

November 1, 2004

Mr. Jonathan G. Katz  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549-0609

**File No.: S7-35-04**  
**Proposed Rule: XBRL Voluntary Financial Reporting Program on the EDGAR System**  
**Release Nos.; 33-8496, 34-50453, 35-27894, 39-2498, IC-26622**

Dear Mr. Katz:

The Center for Public Company Audit Firms (the “Center”) of the American Institute of Certified Public Accountants (“AICPA”) respectfully submits the following written comments on the Securities and Exchange Commission’s (the “SEC” or the “Commission”) proposed rule *XBRL Voluntary Financial Reporting Program on the EDGAR System* (the “Release” or “Proposed Rule”).

The Center was established by the AICPA to, among other things, provide a focal point of commitment to the quality of public company audits and provide the Commission and the PCAOB, when appropriate, with comments on its proposals on behalf of Center member firms. The AICPA is the largest professional association of certified public accountants in the United States, with more than 340,000 members in business, industry, public practice, government and education.

In late 1999, the AICPA – with the support of twelve sponsoring companies – launched the eXtensible Business Reporting Language (XBRL) in its continuing efforts to address transparency and business reporting using a market driven, collaborative model. In 2002, the AICPA founded XBRL International to extend this idea globally. Today, the AICPA continues as a founding member and host of XBRL-US and participates in the global XBRL Consortium of now more than 250 of the world’s leading accounting, financial services, technology and regulatory organizations committed to transforming business reporting.

The AICPA is committed to an enhanced business reporting model as demonstrated through its sponsorship of the recently formed Enhanced Business Reporting Consortium that eases the reporting burden, protects the public interest and motivates companies to provide transparent, easy-to-understand information to help all supply chain members make better informed decisions. As the Commission and investors increasingly demand more timely access to information, unique information formats like XBRL can play a central role in meeting these demands. As XBRL is extensible and interoperable, its true power resides in its ability to represent all business information prepared by public companies.

We commend the Commission's efforts to enable registrants to submit voluntarily supplemental tagged financial information using the XBRL format as exhibits to specified EDGAR filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940. The AICPA is committed to the promulgation of XBRL as an open, freely licensed standard for the efficient and transparent exchange of business information over the Internet. Overall, we support the issuance of the Proposed Rule. Our comments on certain specific aspects of the Release are presented below.

## **SPECIFIC REQUEST FOR COMMENTS**

### **1. (a) Is the proposed rule permitting volunteer filers to furnish financial information in XBRL appropriate?**

Yes, it is appropriate to launch an initiative permitting voluntary filing in the XBRL format. Over time, XBRL will lower the cost of producing and consuming information included in business reports and provides a wide range of benefits to producers, consumers, distributors and other market participants. XBRL will significantly improve the ability for registrants to more precisely direct and publish business and financial information to investors, regulators, analysts, lenders and other key stakeholders. As a result, XBRL will also serve to enable the newly formed Enhanced Business Reporting Consortium to improve the quality, integrity, and transparency of information used for decision-making in a cost-effective, time-efficient manner. In general, XBRL will reduce information friction between and among market participants, resulting in better informed markets. Dozens of regulators in over a dozen countries are already moving down the XBRL path.

This voluntary program will allow for a number of key areas to be addressed by market participants in a collaborative and transparent manner. Some of these areas include:

- Taxonomies – additional work is needed in the development of industry and industry sector taxonomies as well as further detail in the “Notes to the Financial Statements.”
- Tools – enhancements in corporate reporting, taxonomy building and analytical tools are needed based upon feedback from market participants.

- Education – greater awareness of the implications of information access is needed among market participants, particularly individual investors, who may not currently be consuming reported information due to the related high costs.
- Training – all market participants are likely to need some training to make best use of XBRL formatted reporting.
- Other areas – there are likely a range of additional considerations that are not foreseen at this time which will emerge during the voluntary program.

The proposed rule permits registrants to undertake parallel reporting by furnishing XBRL data as an exhibit to already-required filings and choose areas of the filing, which they believe are most relevant for their application of XBRL. Interested filers, investors and others will develop their own levels of comfort with XBRL communicating their respective needs to relevant market participants. Lessons learned, experience gained and benefits derived during the voluntary program will translate to a more effective long-term implementation.

Finally, the responses obtained as part of this effort will provide excellent background for the examination of options to improve the accessibility and reuse of business data, while providing a natural market incentive for registrants to embrace information transparency.

