

BOWNE XBRL: The Dawn of a New EDGAR

Overview and Analysis

Introduction During the second half of 2007, the SEC announced the following important milestones around their continued embrace of XBRL:

- SEC divisions to create a draft of proposed ruling for XBRL and have it ready for internal review by April 2008
- Proposed ruling on mandating XBRL expected in Fall 2008
- Creation of new Office of Interactive Disclosures to drive cross-divisional support of XBRL within the SEC
- New US GAAP taxonomies made available for public review and comment (12/5/2007-4/4/2008)

This white paper provides an overview and analysis of XBRL[®], the business reporting technology that signals the transformation of a significant portion of the corporate disclosure process in the ever-changing world of U.S. Securities and Exchange (SEC) compliance filing. XBRL, or eXtensible Business Reporting Language, is a globally-accepted reporting standard changing the way companies and regulators across the world are disclosing and collecting financial data. In its most complete implementation, XBRL harnesses the power of computers in ways that release both the numeric and textual disclosure beyond the boundaries of the printed page.

Although virtually all SEC disclosures are submitted electronically via the EDGAR system, the filings themselves are mostly organized and constructed so they can be printed. The current EDGAR system uses ASCII and HTML to form the backbone of this print-based infrastructure. XBRL provides a way to shift focus from paper to data, making printing and visual appeal secondary to a stream of information that enables computer-assisted searching, extraction, aggregation, comparison, computation and more.

XBRL – Background & History

XBRL traces its roots back to 1998 as an initiative of the American Institute for Certified Public Accountants (AICPA). With the growing use of computers, personal computing and the rapid expansion of the Internet, the AICPA agreed to fund an exploratory project around the benefit of using XML (eXtensible Markup Language) to represent business report information. The first public meeting to discuss what would eventually become XBRL was held by the AICPA in October 1999. The 12 companies and 30+ attendees fully recognized the appeal of making data contained within business reports such as financial statements more computer-friendly. At the same time, they looked beyond business reporting to the prospect of also creating a standardized way of using XML to represent data at the corporate

general ledger level and how that could significantly aid the detailed and time-consuming audit process.

XBRL's official market launch occurred in June 2000 at an event attended by over 300 people in New York City. Officially introduced as XBRL, samples of the initial technology were provided and important milestones were defined. Building upon the initial rollout, 2001 was a pivotal year for XBRL development: Not only did XBRL efforts in the U.S. combine with, and become a part of, similar efforts taking place in Europe and other parts of the world, but XBRL developers also agreed to align themselves with the World Wide Web Consortium (W3C), another international body devoted to the creation of Web standards and guidelines.

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This combined effort in 2001 led to the creation of XBRL International, the industry consortium responsible for developing and maintaining XBRL. XBRL International is now comprised of over 650 member organizations, representing every facet of the business reporting supply chain: Public companies, accounting firms, financial printers, regulators and other government agencies, analysts and technology firms. The XBRL International web site <http://www.xbrl.org> contains a wealth of information about the organization, its membership, adoption activity, upcoming conferences, and the technology itself.

Understanding How XBRL Works

The original concept that continues to form the backbone of XBRL is the creation of a global standard that permits each piece of data contained within corporate financial reports, such as the primary financial statements or the notes and schedules to the financials, to be "tagged" with what is perhaps best described as a "bar code". Business report information represented in XBRL is described by a unique tag that identifies what the information is, as well as other important attributes associated with that information such as currency and time period.

Using standardized XBRL tags to identify information makes it easy for a computer to discover exactly what the characteristics are of each data element. For example, if one were interested in capital lease amounts for the past six months, or the revenue recognition policy for one or more companies, information in XBRL can be quickly located, extracted and presented (assuming the information was properly tagged).

The entire process of tagging information (i.e. putting the bar codes on financial data) is dependent on getting the right tag associated with the report data, and that process is dependent upon – or begins with – the creation of a list of standardized tags contained in what is called a taxonomy. A taxonomy can best be thought of as a dictionary or collection of reporting terms (or "tags") for a given type of reporting environment (i.e. US GAAP, tax reporting, bank call reports).

