



November 1, 2004

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

Re: File No. S7-35-04, XBRL Voluntary Financial Reporting Program on the  
EDGAR System

Dear Mr. Katz:

Microsoft Corporation appreciates the opportunity to comment on the Commission's proposed rule regarding XBRL voluntary financial reporting program on the EDGAR system. We commend the SEC for taking this action and support the proposed rule permitting volunteers to furnish financial information in XBRL. The detailed comments section below outlines our responses to specific questions.

Detailed comments:

1. Is the proposed rule permitting volunteer filers to furnish financial information in XBRL appropriate?

Yes, the proposed rule provides a structured context for companies to understand how these supplemental documents fit in their overall filing process, what the envisioned uses are, and how to ensure consistency across the supplemental documents or exhibits.

Is there a better way to accomplish testing and analysis of XBRL data?

No, the voluntary program would establish an excellent means for testing and analyzing XBRL data. Registrants will be able to determine the scope of the tagging effort and the extent to which they extend the standard taxonomies to represent how they describe and manage their businesses. The data can then be analyzed by a number of consumers (e.g. capital market analysts), who can then provide further feedback on the efficacy of tagging.



2. 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 market lacks simple, cost-effective end-user tools for editing taxonomies and tagging; there is no ubiquity of products that users can also easily download to the desktop. Because the software and services market (around XBRL as an enabling technology) is emerging, vendors currently bundle tools and services together, providing soup-to-nuts solutions that also include taxonomy consulting and creation along with training. We also believe the program will create market demand which software vendors will respond with a variety of improved cost-effective tools.

Participation in the program will expose the need for XBRL International to modify and extend the current taxonomies expediently. For example, to facilitate the tagging of annotations or footnotes, the taxonomy will likely need refining and extension to better match how companies will publish this information. Participation will also highlight the need for best practices in taxonomy extension and management over time.

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)?

To maximize the number of registrants that participate in the voluntary program, we recommend that volunteers be permitted to furnish financial statements in XBRL format without the related notes. However, in order to have robust information to evaluate the usefulness of data tagging, volunteers should be required to furnish all the basic financial statements in XBRL format at a minimum.

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, the goal should be to facilitate a voluntary reporting process that allows for tagging of items such as MD&A in order to provide as much tagged information as possible for the benefit of investors and to encourage the market to understand and quickly improve these taxonomies.



3. 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.

Yes, the standard taxonomies in the voluntary program are sufficiently developed. XBRL International along with organizations such as the IASB have developed a core set of taxonomies with a stated goal of meeting 90% of the needs of 90% of the companies in a particular set of industries. The voluntary filing program will expose the need for XBRL International to refine and extend the taxonomies. The most difficult aspect for volunteers will be learning how these taxonomies are organized and constructed. (Refer to response to next sub-question.)

Is the taxonomy builder software sufficiently developed that volunteers would be able to create extensions as needed?

The software tools to create extensions are stable. Microsoft has observed the use of one vendor's tools for the development of taxonomies found on [www.xbrl.org](http://www.xbrl.org), and has evaluated another one in greater depth. The tool is difficult to use and complex. We are aware of at least two other editing tools. The challenge to volunteers is that working with these tools requires users to understand not only the semantics of specific extensions (based on accounting concepts), but also the specific XML structure used to represent multiple hierarchies of these terms, or views for how things add up (calculations), how they are represented in a graphical "tree control"-type view (presentation), and so forth.

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

Criteria include:

- Overall coverage on macro-level – For example one metric could be that a standard taxonomy is sufficient "as-is" for 80% of all registrants who file today.
- Simple, well-defined change management process – Taxonomies need to evolve overtime. The market should be able to point to the organization that owns and manages the taxonomy and rely on the expedient determination of change requests.
- Clear ownership – Taxonomies should have clear owners in the market who manage them over time.
- Authoritativeness – Registrants should be able to rely on taxonomies, as well-formed, accurate, up-to-date, and comprehensive.



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.

The voluntary program should focus on taxonomies recognized by XBRL International, starting with US GAAP taxonomies. In doing so, XBRL International can focus their efforts toward supporting taxonomy changes and modifications that would enable broad adoption at the conclusion of the voluntary filing program

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?

Yes, as long as those taxonomies have been officially recognized by XBRL International. Similar to the taxonomies mentioned in the proposal, these taxonomies should be housed on the SEC website.

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?

No, the Commission should not limit participation, but should rather welcome all companies and maximize the number of participants. Participation may be limited for companies who do not have pre-requisite XML skills or represent industries not covered by specific taxonomies.

Should we allow volunteers to furnish XBRL data with Securities Act filings?

Yes, we believe volunteers should be allowed to furnish XBRL data with Securities Act filings. The purpose of the proposed voluntary program is to help the Commission evaluate the usefulness of data tagging, particularly XBRL, to registrants, investors, the Commission and the marketplace generally.

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?

So that the Commission can evaluate the usefulness of data tagging in XBRL, the program should at a minimum require a complete set of financial statements. However, the Commission should allow companies to include all notes to assess the adequacy of taxonomies and ease of delivering a complete set of financial information currently filed in HTML or ASCII.



