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Interactive data financial reports allow for easier navigation, analysis

As of October 22, 2007, nearly 60 companies totaling over \$2 trillion in market capitalization submitted interactive data financial reports to the Securities and Exchange Commission through a system designed to provide instant, user-friendly access to financial reporting information. In September, 2007 SEC Chairman Christopher Cox announced that the development stage of creating data tags for the entire U.S. Generally Accepted Accounting Principles system was complete and that source code for the Interactive Financial Report Viewer provides developers the ability to create software that will help investors explore financial data more simplistically.

Through these computer-coded “tags,” investors or other interested parties can manipulate financial statements filed with the SEC into their software of choice, such as Microsoft Excel. This ability should allow for easier navigation and analysis of market data as more companies adopt this function. As for the current SEC database of financial information, the Electronic Data Gathering, Analysis and Retrieval system, commonly referred to as EDGAR, the SEC reports that it intends to convert the vast amount of information into an interactive data format.

Utilizing the computer software language known as XBRL, eXtensible Business Reporting Language, companies’ financial reports are coded from standard lists to interactive data codes, known as taxonomies. With the development of the system complete, every element of the U.S. GAAP has been mapped to a unique data tag. The tags each correspond to a different accounting concept, therefore helping to guide in-

vestors and analysts to their desired information within a public company’s financial statements.

This taxonomy, consisting of 15,000 elements, greatly advances the goal of encompassing all manners of financial data, as the old XBRL taxonomy contained just 2,500 elements. Many companies have written their own custom tags for the new taxonomy, addressing one of the major complaints of the current EDGAR filings.

Although the age of interactive financial data may have taken a leap forward, it has yet to take flight fully. Nearly 60 companies have participated in the voluntary program, but this pales in comparison to the more than 10,000 public companies that file annual statements with the SEC. Currently, the move to XBRL does not replace a regular SEC filing, though it can be done in addition to the regular filing.

Many experts believe that an SEC mandate is necessary to gain widespread adoption of XBRL.

“You really need everyone to move at once to get critical mass,” said Jeffrey Naumann, an SEC technologist working on XBRL. “No analyst is going to invest in a whole XBRL process to assess 10 percent of the companies they cover.”

Other experts, however, debate this hypothesis. Bill Thomas, Senior Manager from Cendrowski Corporate Advisors, believes the program will grow quickly enough to avoid such measures like its predecessor.

“Historically, when EDGAR started, it experienced slow growth, but it wasn’t mandated,” said Thomas. “The SEC encouraged companies to join. There is no reason why

this enhancement might not move in that direction.”

The Federal Accounting Foundation is currently conducting a review for GAAP compliance. In addition, analysts, public company preparers, software providers and other critical stakeholder groups will review the draft taxonomies before they are open to public review. Automated financial reporting to the SEC has not been achieved yet, though it does appear to be on the horizon.

“The SEC is committed to making the source code for all of our interactive data applications, including our Web-based interactive data viewer, available to the world as a basis for developing new XBRL-enabled products,” said Cox. “Contributing this to the public domain will encourage the development of software that uses SEC data feeds to give investors better and faster information with cutting-edge tools created by the private sector.” While data extraction has historically been “cut and paste” for financial analysis, the Interactive Financial Report Viewer will abate this process. Instead of reading through sizeable financial reports to pull information, the Interactive Data Viewer allows investors to instantly access their desired information, extract it, and then compare it to related information such as industry averages or past performance. In addition, the release of the source code allows investor Web sites such as Morningstar to manipulate the code and provide the necessary data analysis to meet their consumers’ needs.

The source code is available for market use free via the SEC Web site.