Global Financial Reporting in an XBRL Enabled Dynamic Environment

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Global Financial Reporting
an XBRL Enabled Dynamic Environment

Two activities are reshaping global financial reporting:

XBRL

Standards convergence

The process is slowly drawing the activities into what one day may be a single effort. However...
The Unknown
As we know, There are known knowns.
There are things we know we know.
We also know There are known unknowns.
That is to say
We know there are some things We do not know.
But there are also unknown unknowns,
The ones we don't know We don't know.

Don Rumsfeld
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The Known Knowns
The things we know we know like:

• XBRL in the US has been in use by the SEC and the FDIC.
• IFRS taxonomies have been in existence for some time.
• Underlying technological differences between the US GAAP and IFRS taxonomies have been resolved.
• Both taxonomies are updated on a regular basis.
The Known Knowns
The things we know we know like:

• The US GAAP taxonomy aside from extensions is monolithic and used by all SEC filers.
• The IFRS taxonomy is not monolithic as evidenced by country specific implementations.
• Both taxonomies are tightly coupled to the respective standard setting bodies.
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The Known Knowns
The things we know we know like:

• There is a process in place for the standard setting bodies to harmonize and converge accounting/reporting standards.
• The convergence process is slower than expected.
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The Known Knowns
The things we know we know like:

Globally, every continent has XBRL initiatives underway. These initiatives are coordinated through XBRL International
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The Known Knowns
The things we know we know like:

• Over half the XBRL projects (53%) are sponsored by government with another 13% by exchanges and 3% by regulators.
• This shows that at the beginning, the most important movers of XBRL are government agencies and the public sector.
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The Known Unknowns
The things we do not know like:

- Will other initiatives like SBR overshadow development of financial reporting taxonomies?
- SBR is expected to save Australian business an estimated $800 million per year once fully implemented (SBR-Australia, 2011).
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The Known Unknowns
The things we do not know like:

• When will convergence of accounting standards be complete?
• When will the IASB in conjunction with the European Union and 18 countries harmonize IFRS standards? According to the IASB, all major economies have established time lines to converge with or adopt IFRS in the near future.
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The Unknown Unknowns
The ones we don't know we don't know like:

• Given the lengthy roll-out process of XBRL will it be overcome by a new as of yet non-existent technology?
• When will XBRL get its voice?
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The Unknown Unknowns
The ones we don't know we don't know like:

• Largely absent from the discussion of convergence is the role XBRL will play in this process.
• Given time will the US-GAAP and IFRS taxonomies converge?
• Is there a point in the future where they will be the same?
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Summary

Regardless of how long the convergence process takes between US-GAAP and IFRS, the convergence process with other global entities continues. Ultimately, the convergence of financial reporting standards will change the business environment. The only question is when.
Summary

XBRL is here to stay, and is reshaping the manner in which businesses operate in the global economy. The number of XBRL initiatives is large and increasing at a rapid rate. Similarly, convergence of financial reporting standards is slowly grinding its way through the review and adoption process.
Convergence of the standards and the taxonomies is a tall order for the global business environment and may take many years. However, when it happens it will be seismic.