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?

Taxonomy extensions are necessary for most companies to include reporting concepts that represent how the business may be managed and are not found in the core taxonomies. In addition, companies will likely want to include specific labels to items in the core taxonomy, or modify calculations to illustrate their reporting practices. For example, Microsoft illustrates revenue and operating income/(loss) by business segment.

Extensions should not harm the comparability that should otherwise exist among volunteers, but the process of extending taxonomies raises two key needs: (1) an efficient and expedient process so that the core taxonomies can be modified as volunteers converge on common deficiencies, and (2) guidance or best practices on how to modify the core taxonomy and to do so in a way that is relatively easy to maintain over time. Where a company includes a customized calculation, the Commission and other consumers or analysts will need to extract these calculations programmatically to compare them.

The Commission should consider these additional technical challenges: What is the best technical solution for creating taxonomy extensions and making these available? How will the Commission store and compare extensions? How will companies manage their extensions over time?

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

We do not believe there are any confidentiality concerns regarding submitting extensions. A company's XBRL Taxonomy extension provides an XBRL "tag" for disclosures that are included in the company's official EDGAR filing. The tags do not provide any additional information beyond that included in the filing and therefore no confidentiality concerns are created. Companies may create their own private extensions to the public taxonomies for their own purposes. These extensions are not for public use and therefore do not create confidentiality concerns.



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 difficulty 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)?

In order to maximize the number of registrants that participate in the voluntary program, we do not believe the SEC should 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. We also believe volunteers should have options on how they submit XBRL data. Once the SEC has the ability to evaluate the usefulness of data tagging based on the voluntary program, these issues should be revisited.

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?

If in this case “standard template” refers to creating an XML style sheet application that renders all the data (for example, in the Assets, Liabilities and Equity node of the taxonomy hierarchy that represents the “Balance Sheets”), then we believe it is advantageous to render XBRL in human readable form. Providing a method to render XBRL quickly allows potential consumers of the information to see the XBRL-tagged data in a familiar format, and it logically follows from the “technical validation” process mentioned in Section IV.D. of the proposed rule.



The Commission staff will likely also need a viewing tool to review the furnished files. A technical validation process amounts to a complete technical test of a volunteer's XBRL instant document and the associated (extended) taxonomies. This will require a well-designed system that tests for currency of core taxonomies, well-formed extensions, a method for "housing" extensions, and additional tests for technical validation of the XML (the "instance document"). In addition, a standard template will require technical testing to ensure that presentation matches what the volunteer filed in the required HTML or ASCII versions.

Instead, should we allow each volunteer to submit its own template for rendering the XBRL data?

The Commission should not allow volunteers to submit their own templates for rendering XBRL data. Receiving template submissions would require creating a process to receive binaries securely, storing them, implementing a staging site, and creating a support system to route issues if the application breaks. For example, Microsoft performs an extensive check on all code posted to [www.microsoft.com](http://www.microsoft.com). If companies develop optional Web-based templates, they can post these on their company Web sites.

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?

In order to encourage participation in the voluntary program, we believe the Commission should exclude XBRL-Related Documents from the certification requirements. We also believe auditors should not be required to certify the XBRL data, as this would impose additional costs and may discourage participation in the program. The proposed liability provisions are appropriate at this initial stage. If, as we expect, XBRL data is considered useful to investors and other groups and XBRL data is required, we would expect that at a later stage XBRL-Related Documents would become subject to the full certification requirements and include auditor opinions and review reports.





14. 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? 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?

As the purpose of the voluntary program is to allow the Commission to test and evaluate data tagging, and in order to generate the greatest level of participation, the XBRL data should be considered furnished for purposes of this program. We believe that filers would be less likely to participate in the program if the information were deemed filed. We believe the proposed liability protections are appropriate.

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?

We believe the approach outlined in the proposed rule is fair.





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

The Commission can evaluate usefulness based on feedback from users, the number of volunteer participants, the growth in demand for expanding the program, and the Commission's internal cost savings. Structured data has the potential of providing efficiencies and improvement in the entire reporting supply chain. The assessment of the usefulness of tagged data should come from the following four groups, which should be asked to provide feedback:

- (1) Registrants, on whether the filing of tagged data can improve efficiency and ability to prepare filings, and whether access to information can be improved through an ability to link footnotes to the financial statements and validation of numbers.
- (2) The Commission, on whether the data enhances its ability to quickly review, compare and analyze registrant filings.
- (3) Financial analysts, regulators, department of commerce and users of financial information, on whether the data allows for quicker and more in-depth analysis.
- (4) Individual investors that have access to XBRL filed data on whether the information in this format is useful to them.

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

Periodic feedback to XBRL International, the AICPA, FEI and other industry associations on perceived or anticipated issues with the technology will allow for expedient responses that remove any barriers to participation. The Commission should work with these organizations to identify and help train companies who elect to participate in the program.

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If you have any questions regarding these comments, please do not hesitate to contact me at (425) 722-6514.

Sincerely,

A handwritten signature in blue ink, appearing to read "SDV", with a stylized flourish extending to the right.

Scott Di Valerio  
Vice President, Corporate Controller