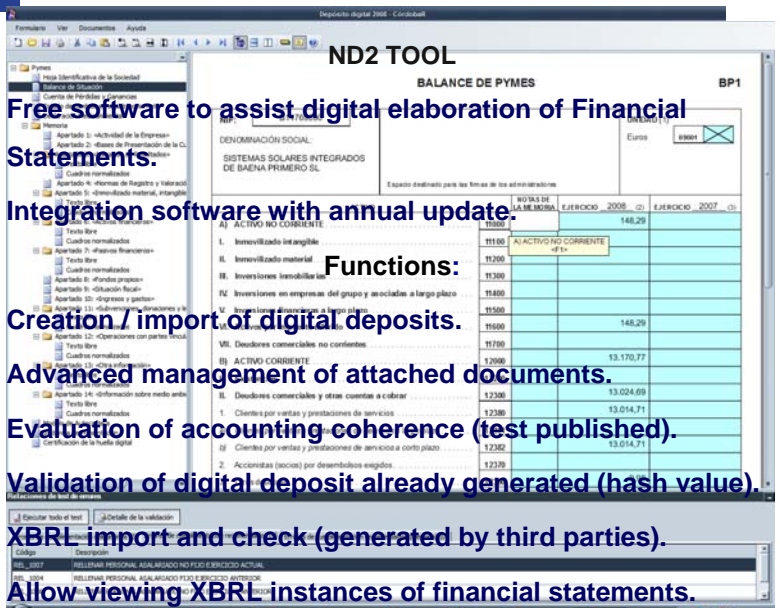
PGC2007 Taxonomy (Spanish GAAP Taxonomy)

- Modular structure that allows every use.
- The same taxonomy for small, medium and big companies.



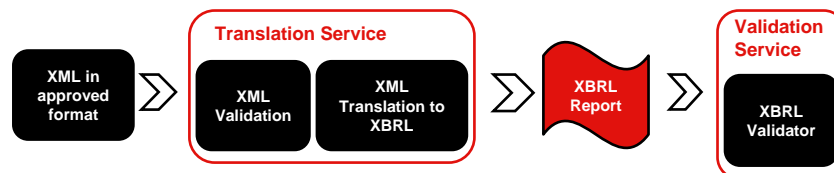
- Potential extensions for consolidated accounts or specific sectors (like gas, petroleum or electric companies).

- Free software to assist digital elaboration of Financial Statements.
 - Integration software with annual update.
- Functions:**
- Creation / import of digital deposits.
 - Advanced management of attached documents.
 - Evaluation of accounting coherence (test published).
 - Validation of digital deposit already generated (hash value).
 - XBRL import and check (generated by third parties).
 - Allow viewing XBRL instances of financial statements.