XBRL US, the U.S. jurisdiction of XBRL International, has developed and released six primary GAAP-based industry taxonomies that cover the core financial statements and notes and schedules to the financial

statements for a significant portion of SEC registrants. They are:

- Commercial & Industrial (including the following sub-industries)
 - Entities with Oil and Gas Producing Activities
 - Utilities
 - Professional Services
 - Software/High-tech
 - Healthcare Organizations
- Banking and Savings
- Insurance
- Broker Dealer
- Real Estate* (including the following sub-industries)
 - Rental and Leasing
 - Operations
- Investment Management**
- Notes and Schedules to the Financial Statements

*Made available for first time 12/05/2007

**Taxonomy released in 2005

These taxonomies are commonly referred to as core or base taxonomies and are available for download from the XBRL US (<http://xbrl.us>) and XBRL International web sites. They offer deep coverage for generally accepted accounting principles across all industries as well as common reporting practices encompassing over 15,000 elements or "tags". A company reporting XBRL information into the SEC must get started using one of the six core industry taxonomies.

In addition, XBRL US has also developed and made available the following non-financial statement taxonomies for use in reporting information to the SEC:

- Accountants Reports
- Management Report
- SEC Officers Certification Report
- Management Discussion and Analysis
- Document and Entity Information*

*Made available for first time 12/05/2007

Since these taxonomies are created by XBRL US, they cannot be directly edited or modified. A company that needs to edit or add information to one or more of these taxonomies creates what is referred to as an

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extension taxonomy. An extension taxonomy contains tags specific to a given company that are not found in the core taxonomies. In addition, an extension taxonomy allows a company to modify the presentation or calculation relationships of the tags as well as provide company specific labels for each tag in place of the standard labels included in the taxonomy.

Although the industry and notes and schedules taxonomies are very robust, most companies will still need to create an extension taxonomy as part of the XBRL creation process. Extension taxonomies do not break the XBRL reporting model but too many extensions prepared without a proper level of guidance leads to comparability problems. Extension taxonomies draw attention to the “X” in XBRL: Extensible. Extensibility is a characteristic that allows users to create tags where no standardized tag exists (i.e., to extend the taxonomy).

When one or more taxonomies (core or extension) are used to tag data, the result is an XBRL instance document. An XBRL instance document is an XML file that contains a company’s reported data identified using the taxonomy tags from the core and extension taxonomies. XBRL documents can contain both numeric and non-numeric data for consolidated results as well as divisional and/or geographical results for a company. The instance document combined with the extension taxonomy files are what get furnished to the SEC when a company decides to participate in the Voluntary Filing Program.

The Tagging Process

A company interested in creating its financial information in XBRL selects the appropriate taxonomy(s) designed for its particular business sector and report data. Since XBRL taxonomies and the

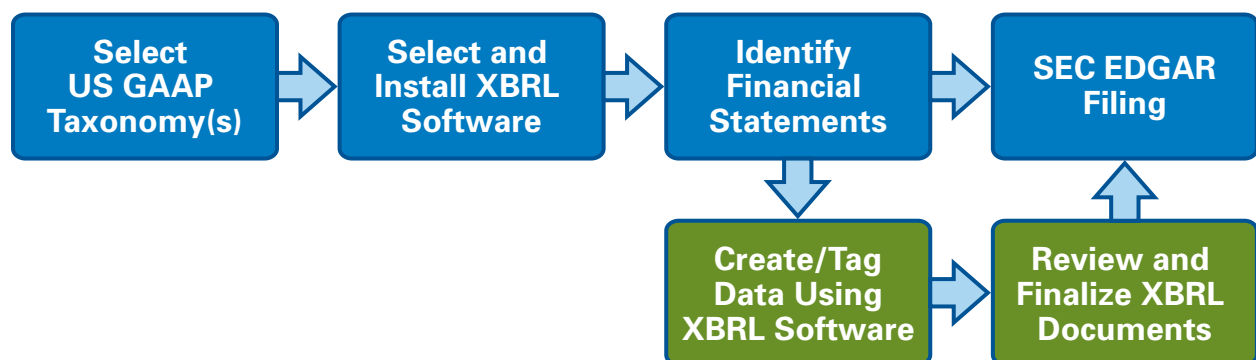
information contained within them can be complex and technically oriented, viewing taxonomies and tagging data requires specific XBRL-enabled software.