#### **1. (b) Is there a better way to accomplish testing and analysis of XBRL data?**

XBRL represents a significant achievement with the establishment of a consensus on how accounting standards from around the world will be employed using XML and the Internet. As potential users begin to use it, XBRL taxonomies are likely to evolve, and one of the most effective and efficient methods of learning and evaluating a standard like XBRL is through experiencing it first hand in real business situations. In particular, processes such as having third parties rework existing EDGAR submissions into tagged XBRL are unsatisfactory even from a learning standpoint. To engage registrants there must be a business case for them: perceived costs and risks should be quite low relative to the potential benefits.

Experience from other XBRL initiatives around the world illustrates that the business case for preparers, intermediaries and analysts turns out to be challenging for regulators to put forward on their own. Therefore, the best argument for the voluntary program is that it allows market players to make their own case. The SEC provides a vital role by allowing the EDGAR platform to be used as an environment and channel for regularizing the information flow and ensuring global dissemination. In that sense we think there is no better way to proceed than with how the SEC is currently proceeding.

One improvement that could be made is that the current open-ended approach could be augmented with a more clearly defined set of optional filings. By defining a few

specific kinds of EX-100 attachments, it would allow software vendors on both the production and consumption sides to more easily provide software tailored to elements in those parts of the taxonomy relevant to those disclosures. It would also help volunteers to understand when they have satisfied the requirement that their voluntary submission contains the “same” information as another filing. This is a useful interim step and need not be seen as a permanent feature of the program.

In particular, one focus that would be most appropriate would be to delineate more clearly how to use the program as a channel for enhanced business reporting and other best practices in disclosure. An approach might be to provide a more structured form of Management Discussion and Analysis.

A set of guidelines for easier approaches to participation would lower the perceived cost while sacrificing few if any benefits. For example, useful guidance might include level of detail of tagging footnotes, guidance on when the filing should be made.

**2. (a) For purposes of the program, volunteers can furnish in XBRL format, among other types of financial information, a complete set of financial statements. Are there special issues or difficulties raised by providing notes to financial statements in XBRL format?**

The sections of the taxonomies for the notes to the financial statements are not as fully developed as the sections for the basic financial statements. However, tags have been provided to allow companies to tag their notes at least at a high level while some prominent notes have been developed in more detail. There are plans to develop the notes section of the taxonomy in more detail to allow complete tagging of a full set of financial statements.

The Commission should not ask participants in the voluntary program to tag all of their notes to the financial statements in full detail as this would require substantive extension taxonomy development that would be overly burdensome on the volunteers.

**2. (b) If so, should we permit volunteers to furnish financial statements in XBRL format if they omit the related notes? Should we allow volunteers to furnish in XBRL format some but not all financial statements (e.g., only a balance sheet)?**

Publishing only the basic financial statements without the notes provides a more manageable level of work for companies who volunteer to participate in the initial stage of the program. Requiring all participants to file with tagged notes to the financial statements represents a significantly higher level of effort than just furnishing the basic financial statements. Once volunteers have a process in place for the basic financial statements, it’s a logical progression to work with the notes to the financial statements as well as other areas such as MD&A.

If volunteers are required to tag the notes to the financial statements, they should be afforded flexibility in determining the level of detail to which the notes are tagged; volunteers could tag most of the notes at a very high level (e.g. one tag per note) and then provide detailed tagged information only for a subset of the notes.

Volunteers should be required to furnish all of the basic financial statements at a minimum to provide an appropriate level of experience and data with which the Commission can evaluate XBRL.

The Commission also needs to consider what information it needs to do its evaluation. It might need to “require” certain note disclosures to assess SEC's ability to benefit from the tagged data.

**2. (c) Should we also allow tagging for other items, such as Management's Discussion and Analysis or Management's Discussion of Fund Performance that are part of existing taxonomies?**

Yes, but with the same level of flexibility and options as suggested in our response to 2. (b) for the related notes. The current U.S. Financial Reporting Taxonomy Framework includes a very basic MD&A taxonomy that is intended to provide information related to the Management Report that typically accompanies external financial reports of public companies. It can be found here: <http://www.xbrl.org/us/fr/rpt/mda/2004-08-15/usfr-mda%20Summary%20Page.htm>. This basic set of taxonomy concepts should be enhanced over time and will help to lay the groundwork for development of taxonomies around the Enhanced Business Reporting Consortium's future framework of voluntary guidelines for the disclosure of industry-specific value drivers, key performance indicators, and information on strategies, plans, opportunities and risks.

