Five Questions With: Saeed Roohani

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XBRL has come a long way.
Experts in the computer language – its full name is eXtensible Business Reporting Language – have been gathering annually at Bryant University for a decade now to discuss how to push public companies to employ the "interactive data" language in submitting their financial statements so executives, analysts, regulators and investors can quickly delve into financial statements and make instant spreadsheet comparisons instead of having to pore over lengthy reports and prospectuses.
Under a mandate from the U.S. Securities and Exchange Commission, many companies are doing that.
The Bryant University XBRL Conference was held again last week, and organizer and accounting professor Saeed spoke to PBN about it.

PBN: Can you briefly explain what eXtensible Business Reporting Language is?
ROOHANI: XBRL is a new standard for business reporting and has been in progress for about a decade with engagement of accounting professionals, financial executive professionals, regulators around the globe and technology firms worldwide. XBRL makes it easy for everyone to read, understand and compare financial statements. For example, the textbook for my introductory accounting class introduces income statement in chapter one. When I asked my students to also look at the income statement of Home Depot, some students came back told me saying they cannot find such a thing. Then I realized Home Depot calls it a statement of earnings. I know some companies call the same thing statement of profit and loss (P&L). As we have more reliance on computers and the Web to access information, having three titles for the same thing is confusing, and computers do not know these are the same thing. Imagine how difficult it would be to explain to students that all these three titles refer to the same thing. When they ask why companies call them differently, I feel unable to answer a simple question.

PBN: How did the annual conference come to be held at Bryant University?
ROOHANI: In part because Bryant University encourages faculty and students to engage in innovative ideas and approaches. I recall in the early years, people had little faith that XBRL will actually become a reality, and many did not take our efforts seriously. But we were confident that we were working toward a better business-reporting system that would bring financial reporting from paper-based to Web-based. Many universities did not see a good reason to invest time and resources on such a futuristic topic. Sometimes

you have to take chances. We also got support from business communities and accounting firms. For example Eric E. Cohen from PricewaterhouseCoopers has been holding a hands-on workshop for almost every year over the last 10 years at Bryant. Even after 10 years, our XBRL Educational Resource Center has become an internationally known as a forum to discuss new things about XBRL and business reporting.

PBN: What stage is XBRL's implementation in? Are all publicly traded companies filing with XBRL?
ROOHANI: Related to the U.S. Securities and Exchange Commission's Interactive Data Mandate (which largely relates to XBRL), we are surely in the second phase of three. Phase 1 addressed the largest filers of U.S. GAAP (Generally Accepted Accounting Principles, or around 500 companies. Phase 2 brings in the rest of the large accelerated U.S. GAAP filers. While not all Phase 2 filers have had to start, there are currently approximately 1,400 companies between Phase 1 and Phase 2 that have already filed something. Phase 3 begins next June, involving the smaller U.S. GAAP filers and introducing, for the first time, the IFRS (International Financial Reporting Standards) filers. The SEC estimates were that would mean about 10,000 filers in total. Along with that mandate, the SEC's Mutual Fund (risk/return summary) mandate, also involving XBRL, goes into effect in January. There are other XBRL mandates globally, including China, Israel, Japan, Korea, Spain and a big one that starts next year where every company in the United Kingdom will be filing their tax returns in XBRL. XBRL is being used internally by companies leveraging the standardized XBRL Global Ledger Framework. And XBRL is in use or being considered for many non-financial/tax areas, including sustainability, statistics, medical, microfinance – the list goes on.

PBN: I know XBRL changes the landscape for CFOs and other number crunchers. How is it important to the average individual or even the average businessperson? Or is it not?
ROOHANI: This is a good question. Financial reports are getting more complex to read and understand for the average business person. This worries me that potential users of our products are becoming increasingly unable to fully read and understand financial statements that come with 20 to 30 pages of footnotes. XBRL will not totally solve this problem, but it takes some complexity out of analysis of financial information by standardizing presentation of elements that make up financial statements, and so makes them easier to understand and compare by the average businessperson. Therefore, we say XBRL also increases transparency. It should be noted that raw XBRL is only machine readable, but when an average businessperson looks up something on the Web in XBRL, it is always converted to a readable format.

"AS WE HAVE more reliance on computers and the Web to access information, having three titles for the same thing is confusing, and computers do not know these are the same thing," said Bryant University professor Saeed Roohani.

PBN: I notice that health care reporting is part of the discussion at this year's conference. How do XBRL and health care reporting intersect?
ROOHANI: This is our new interest. The health care community has been looking at clinical standards for some time. People see efficiency in communicating clinical data over the Web to lower the cost of health care. For example, when the name and description of clinical procedures are standardized within the health care communities, some mistakes are avoided by doctors, hospitals, lab, etc. The last time I went for my annual checkup, I went to a different medical lab. Sure enough, my new lab report had different names for some of the tests and also used different standards to indicate what is consider low or high sugar level. In short, in one lab report I had a "high" sugar level, but there was no warning of sugar level in another lab report, even though the absolute value came out to be the same. The health care industry has developed HL7, that is XML-based for clinical information, and we have XBRL that is XML-based for business reporting. We are hoping to capitalize on power of the technology and come up with cost figures that might be attached to each clinical information. Then we will have more accurate numbers about how much a procedure costs at ABC provider vs. XYZ provider, given the same quality of health care. We think state and federal funding sources and regulators would be interested in more factual cost figures – as opposed to current practice of setting insurance rates more or less arbitrarily. This would encourage healthy competition in the health care marketplace while lowering the cost of health care to the patients. This is an interesting area, and Bryant is exploring opportunities in health care informatics.