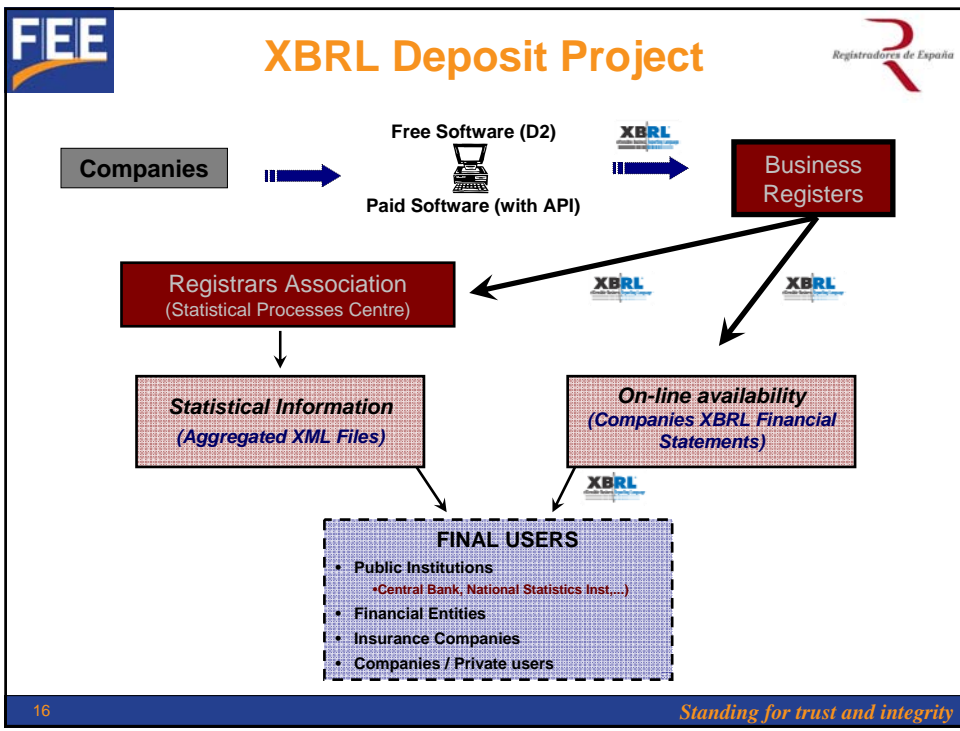
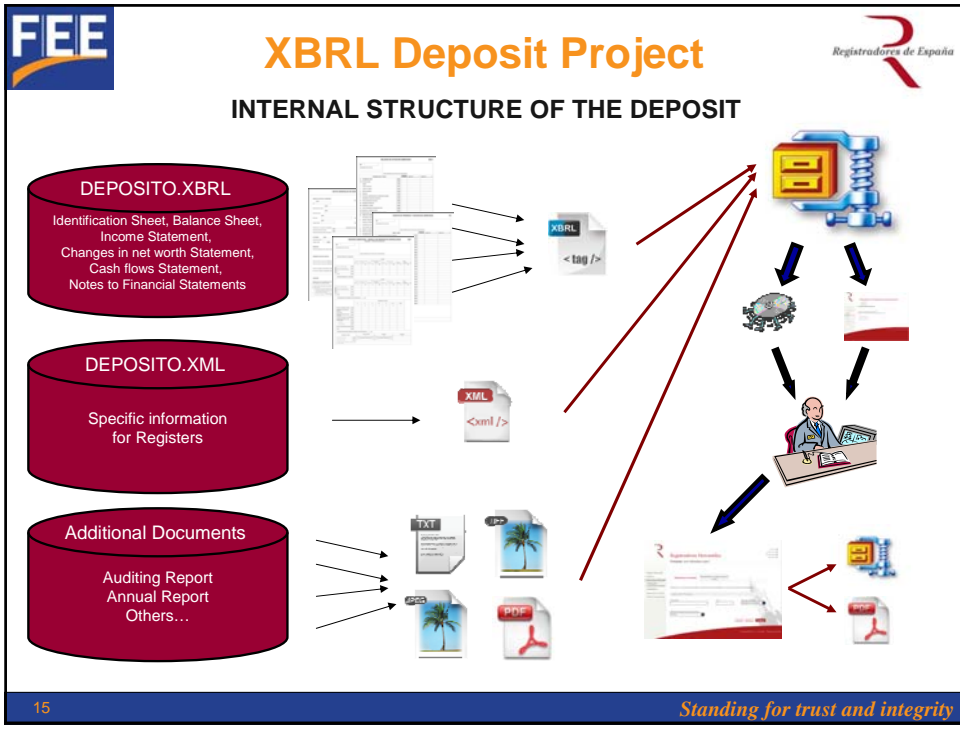
API (translator from XML to XBRL)

- Integration application provided for software vendors (paid software for digital e-filing of financial statements).
- Helps to change between previous and new format of digital deposit.



NRD2

- Internal software for reception on new digital deposits at Mercantile Registers .
- Validates everything, XBRL (format, taxonomy,...), documents included, and generates a report to be analysed by the Registrar.



OBJECTIVE:

XBRL as the ~~new~~ standard in financial information exchange.

- 100% of digital deposits.
- To develop Registrars Taxonomy in order to include XML and additional documents information.
- National GAAP extensions for being used by consolidated groups.
- Private sector initiatives:
 - ↳ XBRL market creation (demand and supply)
 - ↳ Financial sector integration (Banks, Insurance Company,...)
 - ↳ XBRL software development with additional features.
 - ↳ ...[ideas?]



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