**3. (a) Are the standard taxonomies in the voluntary program sufficiently developed? If not, explain what further development would be necessary. Please address taxonomies with respect to specific industries or types of companies if you have information or views on these.**

The XBRL taxonomies available for use are more than sufficient for the proposed voluntary program. They are suitable for 90% of major US public companies to use based on testing the XBRL Consortium has performed against the EDGAR database. Moreover, XBRL taxonomies have been used successfully in a number of projects to produce tagged financial reports for a range of public companies and the XBRL development process requires that every taxonomy submitted for approval include valid tagged financial reports based upon that taxonomy.

In general, taxonomy coverage of the primary financial statements is more detailed and more mature than “Notes to the Financial Statements.” Certain more prominent

notes include tags in substantial detail, while many notes are accommodated at the more summarized levels only. SEC interest in XBRL will result in expanded use of and feedback on the taxonomies. That expanded use and feedback will enhance the level of detail in all areas of the taxonomies further.

The XBRL consortium has an open standards process to ensure that taxonomies are revised and updated on a regular basis to ensure that taxonomies remain current with changes in accounting principles and practices. This process is similar to other standards processes used elsewhere in the capital markets.

### **3. (b) Is the taxonomy builder software sufficiently developed that volunteers would be able to create extensions as needed?**

Taxonomy builder software sufficient to build company extensions is available from several vendors but require substantial XBRL expertise to be used efficiently. Additional software packages that incorporate taxonomy extension functionality with instance document creation are under development and expected to come onto the market in the next 4-8 months; it is expected that these packages will provide a more user-friendly environment for accounting and financial reporting users. Market participants can learn more about these tools by attending upcoming XBRL conferences ([www.xbrl.org](http://www.xbrl.org)), the AICPA National Conference on Current SEC and PCAOB Developments, and by reviewing the list of tools outlined here: <http://www.xbrl.org/Tools/>.

### **4. What specific criteria should be applied to determine the adequacy of the standard taxonomies?**

Taxonomy adequacy should be evaluated from several perspectives:

#### Technical

- Compliance with XBRL Specification 2.1 <http://www.xbrl.org/SpecRecommendations>. XBRL Specifications provide the fundamental technical definition of how XBRL works.
- Compliance with the XBRL Financial Reporting Taxonomy Architecture (FRTA) <http://www.xbrl.org/technical/guidance>. FRTA guides the creation of taxonomies for financial reporting. It sets out a recommended design architecture and establishes rules and conventions, which help make taxonomies more usable and efficient.

#### Completeness of Content

- Taxonomies must include tags for commonly disclosed financial data especially where such data is likely to be compared between reporting entities or between periods of a reporting entity.

- a. Required to prevent the reporting burden associated with excessively large extension taxonomies.
- b. Tags that exist in a standard taxonomy are easily compared, those in extension taxonomies may or may not be comparable.

#### Accuracy of Content

- Tag definitions, XBRL attributes and cited authoritative references.
- Appropriate structure and tag location in the XBRL presentation linkbase.
- Appropriate summation constructs in the XBRL calculation linkbase.

In the end, this is not an overall measurement but one that can only be decided locally by individual producers and consumers. The invisible hand of the market should rule, and we need to anticipate a long-term evolutionary effect in which filers react with new extensions, and information consumers use the data, over a long period (years) to allow for sufficient adaptation. The specific criterion is – who's using it? – and that measurement needs to be taken over a long period.

#### **5. Should we include other standard taxonomies in the voluntary program? If so, specify which ones and explain why you believe such taxonomies are sufficiently developed.**

We know of no other financial reporting taxonomies other than the XBRL US issued taxonomies which:

- Are applicable across a broad range of U.S. reporting entities
- Have been developed with broad participation in an open, collaborative forum, and
- Are available for use on a royalty-free basis

Additionally, the XBRL US standard taxonomies enable comparison between companies in different industries by re-using common elements and structures. Other non-XBRL standard taxonomies would be less than fully compatible and obstruct inter-company comparison between industries.

Future XBRL US issued taxonomies will also be available (e.g. Broker Dealer and Oil & Gas coming out in Spring/Summer 2005).

