

## Tagging

Public companies in the SEC's XBRL mandate use the "tagging" process to transform their financial statements from Excel, Word or PDF into XBRL format. Tagging refers to identifying the elements the taxonomy as well as the time periods and currencies etc. that match up to the financial statements including the company's income statement, balance sheet, cash flow, notes to the financials etc.

Before beginning the tagging process, companies have to make a few choices, each with its own pros and cons. Outsource to a service provider or take the "do-it-yourself" approach?

Regardless of the method chosen to comply with the mandate - the company is responsible for the accounting representations they make, and it is imperative that they set up the review process at the right level to ensure the XBRL representation of their financial disclosure is tightly aligned with their policies. There are tools available to help with this process. The people in the review process need to understand the business and the accounting to have the greatest impact.

Many factors come into play and organizations should think about services:

"Bolt-on" (complete the financial statements and then begin the tagging process) or integrated approach? Cost, time, whether it requires process re-engineering and knowledge – these are all factors that affect the choice. Merrill Corporation did a study that showed a 50/50 split behind public companies managing the process in-house versus those outsourcing. In any event companies should work with other organizations who have built up a skill set and best practices to get over the initial hurdle of XBRL but over time the requirement for this outside expertise will diminish.

Tagging is just the starting point of the journey to global financial communication. While right now, the process is driven by compliance, down the road issuers will realize that XBRL can help them maintain control over how public company financials are presented and tell a better, more accurate story. The end-game is enabling better communication. Standardization helps to increase agility while driving down cost – XBRL as a standard will enable this maturity curve to happen in financial reporting as it has in many other areas like infrastructure.

What's the best way to tag? They're all right in one way or another. There is no single answer.

## Approaches

- Meta data to data: applying tags to data that's already in a spreadsheet or other document. Typically a base level understanding of the taxonomies, calendars and extensions is necessary, but this process is considered the simplest method. But it is a process that must be re-executed every quarter; it does not create a repeatable template.
- Data to template: building a template that stores the meta-data and then drop the financial and business data, pulled from Excel, Word or PDF, into the template. In this environment it is easier to get more people involved and to design a workflow for process.
- Automate by integrating with internal reporting: companies following this approach embed the meta-data into their internal financial reporting system. Financial reports are then designed

with the meta-data embedded. Running the report will automatically pull in the XBRL data. As adoption of XBRL moves deeper into the company, this approach will become very valuable as organizations will be able to leverage XBRL in many ways for their own internal purposes, e.g., bringing in other types of data, running reports with metrics internally.

## Conclusion

Companies have several options in the tagging process and the market will continue to evolve as XBRL becomes more widespread.

Develop a competency around the review process – find suitable tools to aid in the process

Expect to leverage professional services for the first couple of quarters and plan to be self sufficient in the long run, invest in the review process early and expect to maintain over time.