Over time, XBRL support will be offered natively in the major accounting/ERP systems and report writers allowing XBRL taxonomies and instance documents to be incorporated deeper into existing report creation processes. Most XBRL software applications available today are offered as stand-alone/after-the-fact solutions that require users to manually tag report data in order to create an XBRL document. The general process for creating an XBRL document is diagrammed below in FIGURE 1.

An easy-to-use tagging package geared towards accounting/finance professionals is essential in ensuring a smooth path to creating properly tagged documents. Accounting/finance professionals leverage the functionality provided by the XBRL software to tag financial statements (required by the Voluntary Filing Program) and non-financial statement information (optional in the Voluntary Filing Program). Once completed the first time, most applications allow the tags/tagged information to be saved, thus creating a template that can be re-used in future periods.

Another characteristic desirable in XBRL software applications is that it works in conjunction with the documents already created for preparing information for compliance purposes. Typically, Microsoft® Word and/or Excel® play a large role in the collection and creation of information typically found in earnings releases, Forms 10-Q and 10-K and thus integration with these applications is important. Having native

Figure 1. Current Workflow for XBRL Document Creation



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support for XBRL in applications like Microsoft Office makes it unnecessary to create “intermediate” versions of the files already in existence to simply facilitate the tagging process.

Although some companies are promoting the automation of portions of the XBRL tagging process by attempting to create XBRL based solely on report labels, it is imperative that a company’s accounting/finance team is engaged in the process of XBRL creation. The creation of XBRL data cannot be completely automated due to the accounting decisions that must be made and reviewed. Accurate and correct XBRL data is the direct result of combining easy-to-use tagging/review software and the involvement of accounting knowledgeable resources.

Sample XBRL

This is a good point in the discussion to provide an example of what XBRL looks like to see the relationship between the “human-readable” document and the corresponding tagged material. The samples below were taken from the SEC Interactive Financial Report Viewer website from a participating company in the Voluntary Filing Program that furnished XBRL to the SEC. Figure 2 represents the paper-based/printed view of a typical Statement of Income:

Figure 2. Sample Financial Statement

Statement of Income (Unaudited, USD \$) (in Millions, except per share data)	3 months ended		9 months ended	
	Sep. 08, 2007	Sep. 09, 2006	Sep. 08, 2007	Sep. 09, 2006
Net Revenue	10,171	9,134	27,128	24,567
Cost of sales	4,627	4,108	12,254	10,932
Selling, general and administrative expenses	3,467	3,129	9,397	8,614
Amortization of intangible assets	15	41	37	108
Operating Profit	2,062	1,856	5,440	4,913
Bottling equity income	218	204	465	440
Interest expense	57	51	153	172
Interest income	21	39	82	110
Income before income taxes	2,244	2,048	5,834	5,291
Provision for income taxes	501	554	1,438	1,475
Net income	1,743	1,494	4,396	3,816
Basic Net Income Per Common Share	1.08	9.9	2.7	2.3
Diluted Net Income Per Common Share	1.06	0.89	2.64	2.26
Cash Dividends Declared Per Common Share	0.375	0.3	1.05	0.86

As daunting as the raw XBRL may appear, good XBRL tagging applications will insulate users from having to deal with this level of detail and thus keep most of the technical complexity far from sight. A good software application keeps the tagging process as simple as possible and, as mentioned previously, enables the initially-created XBRL document to be reused. In other words, when the company’s first XBRL report is prepared, the user creates a “template” which can then be reused and updated quarterly with new numbers and dates, thereby eliminating the need to repeat the entire tagging process. This also holds true for extension taxonomies; once created, extension taxonomies can be reused for future tagging efforts as well.