In the future, it may be beneficial to consider referencing business reporting process taxonomies that could be developed as extensions to those offered by the APQC (see [www.APQC.org](http://www.APQC.org)). This is likely to be increasingly important if the US adopts an approach to MD&A reporting similar to that being considered by the proposed new Operating and Financial Review (OFR) requirements in the UK whereby the directors are required to make an assertion that the OFR has been prepared following “due process.”

**6. Should we allow foreign private issuers or foreign governments who use non-U.S. GAAP standard taxonomies to participate in the voluntary program? If so, how should this be implemented? What adaptations, if any, would be needed? How would U.S. GAAP reconciliations be handled in a voluntary XBRL submission?**

In the initial stage of the voluntary filing program, we encourage the Commission to focus on U.S. GAAP filings. This includes foreign registrants that do or can file using U.S. GAAP. However, for foreign private issuers or foreign governments who use non-U.S. GAAP standard taxonomies, we encourage caution. The Commission would have to permit the company or the XBRL organization to publish the foreign taxonomy on the SEC website, or provide a reference to the foreign taxonomy at a permanent unmovable location. The company would need to provide the reconciliation to US-GAAP as a company extension. The voluntary program will have many implementation issues. Adding these variables in the beginning stage may add to these issues with marginal benefit to the initial test.

**7. We plan to permit all filers to furnish XBRL data as an exhibit to Exchange Act and Investment Company Act filings so long as they use one of the specified standard taxonomies and form types. Should we further limit participation, such as by size or specific industry? Should we allow volunteers to furnish XBRL data with Securities Act filings?**

We agree with the SEC proposed guideline of limiting volunteers to one of the specified standard taxonomies and form types. We believe that limiting submissions under the current voluntary program to Exchange Act and Investment Company Act filings is appropriate and desirable. We also believe that further restrictions based on size or specific industry are unnecessary and could potentially reduce usefulness when analyzing program results. In our opinion the proposed rule as written is broad enough to provide meaningful results while providing enough focus to avoid information overload.

**8. We have proposed that XBRL data furnished by volunteers must be the same financial information as in the corresponding portion of the HTML or ASCII version. Should we allow volunteers to present less detailed financial information in their XBRL data?**

All content decisions for XBRL tagged filings should be an independent consideration made by the registrant but content should be consistent with the information in the HTML or ASCII versions of the filing so as not to be false or misleading and to provide context for users. For the initial stages of the voluntary program, it should be acceptable for the registrant to provide a subset of the full filing.



The extent and detail of content may depend upon the long-term desires and intentions of the Commission, the registrants and the market. The inclusion of more summarized information could be a test of flexibility and extended use of the XBRL format. Examples include the processing of company extensions, simplification of information reported, and relevance of detailed versus summary information for users. The replication of reported detail may allow an assessment of process comparability's by users, and assurance extension considerations.

**9. In order for the XBRL version of the financial statements to have the same level of detail as the HTML or ASCII version, we expect most companies would file extensions to the standard taxonomy. If you expect that companies would file extensions to the standard taxonomy, explain why extensions would be necessary. Would there be some companies that do not expect to file extensions? If not, explain why. Would the use of extensions harm the comparability that otherwise would exist among volunteers that use the same standard taxonomy?**

There is a fundamental issue at stake regarding the nature of Commission regulation and guidance in this arena. The purpose should not be to define the tags, or to achieve quantities of filing and data but rather to focus on quality and to let the market determine the tags within a structured set of standard relationships among the tags and their correspondence to real-world concepts.

To a large extent, FRTA is a prototype for that guidance and can be found here <http://www.xbrl.org/technical/guidance>. FRTA consists of over 120 rules, some of them verifiable by software that describes how XBRL taxonomies should be constructed, how compliant taxonomies relate to other taxonomies, and how modeling decisions should be made. FRTA is like a "Plain English" requirement for legislation, only in this case FRTA describes how to make XBRL taxonomies "plain" to software. By recommending company extensions be FRTA-compliant, the Commission can greatly increase the usability of the information by consumers, while still allowing companies complete flexibility in their reporting.

Under the guidance outlined in the FRTA, volunteers can expect that extensions will be necessary for most companies to add financial reporting concepts not found in the base taxonomies, add company specific 'labels' to elements in the base taxonomy or modify presentation and calculation hierarchies to match company reporting practices.

For specific industry sectors where reporting practices are more consistent (e.g. investment management), it is possible that volunteers may not need to extend the industry sector specific taxonomy. However, experience has shown that even in these highly structured situations, every company will require at least a minimal extension for their unique reporting requirements.

