

iXBRL – How will it make your business more efficient?

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After HMRC filing, what can iXBRL do for Organisations?

Enterprises across the UK are currently weighing up their options when it comes to mandatory filing of Company Accounts in iXBRL from April 2011. The majority see it as a compliance issue that needs to be patched and in many cases are taking a pragmatic approach and outsourcing the conversion of documents to external providers. For those that choose to adopt the language into their business there are considerable longer term savings. But why did the HMRC choose iXBRL and did they have the foresight to be the frontrunner in what is undoubtedly the world's largest recognised standard accounting language?

Talk to one of our consultants to find out more:

29 Throgmorton Street, London
EC2N 2AT

Phone 0207 060 1983

Email

Richard.Metcalf@arkksolutions.com

Blog arkksolutions.com/blog

Twitter @iXBRL



“Organisations are constantly looking for cost effective ways to squeeze greater value from their existing IT investment.”

“Could HMRC be utilising the cross platform reporting language of the future?”

The Past

The modern IT set up of large enterprises are often bloated, carrying the baggage of legacy systems acquired through acquisition or organic growth. Over the last 5 years, new IT architecture methodologies have emerged with a greater emphasis on re-use of assets and decoupling of legacy ERP system and applications. Organisations are constantly looking for cost effective ways to squeeze greater value from their existing IT investment. Standard approaches to previously unstructured data and the ability to exchange data between systems without re-engineering the applications are the key values of the modern integration architect. After 20 years of standardising business transactions further up the supply chain, the accounting world has caught up, enter iXBRL.

The Future

iXBRL gives large organisations the opportunity to have a standard approach not just to filing data with HMRC and later Companies House, but exchanging data between each other. Even at the lowest level confusion can cause an integration project to proliferate into an unwieldy, unstructured mess, dogged by reference data inconsistencies and confusion over the Book of Record values.



Many
systems, one
solution.

iXBRL can solve data
comparison issues
between disparate
systems.

The communications giant, "ValueFone" has over 100 reporting entities in their UK Group. Over the last 5 years efforts have been made to standardise all of the customer call centre's reference data in order to provide management with a data warehouse showing all the associated operating costs related to each site. In the Group, 25% of the sites run SAP, 40% Oracle, and the remainder a mixture of legacy systems acquired through acquisition. A project began where each of the companies had to send the data warehouse their Company Name, Address and Gross Profit figures for the last two years. Despite the best efforts of the IT team, they received 100 differently structured pieces of data. What seemed like a straightforward task quickly descended into chaos as each party queried the central team why their electronic message was incorrect. Misunderstanding over the output from the various IT systems left the team struggling to establish the semantic definitions that each ERP owner had assign to data. "Should I send the address for Address line 1, or Street Name?"

So how could iXBRL help with this challenge in future?

If each system had filed their Accounts and had their data in a structured iXBRL file from the previous year's filing for HMRC, things could have looked a lot different. Decisions over the correct layout of the Address would have been taken the previous year when the project team started to prepare the ERP data into iXBRL. If all of the companies in ValueFone had done this that would mean that all 100 companies would be able to exchange messages in iXBRL and the opportunity for re-use would be huge. Should they also want to find the Gross Profit figure for all of the reporting entities, it's now easy, you simply look at the iXBRL field "TurnoverGrossProfit", there's no ambiguity any more. This scenario is of course making the assumption that there has been a significant investment in preparing iXBRL in year 1. But that's what the HMRC mandatory requirement should be seen as, an opportunity to make a reusable IT investment whilst (and this isn't always the case in integration projects) actually getting benefit and Return on Investment (ROI) after the first project. Any organisation that has tried to implement an Enterprise Message Bus (ESB) will recognise this pattern of a low initial ROI in the first year followed by considerable savings as the amount of re-useable projects emerge. Many organisations fail to secure funding for such a project because of the failure to convince management that it's going to offer savings in the medium term to make the investment in the infrastructure and messaging standard now. HMRC, by choosing to adopt the largest global financial standard is handing that opportunity to organisations.

Could iXBRL replace the need for one common accounting system where businesses have acquired or merged with other organisations?

What can iXBRL deliver to organisations?



Reusability

The chance to re-deploy and reuse documents prepared in iXBRL for internal reporting purposes. Information between organisations can be accelerated, by sending the segments of the iXBRL that your partner wants without the need to explain the structure.

Data Standardisation

Data warehousing projects can become witch hunts for trying to establish who is the business and system owner of the data that is being exchanged. iXBRL delivers clearer semantic definitions and structure. Suddenly all the previously unstructured documents make sense when they are structured the same.

Arkk Solutions is the first software provider to successfully file accounts for its clients with HMRC generated from MS Office

Internal reporting

Consolidating iXBRL reports from different parts of the enterprise gives analysts the information in a format which will enable them to spot discrepancies early and avoid mistakes and penalties when filing. And because iXBRL is readable to a human being in a web browser, it can be scanned by eye without losing its powerful processing properties.

Speed

Data can be exchanged faster than ever before, individual development cycles or for bespoke batch processes can be reduced. Data errors caused through the manual handling of data will reduce as more data is exchanged and integrated in the standard format.

An early Return on Investment?

Despite scepticism about whether the data is appropriate for both parties, the joint filing initiative between HMRC and Companies House is an early and simple example of reuse. Essentially the same structured piece of data is being passed to two external parties who are expecting it to arrive in a pre-described format (iXBRL). Concerns have arisen over whether the lengthier disclosures that HMRC requires are suitable to be sent to the Companies House. This is where iXBRL really delivers. By reusing the same document but stripping out the elements not required, there has been one source (the original iXBRL) and two recipients who have both been serviced by the same original document. Now imagine if you wanted to publish the iXBRL on your analyst's website for them to interrogate, or you wanted to send the iXBRL file to your online content company for them to add corporate images and style. All the work is done. A leading London Design company that we worked with claimed that by giving them an iXBRL file for his purpose instead of the normal collection of Word and Excels, they could save up to two weeks per assignment. This last point is a benefit exclusive to iXBRL, and we are fortunate that we in the UK are leading the way in the global implementation of iXBRL. Many articles exist on the implementation of XBRL and the relative success, especially in the US and it isn't the intention to go over those here. All eyes are currently on the UK to see whether the introduction of iXBRL is a success, surely it's only a matter of time before the rest of the world add the Inline "i" to their XBRL implementations? That will open the door for the ultimate global reuse of iXBRL between international organisations.



About the Author

Richard Metcalfe is the founder of Arkk Solutions, a software consultancy which has built and markets the first iXBRL Adapter for Microsoft Office to be successfully used to file Accounts with HMRC.

Richard's background is in software architecture. From working with multinational business throughout Europe he has developed many integration and business critical ERP solutions.

Already numerous FTSE 350 businesses and accounting firms are using the iXBRL Adapter from Arkk Solutions which quickly and easily converts Word and Excel files for submission to HMRC.

To find out more about how Arkk Solutions can assist your business please contact Richard on 0207 060 1983 or email

Richard.Metcalfe@arkksolutions.com

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