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Figure 3 represents the XBRL version of a portion of the exact same Statement of Income as found in the XBRL document:

Figure 3. Financial Statement in XBRL

```
<usfr-pte:SalesRevenueNet contextRef="CO" decimals="-6"
unitRef="UO">10171000000</usfr-pte:SalesRevenueNet>
<usfr-pte:CostGoodsServicesSold contextRef="CO" decimals="-6"
unitRef="UO">4627000000</usfr-pte:CostGoodsServicesSold>
<usfr-pte:SellingGeneralAdministrativeExpenses contextRef="CO"
decimals="-6" unitRef="UO">3467000000</usfr-pte:SellingGe
neralAdministrativeExpenses> <usfr-pte:AmortizationIntangibles
contextRef="CO" decimals="-6" unitRef="UO">15000000</
usfr-pte:AmortizationIntangibles> <usfr-pte:OperatingProfit
contextRef="CO" decimals="-6" unitRef="UO">2062000000</
usfr-pte:OperatingProfit>
<usfr-pte:InterestExpense contextRef="CO" decimals="-6"
unitRef="UO">57000000</ usfr-pte:InterestExpense>
<usfr-pte:InterestIncome contextRef="CO" decimals="-6"
unitRef="UO">21000000</ usfr-pte:InterestIncome>
<usfr-pte:IncomeLossContinuingOperationsBeforeIncomeTaxes contextRef="CO"
decimals="-6" unitRef="UO">2244000000</usfr-pte:IncomeLossContinuingOperations
BeforeIncomeTaxes>
<usfr-pte:ProvisionIncomeTaxes contextRef="CO" decimals="-6"
unitRef="UO">501000000</usfr-pte:ProvisionIncomeTaxes>
<usfr-pte:NetIncome contextRef="CO" decimals="-6"
unitRef="UO">1743000000</
usfr-pte:NetIncome>
<usfr-pte:BasicEarningsPerShareNetIncome contextRef="CO"
decimals="2"
unitRef="U1">1.08</usfr-pte:BasicEarningsPerShareNetIncome>
<usfr-pte:DilutedEarningsPerShareNetIncome contextRef="CO"
decimals="2"
unitRef="U1">1.06</usfr-pte:DilutedEarningsPerShareNetIncome>
<usfr-pte:SalesRevenueNet contextRef="C1" decimals="-6"
unitRef="UO">9134000000</usfr-pte:SalesRevenueNet>
<usfr-pte:CostGoodsServicesSold contextRef="C1" decimals="-6"
unitRef="UO">4108000000</usfr-pte:CostGoodsServicesSold>
<usfr-pte:SellingGeneralAdministrativeExpenses contextRef="C1"
decimals="-6"
unitRef="UO">3129000000</usfr-pte:SellingGeneralAdministrative
Expenses>
```

The SEC and XBRL

The SEC, like other consumers of corporate and mutual fund disclosure information, is in search of technology to help it more efficiently perform its many regulatory tasks. As with any new regulatory initiatives at the SEC, resulting regulations must, of necessity, strike a balance among a number of competing objectives which include keeping the burden on registrants as reasonable as possible. They also try to assess the impact of new regulations on U.S. markets and the capital formation process in general.

The SEC's support of XBRL can be traced back to 2004 and the hiring of Jeff Naumann, previously the head of taxonomy development for the AICPA. Formal, public support of XBRL started in early 2005 as SEC Chairman Christopher Cox began championing the technology in various public speaking events under the banner of "interactive data".

This initial support culminated in the start of the Voluntary Filing Program (VFP) which now encompasses two filing programs. The initial program was started February 3, 2005, with the release of a set of final rules governing participation in the VFP where registrants could voluntarily furnish XBRL to the SEC. This first program officially commenced April 4, 2005 and remains in effect. This program is very informal and has the following characteristics:

- No sign-up required
- Open to operating companies and mutual funds
- Ability to file XBRL at any time
- Ability to use many types of reported data (i.e. Earnings release, 10-Q, 10-K, N-CSR, N-Q)
- Minimally requires XBRL for financial statements or financial highlights (mutual fund only); other narrative information (i.e. notes and schedules to the financial statements, management discussion and analysis) is optional.

The SEC's support and use of XBRL is not limited to financial statement and related information.

The second program, referred to as the "Test Group" by the SEC, was initiated in January 2006 and is more formal in nature. In exchange for a promise to file XBRL for a minimum of four consecutive quarters, the SEC offers participants the following incentives:

- Notice of Annual Report Review: Within 30 days of filing traditional (non-XBRL) annual report, SEC will inform participant whether the traditional annual report will be reviewed or not.
- Expedited Review: Applies to registration statements filed under the Securities Act of 1933 which the commission staff has selected for review.