As to the impact on comparability, there is currently a presumption of comparability within existing reporting concepts, such as Generally Accepting Accounting Principles, and formats (paper, html, pdf). This presumption of comparability may not be completely valid as the current reporting principles do not fully address comparability concepts at an individual reporting element level. For example the 'Sales' for Widget Maker A and Widget Maker B may have similar labels but may not be comparable due to differences in their underlying operational segments, product mix, and other more granular reported concepts. This is not an issue with the reports for these companies' as the existing reporting standards are, after all, principles rather than specific definitional terms. Within this current reporting context, the tagging of individual reporting elements may imply a level of comparability that while presumed under existing formats is not exposed due to the surrounding context of the reported information. When individual elements are tagged in a report, companies and the users of their reported information may begin to discuss the need for enhanced definitional concepts for some or all of the reported elements.

Many types of company extensions (e.g. company specific labels, new elements for subtotals, changes in presentation hierarchies) would have little impact on the comparability of data. The introduction of new elements via a company specific taxonomy may impair comparability at a more granular level in the short term but is unlikely to affect higher-level comparability in the short term.

Similarly, changes to calculation hierarchies would alter comparability of data. In all cases where comparability is hampered via the company extension, the company extension itself provides a mechanism to view the differences between the company disclosures and factor those differences into analysis. In the longer term, the extension of taxonomies is a transparent tool to help companies and their investor's alike understand changes (subtle or significant) in the nature and context of the reported information. These extensions provide a valuable map of reporting enhancements, which can be used in subsequent taxonomy efforts for a specific industry, industry sector and/or for the entire market.

**10. Are there any confidentiality concerns regarding submitting extensions? If so, what are they?**

There are no confidentiality concerns regarding extensions made to public domain taxonomies for reports intended for public distribution. The function of a company's XBRL Taxonomy extension is to provide an XBRL "tag" for concepts and disclosures that are already included in the volunteers official EDGAR filing. These tags do not provide any additional information beyond that reflected in the official EDGAR filing and therefore no confidentiality concerns are created by their submission. The taxonomy extension simply extends the same concepts and disclosures for elements/concepts that are unique to the individual filer.

It should be noted that registrants, regulators, investors and other market participants may create their own private extensions to public taxonomies which may be used for their own private purposes (e.g. quality controls checks, analytical rules, disclosure guidance, specific process oriented business rules). Such 'private' extensions are not for public consumption or public use and therefore do not present confidentiality concerns. It should be expected that some investors may develop extensions for analytical use and may elect to share these with other investors. The use of taxonomy extensions in this manner does not affect the confidentiality of company information but rather enhances the transparency and market analysis of reported information.

**11. We are contemplating allowing volunteers to submit XBRL data as an amendment to their filings or with a Form 8-K or Form 6-K that references the filing that contains the financial information to which the XBRL data relates. Should we require volunteers to submit XBRL data at the same time or within a specified number of days from the time they submit their official filing? Would this present difficulties for volunteers? Should we require volunteers to submit XBRL data only as an exhibit to the filing to which the XBRL data relates (i.e., remove the option to submit the XBRL data as an exhibit to an otherwise unrelated Form 8-K or Form 6-K)?**

Requiring that XBRL data be submitted with or shortly after the official filing could have a significantly adverse impact on participation in the voluntary filing program. Several factors to consider in assessing this requirement during the early stages of this program include: the relative immaturity of relevant tools; the general lack of awareness of XBRL taxonomies and tagging processes among the specific individuals responsible for reporting at most public registrants; the manual nature of the current reporting processes at most registrants; and other regulatory requirements related to Sarbanes-Oxley. These factors, and possibly others, may make the current environment, during early 2005, one of the most challenging reporting seasons in recent memory for those registrants who volunteer for this program.

The Commission can increase the utility of voluntary filings by requiring that the subject matter of a voluntary filing be identified with a type of filing already familiar to the investing audience. While it would be going too far to require contemporaneous or even timely submissions during the first few filing periods, it is quite reasonable to require that XBRL filings have some indication as to what required filing they purport to correspond to – otherwise, investors won't even be able to find or notice they exist.

