1. Preface

In his book, *The Seven Habits of Highly Effective People*, Stephen Covey conveys rule 2: "Begin with the end in mind." We will begin with the end. Imagine the world of financial reporting with the Internet, the Semantic Web and XBRL? What would that world be like? How might financial reporting as we know it today be impacted? How would financial reporting as it exists today, which was designed with paper-based reporting in mind, be different if it were electronic and XBRL-based?

The world of financial reporting will undergo massive changes over the coming years for a number of reasons. Scandals such as Enron. New rules such as Sarbanes-Oxley. Countries around the world adopting IFRS. These are some of the changes in financial reporting which are already occurring. Other things impacting financial reporting are the Internet, XML and XBRL.

What changes in financial reporting will occur as the world moves from the "syntactic web" to the "semantic web".

XBRL is needed for the vision of Tim Berners-Lee for the semantic web to work for financial reporting.

What is meant by "syntactic web" and "semantic web" and what is the difference? Well, today the web is about agreed upon syntax: http, html, TCP/IP and such. The Internet and the World Wide Web has achieved global agreement on the syntax to use, resulting in one global network connecting the entire planet. This syntactic web allows human to human communication from virtually anywhere on earth.

But for the semantic web to work, which has a vision of one computer talking to another computer without humans being involved in addition to syntax; semantics needs to be agreed upon also. And agreeing on semantics will do things like reduce the search results containing hundreds of thousands of "helpful" resources, into a more precise, shorter, and therefore useful list of search results.

XBRL facilitates the agreement on semantics. For example, creating standard names for financial reporting concepts and creating standard business rules to test the relations between these concepts. The IFRS-GP and US GAAP taxonomies are examples of these agreements on semantics.

So this is about Buck Rogers, right? No. The semantic web is about making life work better, faster, and cheaper. It is about reducing costs, improving quality of information, providing more timely information if that is needed. It is about the every day issues of financial reporting and freeing accountants from the mundane tasks such as re-keying data which can be done by tools such as computers, so the humans can do more useful things which computers are not capable of doing such as analysis of financial information.

Communication in general is challenging. Communicating financial information which can be very technical in nature is even more challenging. Imagine a world where standards setters and regulators can more clearly and precisely communicate with they mean. Imagine a world where entities generating information and analysts using the information better understand each other. Imagine a world where you instruct a computer to perform a mundane task for you such as searching for something, and it actually provides you with useful information or information more useful than the information it provides you with today.

The Semantic Web's goal is to provide a universal medium for exchanging data. It is envisaged to smoothly interconnect personal information management, enterprise application integration, and the global sharing of commercial, scientific and cultural data. Financial information is exchanged every day:

- to obtain a bank loan,
- to obtain capital from the financial markets,
- to obtain a government grant,
- to report the activities of public governmental entities to the voters.

XBRL is not about sharing more information. It is about improving the way information which is currently shared. More information may be shared as a result because people will perhaps realize that transparency reduces the cost of capital and is a good thing. XBRL and the semantic web are about making this possible; the financial reporting supply chain will determine what is appropriate.

XBRL is infrastructure for the financial reporting supply chain will plug into the semantic web and derive the benefits of being plugged in.

This book explains what XBRL is, shows you how it works, explains its limitations and teaches you how to use it for financial reporting in today's terms – in the state XBRL exists today. It also helps you see the vision of what XBRL might be tomorrow as software improves, more people are using XBRL, and XBRL is more incorporated into the actual workflow of the financial reporting supply chain. This book covers both International Financial Reporting Standards and US Generally Accepted Accounting Principles (US GAAP).

At this time, there is not a great volume of information available which helps those who desire to make use of XBRL. The information in this book will hopefully help seed to creation of more information for specific audiences. The information in this book is general and sometimes a bit on the technical side. However, it was written by a CPA and business user of XBRL and is intended to be the best it can be for business users, perhaps a bit on the technical side, or at least have tolerance for digging into technology a bit.

The information was written by someone who participated in the process of creating XBRL. Insights gained from hundreds of conference calls, meetings, conferences, experimentation, discussions are shared as best they can; this will help the reader gain even deeper understanding of XBRL.

This book is a work in progress, a draft. It is made available in this form as the information is needed by business users now. The polish will be put on the book in later versions perhaps. But it is very useful even in its current form.