Companies wanting to participate in the Test Group must formally sign up for this second, incentives-based program by contacting the SEC's Jeff Naumann via email (naumannj@sec.gov) or by completing an online sign-up form at <http://www.sec.gov/cgi-bin/voluntary-form>.

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SEC activity in 2006 reached full speed with the announcement of over \$54 million in spending related to modernizing the EDGAR system and specific XBRL activities including the following:

- \$500K to create two XBRL/interactive viewers for use on the SEC website
- \$6M to create deeper, more broad US GAAP taxonomies (released December 2007 for public comment)

In 2007, the SEC expanded the use of XBRL beyond operating companies into executive compensation and mutual fund companies. The SEC announced the intent to create (which is now available for use) a web application that leveraged XBRL and an underlying XBRL taxonomy to enable executive compensation information to be more easily accessed and analyzed. The benefit of doing this is to drive faster and more efficient analysis of this information via the SEC website.

With the increased focus and attention on mutual fund data usability and accessibility, the SEC modified the VFP to allow information from mutual fund prospectus to be furnished in XBRL. Specifically, the Investment Company Institute (ICI) created an XBRL taxonomy for the risk/return information contained in form N-1A. The proposed ruling to allow this taxonomy to be used in the VFP was passed in April 2007 and the first mutual fund supplied XBRL data to the SEC using this taxonomy in August 2007.

The Future of XBRL

Given the SEC's strong verbal and fiscal commitment to XBRL, it is firmly on record as supporting the advancement of the technology while recognizing the need to move cautiously with something so complex and far-reaching. The question on everyone's mind is when will the SEC mandate XBRL and what will the mandate look like.

Part of the answer can be found in the public record. For several years the agency has viewed itself as a "facilitator" of XBRL development, preferring to see XBRL move forward as a "market-driven" initiative versus a mandated one. At the same time, the SEC has also taken very important steps to make XBRL more usable in the marketplace, culminating in the availability of the new US GAAP taxonomies in December 2007 and the work by the divisions to create what would form the basis of a proposed ruling on XBRL by April 2008. These actions, in conjunction with the formation of the Office of Interactive

Disclosures to drive XBRL momentum across the four SEC divisions, continue to cement XBRL as the SEC's primary technology initiative in modernizing the EDGAR system. Other activities reinforce the SEC's serious pursuit of using XBRL at a more formal (and required) level.

They include:

- The completion of the new taxonomies offers support for all accounting concepts required by GAAP regardless of industry. This means that companies will create fewer extension tags resulting in the XBRL documents being more comparable.
- XBRL adoption in Australia, Canada, Japan, The Netherlands and the UK continues to move forward, making XBRL a key technology in the SEC's continuing leadership role on the global regulatory stage.
- The SEC needs XBRL to handle the continued pressure to review filings faster and more frequently in the face of a substantial increase in the total number of submissions made by registrants which has climbed from 530,000 in 2003 to 730,000 in 2007.
- XBRL is an enabling technology in support of the SEC's important role related to convergence – the integration of US GAAP and IFRS (International Financial Reporting Standards) accounting standards to create a single global GAAP.

The strongest sentiment for a drive to mandate came in February 2008 from the Advisory Committee on Improving Financial Reporting (ACIFR), formed by the Chairman in July 2007. In a report back to the Commission, the ACIFR recommended the following:

- The SEC should phase-in mandatory XBRL tagged information as follow:
 - First Phase: The largest 500 domestic public reporting companies based on unaffiliated market capitalization
 - Furnish to the SEC, as is the case with the voluntary program today, a document prepared separately from the reporting company's financial statements filed as part of their periodic Exchange Act reports
 - Tag all data on face of the financial statements
 - Block (or section) tag notes and schedules to the financial statements

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- Second Phase: Domestic large accelerated filers (as defined in SEC rules, which would include the initial 500 domestic public reporting companies) should be added to the category of companies, beginning one year after the start of the First Phase
- Once preconditions related to taxonomy development and EDGAR modernization have been satisfied and the Second Phase has been implemented, the SEC should evaluate whether and when to move from furnishing to the official filing of XBRL tagged financial statements for the domestic large accelerated filers, as well as the inclusion of all other reporting companies, as part of a company's Exchange Act periodic reports

