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# As XBRL Evolves, Unique Tags Threaten Its Usefulness

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Some 6,000 U.S. public companies are preparing to file their first financial statements using the XBRL tagging system. But with many companies using an abundance of unique tags known as extensions, regulators are concerned it could defeat the purpose of the interactive data system.

XBRL stands for Extensible Business Reporting Language, the new method mandated by the Securities and Exchange Commission for public companies to file their financial statements. So far, a little more than 1,500, or about 30 percent, of all public companies have used XBRL when filing their financial reports. The next wave of companies are currently preparing to make their first submissions under the new system this summer as the SEC's phased-in reporting requirement takes effect.

Under XBRL, companies tie each piece of data in their financial statements to a tag in the XBRL system that maps it to a precise, standardized location in the financial report. Those tags define the data and make it readable and searchable electronically, enabling a level of analysis not possible with static or paper documents.

Companies rely on the XBRL Taxonomy to find the tags that match each piece of data, but in some cases there's no precise match. When that occurs, companies can create extensions, which are customized additions for a particular piece of data that isn't adequately described by a tag in the taxonomy. "Companies sometimes have items that are truly unique to their business model. That's where the X in XBRL is ready and appropriate," says David Blazkowsky, acting associate director for data and analytics at the Securities and Exchange Commission. "It is understood that not initially, or perhaps ever, would there be a standard tag for every conceivable accounting item for every company."



Roberts

In the first wave of filings, companies created extensions at a rate that surprised the SEC and many XBRL experts. Daniel Roberts, CEO of service provider Raas-XBRL, says extensions so far represent about 11 percent of all data reported into the XBRL system. He thinks that ratio is far too high. The use of too many unique extensions can defeat the purpose of standardizing the data. He worries that the ultimate goal of achieving greater comparability will be sacrificed if extensions represent any more than, say, 2 percent of all data reported through XBRL.

"If companies create too many extensions, the dream of having comparable data that you can use to perform analysis at a level of detail that becomes meaningful and nuanced begins to disappear," Roberts says. "We're right back to doing sectoral analysis by blunt instrument. If you're going to do that, you don't need detailed tagging."

According to an Edgar dashboard report, the average extension rate for the last 200 XBRL filings is about 17 percent, with individual filers ranging anywhere from 1 percent to 55 percent of their data tagged with extensions. The SEC has taken note and is advising companies to take a more careful look at the taxonomy to find tags that match their data. “Filers should concentrate more effort in the area of finding existing U.S. GAAP elements so as to avoid creating custom elements,” SEC staff wrote. “This area is critical to the usability of the data, and filers should concentrate more effort on the element selection (or mapping) than any other part of the submission.”

Blaszowsky says that companies shouldn't automatically create an extension when they find minor or immaterial differences between a given tag in the taxonomy and an item in their financial statements. Instead, he says they need to focus on the critical elements of the item and use some good judgment about whether a match is significant enough to work. “We're looking for whether an item is substantially the same as the tag,” he says. “Those who are trained in creating and using financial statements will be able to look at a set of tags and identify which ones are most appropriate. We and the investing public will be looking to understand the quality of tag selection.”

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—*Daniel Roberts,*  
Chief Executive Officer,  
Raas-XBRL



Huang

To some extent, it should be easier in 2011 to find tags that match items in financial statements after the Financial Accounting Standards Board updated the taxonomy and included more industry-specific elements. FASB, which took control of managing the taxonomy last year, is expected to provide an update annually to assure it reflects current GAAP. FASB updated the taxonomy to reflect changes in accounting standards since it was last updated in 2009, but also to reflect holes in the availability of tags to adequately describe what companies want and need to report, says Emily Huang, vice president at XBRL software provider Rivet Software. “We believe extension rates may decrease when the 2011 taxonomy is adopted by filers,” she says.



Newman

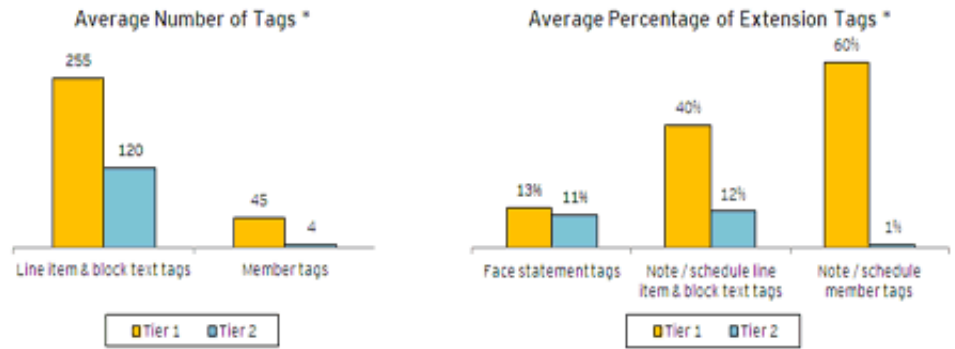
The SEC has not yet approved the update in final form, but the most progressive companies are already digging in to determine where they can improve their submissions, says Yossef Newman, a director and global program leader for XBRL at Deloitte & Touche. For example, the earliest taxonomy didn't have a great deal of coverage for non-controlling interests, he says. FASB changed those rules significantly when it rewrote rules for accounting for business combinations, so later versions of the taxonomy provide more tags, leading to fewer extensions. The 2011 taxonomy includes updates that will enable companies to better tag tables, text blocks, and industry-specific disclosures, he says.

## Lessons From Early Filers

For companies that will be using XBRL in their filings for the first time, or for those doing subsequent filings under an updated taxonomy, experts offer a number of tips based on the experiences of early XBRL filers. At the top of the list, don't rely too heavily on an outsourced service provider to make tag selections, says Paul Penler, executive director at Ernst & Young.

About 90 percent of companies have chosen to outsource the conversion of financial statements to XBRL at the outset, but service providers probably don't know a company's financial statements well enough to make detailed tag selections, says Penler. "A service provider might select the wrong tag," he says. "If you don't search the taxonomy yourself, you may not be aware that there are better alternatives out there."

The following chart from Ernst & Young examines tag usage for SEC XBRL exhibits:



Search the entire taxonomy carefully, says Campbell Pryde, president and CEO of XBRL U.S., the consortium that got XBRL off the ground in the United States. "Don't just look in the face of the financial statements, but look in the notes," he says. "There may be elements in the notes that are appropriate."

Extension use	Tier 1 extension tag usage by certain industries *	Tier 2 extension tag usage by certain industries *
High	Banking and capital markets / Insurance / Power and utilities	Asset management / Airlines / Power and utilities
Medium	Technology / Life sciences / Mining	Oil and Gas / Life sciences / Professional firms and services
Low	Professional firms and services / Hospitality and leisure	Diversified industrial / Aerospace and defense / Hospitality and leisure

\*All numbers are approximate. Extensions represent individual line item data and member tags only. Note that Tier 1 registrant XBRL exhibits included detail tagging of notes and schedules, while most Tier 2 exhibits did not.

Pryde also advises companies not to get too caught up in the exact language of a specific definition. He analogizes: "My item is the sale of apples, oranges, and strawberries, but this tag is the sale of fruit. Does the tag have all the same properties as my item? Yes, it does. Then select it."

Source: [Ernst & Young/SEC EDGAR \(July to August 2010\)](#).



And be careful with negative values, warns Mike Willis, a partner with PwC and founding chair of XBRL International. Tags contain credit and debit elements, so adding the negative when submitting the data creates essentially a double negative, making credits look like debits and vice versa. "This is the No. 1 error we see," he says.