**12. We plan to develop and provide via our website an application for a standard template to render the XBRL information in human readable form. What are the advantages and disadvantages of our requiring the use of such a standard template? For example, could a standard template prevent a volunteer from presenting its XBRL data in as much detail as, and in a manner substantially similar to, the financial statements in its official filing? Should we**

**only develop standard templates for certain industries? Instead, should we allow each volunteer to submit its own template for rendering the XBRL data?**

It is vital in the context of this question to distinguish between the notion of a ‘form’ or ‘template’ and not conclude that it implies a fixed-field approach. Rich text editing within a form can be augmented with an active-pairing approach to tagging. Even information consumers (investors, for example) don’t necessarily want a “cookie cutter” set of disclosures.

The favored approach should always be to ensure that the providers have maximum flexibility in structuring their own message to the market. This has the added advantage that it still leaves data intermediaries a business model based on adding value.

In that sense, a standard form should be limited to those portions of a filing that are considered most universal or should be clearly indicated to both the producer and consumer as a ‘restricted’ form of disclosure.

Volunteers should be allowed to submit their own rendering mechanism as long as that rendering mechanism can be verified as free of Trojan Horses (programs that appear innocuous but perform malicious acts when executed). While a Commission-provided rendering method (a stylesheet or applet) is the most obvious method, the Commission should be prepared to accept mechanisms based on an HTML page driving a series of style sheets.

**13. As to the voluntary program, we propose to exclude XBRL-Related Documents from the certification requirements of Rules 13a-14 and 15d-14 under the Exchange Act and Rule 30a-2 under the Investment Company Act and we state that the XBRL-Related Documents should omit audit opinions and review reports. For purposes of the voluntary program, should officers of the company certify the XBRL data? If so, what should the certification criteria be? Should auditors be required to attest to the data? If so, what should their attestation requirements be? What are the advantages and disadvantages of requiring certification and attestation? What complications would arise if a volunteer presented an audit or review report in its XBRL-Related Documents?**

To honor the spirit of an initiative that allows capital seekers to use EDGAR as a channel to communicate more effectively with the markets, the Commission should neither require nor forbid certification, audit opinions, or other attest reports during the voluntary filing program. However, we anticipate that certification and assurance may ultimately be required for the market to have confidence in the information being filed. We have at least anecdotal evidence from earlier XBRL trial projects that the market does indeed value the certification by management and assurance by auditors.

Should the volunteer choose to certify and have attest provided on their XBRL Instance Document, such guidance exists for attestation (and certification criteria) on XBRL Instance Documents in “Interpretation No. 5 of chapter 1, Attest Engagements, of SSAE No. 10: Attestation Standards: Revision and Recodification (AT section 101), as amended” titled “Attest Engagements on Financial Information Included in XBRL Instance Documents” which can be found here: [http://www.aicpa.org/members/div/auditstd/announce/XBRL\\_09\\_16\\_03\\_FINAL.htm](http://www.aicpa.org/members/div/auditstd/announce/XBRL_09_16_03_FINAL.htm). This would allow for testing of the processes required for certification by management and assurance by auditors.

**14. (a) Should the XBRL data be considered filed or furnished for purposes of the voluntary program? Why? Would filers be more or less likely to participate in the voluntary program if the information were deemed filed?**

As the voluntary program is designed to assist the SEC in assessing the feasibility and future benefits of filers submitting XBRL tagged data, the SEC should not consider the data “filed”; “furnished” is preferable for the voluntary program. This will reduce the risk to the registrant and encourage participation.

As a point of clarification, it should be noted that the reference “15 U.S.C. 80-33(b)” in Section 232.402(a)(1) of the proposed amendments should be “15 U.S.C. 80a-33(b).”

**14. (b) To encourage participation in the voluntary program, should liability protections be increased beyond that proposed? For the protection of investors, should liability protection be decreased from that proposed? Is there any reason to provide liability protections under the Securities Act if, as proposed, volunteers cannot submit XBRL data with Securities Act filings and XBRL data is deemed not incorporated by reference?**

The registrant should be afforded the liability protection as described in the proposed rule of the voluntary program to encourage participation and give the volunteers and their stakeholders time to learn how to use XBRL. Investors should be cautioned that this system and the information provided is still in a “beta” phase until it has been thoroughly tested. It is vital for the Commission to promote communication of what investors are looking at, its maturity, management's assertions around the filings, and help people who use them understand the issues involved.