Given the completion of the public review period for the new US GAAP taxonomies and the challenge to the divisions to create the content behind a proposed ruling both fall within April 2008, it appears likely that a mandate timetable will be officially announced by the Summer of 2008. Coupled with the reality that the Chairman could very well be out of office in early 2009 assuming a political leadership change at the White House, time is running short for the Chairman to move XBRL from hype and voluntary to reality and mandate at the SEC. And time is running out for companies to test drive XBRL in a voluntary involvement...but Bowne is here to help.

Bowne and XBRL

XBRL clearly has a substantial impact on the corporate and capital marketplace communication process and thus puts Bowne on the frontline in helping companies understand and address this exciting reporting technology.

From the early days of XBRL, Bowne has been involved as both a member of the consortium and as a user and enabler of the technology. Bowne has closely monitored XBRL since its inception in 1999 and became a member of XBRL International and XBRL US in 2001. As a registrant, Bowne was the first company to furnish XBRL documents to the SEC on April 4, 2005 as part of the VFP and continues to submit XBRL documents on a quarterly basis. As the leading EDGAR filer, Bowne was the first agent to file XBRL for risk/return information for Hancock Funds as well as the first-ever IFRS-based filing in conjunction with Reuters.

Getting existing data converted into XBRL correctly for the SEC is a task that must focus on a company's SEC/external reporting team with support from investor relations and general counsel/legal. Bowne provides a comprehensive solution that includes both the software and services necessary to help companies create, review, manage and submit XBRL documents to the SEC. Throughout this interactive process, education and knowledge transfer is emphasized so that the company understands the accounting judgments and decisions required to effect a good conversion to XBRL.

Once the XBRL is completed and ready for submission, Bowne provides technical validation and proof creation to ensure company sign-off and acceptance by the SEC EDGAR system. A key part in this process is the Bowne Interactive XBRL Viewer, a free-to-use web-based application that allows companies to review their XBRL as it appears on the SEC Interactive Financial Report Viewer prior to submitting to the SEC EDGAR system. The Viewer is available via www.bowne.com/xbrl and includes a knowledge base that provides additional insight into product functionality and general support.

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Bowne is also modifying existing typesetting and EDGAR document technologies to natively support XBRL. Bowne products and processes such as conversion software and 8-K Express™ for corporate finance, as well as the FundAlign and SmartApps products geared specifically for mutual fund companies are in the process of being modified to accommodate XBRL directly in existing workflows. Bowne is intimately familiar with XBRL: The technology, current developments, and the evolving position of and activity at the SEC. If you are interested in learning more about or experimenting with XBRL by participating in the SEC VFP, Bowne is ready to assist you.

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ABOUT THE AUTHOR

Rob Blake

Senior Director, Interactive Services
Bowne & Co, Inc.

As Senior Director of Interactive Services for Bowne & Co., Inc., Rob leverages more than 16 years of experience in business reporting and technology to define the strategic direction and solution offerings for regulatory interactive data initiatives focused on XML and XBRL. Rob also heads up Bowne's XBRL media outreach activities and involvement with XBRL consortium activities.

Prior to joining Bowne, Rob was Project Director for the U.S. Securities and Exchange Commission's (SEC) US GAAP Financial Statement Taxonomy Project, where he led a virtual team of over 25 companies and 70 people creating the new XBRL taxonomies for use by SEC registrants.

Rob previously helped launch Rivet Software, a Denver, CO-based provider of interactive software applications built on XBRL and served for 9 years with Microsoft and subsidiaries in a variety of roles including XBRL Global Lead and Director of Product Strategies. Rob is also a founding member of XBRL and the XBRL International consortium.

For more information on XBRL and Bowne's XBRL interactive service and solution offerings, please contact:

Rob Blake

Senior Director of Interactive Services
Bowne & Co., Inc.
(303) 675-5977
rob.blake@bowne.com

Ed Hodder

Senior Business Analyst
Bowne & Co., Inc.
(216) 621-8384
ed.hodder@bowne.com

bowne.com/xbrl



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