**15. As proposed, the liability protection provisions require that information in the XBRL-Related Documents be the same as the corresponding information in the official filing and that information in the official filing not be materially false or misleading. Also as proposed, to the extent information in the XBRL-Related Documents differs, it would be deemed the same if the volunteer had**

**made a good faith and reasonable attempt to make it the same and, as soon as reasonably practicable after the volunteer becomes aware of the difference, the volunteer amends the XBRL-Related Documents to make the information the same. Is it appropriate to deem the information the same under these conditions? Under what, if any, conditions should the information be deemed the same?**

The rule should be revised to change “same” to “substantially the same.” An underlying theme of the Proposed Rule is that the information in the XBRL Instance Document must be the “same” as the existing filing content. This is a potential source of confusion. To take a trivial example, if a 10-K says that revenue was \$100 (in millions) and the instance document says it was 100045678 US dollars, that is not the “same” information, but it is certainly “substantially the same” and that should be sufficient. Interpretation 5 of AT 101 (“Attest Engagements on Financial Information<sup>15</sup> Included in XBRL Instance Documents”) affirms that content in one form or another is the “same” content.

To the extent that a change is required because the volunteer became aware of differences between the XBRL Related Documents and the corresponding official filing, either the registrant should be allowed to amend the XBRL filing for subsequent changes in facts from the filing of the ‘official filing’ or simply remove the XBRL Instance Document from the public record. Providing registrants with relief from this unnecessary liability will allow preparers to focus resources on the re-engineering of report preparation processes to leverage more automated process and reporting tools available, which produce and consume the more cost effective XBRL format.

## **16. How should we determine how useful the tagged data is to users of the information?**

There are a number of groups of users of the tagged data: the analyst community, individual investors, filing companies, and the Commission itself. Each group is seeking improved reporting and greater transparency of reporting. Therefore, each group should be asked to provide feedback as to the effectiveness of XBRL in assisting them in achieving their objectives. Example questions include:

- Is the analyst community able to provide higher quality analysis to its customers at a lower cost and at greater speed?
- Are individual investors able to access market information more easily to make better investment decisions?
- Are registrants able to prepare their filings quicker? Are they able to use the information to better benchmark their performance against their peers and to identify opportunities to improve their business performance?
- Is the SEC staff able, with XBRL tagged data, to perform more comprehensive and efficient analysis of filings?

**17. What specific steps can we take to encourage registrants to participate in the voluntary program?**

The decision by any rational company to participate in this voluntary program will be driven by cost, benefit and perceived risk. The SEC through policymaking can reduce risk and through training sessions (public workshops) mitigate costs for the registrant. The SEC should work with leadership in the corporate sector to argue the benefits case, which goes far beyond EDGAR as an aggregation and distribution medium and to facilitate learning XBRL. Some specific steps might include:

- Publicly acknowledge the thought leadership of early participants
- Make sure that volunteers have sufficient liability protection
- Facilitate the availability of XBRL tools at low or no cost for early participants
- Provide additional assistance to smaller volunteers
- Regular communication with interested parties providing a progress report; media could include face-to-face briefings, workshops, webcasts, listserves, newsletters
- Conduct education sessions and workshops for registrants on how to implement XBRL
- Conduct education sessions and workshops with the analyst community and individual investors on how to use XBRL tagged data

**PAPERWORK REDUCTION ACT**

**We request comment to evaluate the accuracy of our estimates of the number of participants and the burden of the proposed collections of information and to determine whether there are ways to minimize the burden on respondents. Any member of the public may direct to us any comments concerning the accuracy of these burden estimates and any suggestions for reducing burdens.**

The cost estimates will be unique to each company and may vary widely. These cost estimates are heavily dependent upon existing company reporting processes and current tools deployed. For the great majority of companies, their current reporting processes are highly manual and the cost estimates reflect this. The cost estimates consider the application of tags occurring as an after thought rather than embedding the tagging within a more automated and process oriented reporting effort. The pervasive existence of manual reporting processes and related tools are the primary contributors to this existing situation and are applicable to the cost of reporting regardless of the reporting format.

Additionally, while we don't expect many CPAs to provide assurance on XBRL financial statements in the early stages of the program, we do expect the market will ultimately expect some form of assurance on this XBRL data to have confidence in the information being filed. CPA firms will need to invest in training and skill development to support this demand.

The benefits derived from the increased standardization of a supply chain are typically achieved through expectation and subsequent realization of joint economic benefits for all participants. The situation with XBRL is no different with benefits to the preparers (who are the primary target of the paperwork reduction act) and the consumers (who are largely ignored by the Paperwork Reduction Act).

Anticipated outcome of the voluntary program would be enhanced reporting processes for preparers and the consumption and analysis processes of consumers. Over time, expect that the application of XBRL and the process efficiencies that it enables will work to reduce the overall costs associated with reporting – both internal and external – and with the distribution, consumption and analysis of the information contained in the respective reports.

Reductions in these costs will occur as the XBRL enabled tools allow preparers and consumers to work more efficiently pushing the technical ramifications into the software (background) and as taxonomies are matured through use, extension and collaborative participation in their revisions.

So in short, the estimates are based upon current manual processes, only consider a portion (preparers) of the relevant ‘costs’ and do not begin to address the cost savings anticipated as subsequent market adoption occurs.

## **COST-BENEFIT ANALYSIS**

**We request comment on all aspects of this cost-benefit analysis, including identification of any additional costs or benefits of, or suggested alternatives, to the proposed rules. Commenters are requested to provide empirical data and other factual support for their views to the extent possible.**

Cost estimates will vary considerably depending on assumptions and facts of a given situation. The voluntary program, in fact, is one of the ways in which the cost can be measured even as it inevitably falls over time. Benefits can be quantified using studies of investor behavior in the face of improved disclosure; they accrue disproportionately to companies that are able to use the quality of their disclosures to distinguish themselves from other capital seekers that the market values with a similar risk/reward profile.

A measurable impact has been noted in at least one pilot in Korea. Korean companies whose filings were published as XBRL through the Korean stock exchange (KOSDAQ) saw a measurable increase in foreign ownership within a matter of days after their XBRL filings were announced to the English speaking press. You can view the KOSDAQ XBRL Service at <http://xbrl.kosdaq.com/?lang=english>.



## INITIAL REGULATORY FLEXIBILITY ANALYSIS

**We encourage the submission of comments with respect to any aspect of this IRFA. In particular, we request comment on the number of small entities that would be impacted by the proposals; the existence or nature of the potential impact of the proposals on small entities as discussed in the analysis; how to quantify the impact of the proposal; and how additional exemptions could be made for small entities while remaining consistent with our goal to assess tagged data. We ask commenters to describe the nature of any effect and provide empirical data and other factual support for their views, if possible. These comments will be considered in preparing the Final Regulatory Flexibility Analysis, if the proposals are adopted, and will be placed in the same public file as comments on the proposal.**

It is difficult to quantify the impact of the proposed rule on smaller entities. The impact will include the initial investment for first-time creation of XBRL financial statements (although second and subsequent instance creation activity will be far more efficient) and many smaller entities may choose to defer participation until financial systems developers have provided the ability to create XBRL instanced documents as a standard output option. XBRL integration in financial systems will dramatically ease and lower the cost associated with creating an XBRL financial statement.

And with XBRL, smaller entities stand to benefit from greater visibility to the markets through the analyst community incorporating their results quickly into industry or specific company analysis. The voluntary filing program affords an opportunity for small entities, particularly those with little or no analyst coverage, to raise their profile with investors. Quantifying the impact is not possible due to the relative lack of data but a measurable impact has been noted in the KOSDAQ pilot noted earlier.

Nonetheless, the coming filing season will see the first period of Sarbanes-Oxley 404 certifications. This is consuming the attention of CFOs across the country and is having a particularly strong impact on smaller filers due to the cost and time impacts of 404 compliance. For this reason, we do not expect a large number of smaller companies to participate early in the voluntary program. However, once the 404-certification process has been completed the first time through, it is reasonable to expect more small- to mid-size companies to participate, possibly with their 8Q/10Q filings.

Therefore, while additional exemptions should not be required during the early stages of the voluntary program, the extension of the program throughout calendar 2005 will enable smaller filers to participate in greater numbers, beginning with quarterly filings after they have completed their initial Sarbanes-Oxley reporting. Nonetheless, we encourage the Commission to support some smaller entities participating in the initial stages of the program to develop a broader view of the costs and benefits of XBRL for all registrants.

\* \* \* \* \*

The AICPA appreciates the opportunity to comment on the Release. We would be pleased to discuss these comments with you at your convenience.

Sincerely,



Robert J. Kueppers  
Chair  
Center for Public Company Audit Firms



Stuart R. Benton, CPA  
Chair  
Business and Industry Executive Committee



Alan W. Anderson  
Senior Vice President  
Member & Public Interests  
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cc: Chairman William H. Donaldson  
Commissioner Cynthia A Glassman  
Commissioner Harvey J. Goldschmid  
Commissioner Paul S. Atkins  
Commissioner Roel C. Campos  
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