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FINANCIAL REPORTING USING XBRL: A ROADMAP TO VISION 2020

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Abstract

Nigeria desires to be in the league of top 20 world economies by year 2020 through her vision 2020 plan. For this to be a reality, the nation must live up to development expectations in the face of increasing size and complexity of business organizations, increasing government role, and the need for vital information which is the driver of modern knowledge economies. Financial reporting information is at the center of providing quantitative and qualitative information about business/economic institutions useful for making growth/essential economic decisions. The eXtensible Business Reporting Language (XBRL) is a new standard in financial reporting which is poised to take the business world by storm. It will not only streamline how financial information is updated, but make it more readily available to those who need it. XBRL is an open source financial reporting system designed to accommodate the electronic preparation and exchange of business reports around the world. The basic concept behind it is an ID tag used to identify financial documents, much like an ISBN tag on books, or a bar code on retail products. The paper, using secondary data empirical evidence, argues that the realization of the vision 2020 hinges on a capital formation process which can only be enabled by the XBRL digital reporting system. It recommends that individuals, governments, companies, development stakeholders, and the Nigerian public should join effort to move forward and make use of the XBRL language as it can no longer be ignored in gaining global economic relevance.

INTRODUCTION

Accounting, according to Lee (1982) is essentially a practical exercise concerned with the measurement and communication of useful financial information involving a highly complex and technical process. Reported accounting information is extremely important as an element in economic

decision making. Company financial reports constitute the major source of formal financial information about companies or organizations available to investors and other interested parties. Accountants and the theoretical principles they use stand at the very centre of our society (Mukoro, 2007). The trust in accountants and independent auditors forms the foundation of the financial reporting process while the resulting disclosure forms the bedrock of financial markets.

The need for financial information is underscored by the fundamental nature of companies, particularly the separation of management from ownership and its assumed indefinite life which creates the requirement that shareholders should obtain protection from possible unscrupulous managers who might want to exploit the gap between the two groups to their own advantage. The financial reporting function is mainly concerned with annual reports to shareholders and others intending mainly to describe in summary terms only (a) the profitability of the company from buying and selling goods and services over a twelve-month period and (b) the financial position of the company at the end of such a period. To give effect to this function, there is need for the existence of an effective and efficient accounting system within the organization.

As a result of the intricacies of contemporary business transactions, the numerous standards issued by the financial accounting standards boards, and the vast variety of accounting and disclosure practices with their ever-changing terminology employed by reporting companies, financial statements and related disclosures have become very complex. This complexity can impede the work performed and the decisions reached by all users of financial statements-especially equity and credit analysts (Comiskey and Mulford, 2000).

Nigeria has the admirable objective of becoming one of the 20 top economies in the world by the year 2020. This implies that current challenges such as unemployment level which is above 45 per cent of labour force, poor infrastructure state, depressed capacity utilization in the manufacturing sector (below 40 per cent), high level of corruption, bureaucratic structures in public institutions, etc must be surmounted in order to make vision 2020 a reality. To give effect to this realization, there must be a strengthening of her institutions, companies and standards via the adoption of 21st century financial reporting tool known as the XBRL. The XBRL stands for eXtensible Business Reporting Language. It is one of a family of Extensible Mark Language (XML) which is becoming a standard means of communicating information between businesses

and on the internet. It is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying
or using financial data (XBRL International,n.d.).

XBRL is being developed by an international non-profit consortium of approximately 450 major companies, organizations and government agencies. It is an open standard, free of licence fees. It is already being put to practical use in a number of countries and implementations of XBRL are growing rapidly around the world.

This paper provides information about Nigeria's vision 2020, financial reporting, the need for, nature, uses and benefits of XBRL, and how individuals, governments and companies can join the effort to move forward and make use of the XBRL language to leverage the goal of achieving the vision 2020 dream. The connecting link here is that solving the growth and development problems bedeviling Nigeria as a nation will be greatly enabled and enhanced by a revolutionized 21st century financial reporting system.

STATEMENT OF PROBLEM

With a Gross Domestic Product (GDP) of $115.35, Nigeria ranks 48 in the world, while at a GDP per capita $1,188, she ranks 36 in Africa and 171 in the world. In order to be ranked among the top twenty nations of the world, it is imperative that her economy grows by 13 per cent yearly. There is poverty in the country because the poor are confronted by lack of access to capital, information and stable market. Poverty is always the result of the inability of man to acquire the empowerment needed to control the challenges of his environment (Obinagwam, 2008). Nigeria requires investments of between $8bn and $10bn annually to be among the top 20 economies of the world by the year 2020 (Atser, 2008a). It has been forecast that Nigeria would be among the top 20 economies of the world by the year 2020 if it sustains its economic reform programme, which saw its GDP growth rate hitting 6.1 per cent in 2007. An example of the success of its economic reform programme is the consolidation exercise in the banking sector, which slashed the number of banks from 81 to 45 and achieved increased banks' deposits from N2tn at the beginning of the exercise to N5tn in 2007.

According to Atser (2008b), Nigeria's per capita income must increase to more than $10,000 per annum with an economic growth rate of between 10 and 15 per cent for the country to be among the top 20 economies by the year 2020. The United States Central Intelligence Agency's World Fact Book as cited in Atser (2008b) shows that Nigeria presently has a per capita income of $1,500 per annum.

The issue of defining information in business reporting that might seem to be the simplest turns out to be one of the toughest. The materiality of this problem differs from organization to organization. XBRL is designed to help tackle this problem because it is a technology that encourages the thorough, consistent development and application of definitions in business reporting through a basic focus on data definition. Translating reports to XBRL was one of the identified top ten financial reporting challenges companies faced in 2005. Survey findings showed that the continued and collective effort to improve the clarity, consistency and transparency of financial reporting in addition to continuing efforts towards convergence with international standards made the CFOs job a challenging and interesting one. The Security and Exchange Commission asked companies to voluntarily use extensible Business Reporting Language (XBRL), which is a new code designed to increase efficiency and reduce error in the electronic communication of business and financial data. More companies followed this trend in 2005 (Goliath Business Service, 2005). Heffes (2007) also corroborates the fact that the SEC has made eXtensible Business Reporting Language (XBRL) a priority, and confirms the expectation of more XBRL momentum in 2007 as more companies voluntarily adopt it. These financial reporting challenges will affect the way companies manage their businesses, report financial results, and reward employees. Thus, accountants are offered the opportunities to assist company decision makers in meeting the challenges.

The problems associated with transforming data exchange are solved by XBRL. For example, the time it takes to collate a business report need is measured in days, weeks, or months rather than minutes because business people need to pull together information from dozens, or sometimes hundreds of sources, which do not speak the same language. Another example is that it takes days for investment analysts to provide recommendations about stocks after the financial statements have been delivered because the information arrives on paper and needs to be re-keyed into proprietary analytical models. The challenge here is that the systems don't speak the same language. XBRL is changing the way financial information is exchanged from system to system and organization to

organization because it is one, unified language. This is made possible through the application of a unique tag or element to each reporting concept.

Lee (1982) asserts that financial reporting is a complex process of producing relevant accounting figures. The challenges which underscore the need for a solution that helps automate the way data is captured, shared, reported, and analyzed include the facts that: Authoring reports and analyzing data is costly, time-intensive, and error-prone because data must be manually entered from multiple sources as well as be validated; Sharing data is difficult because data is trapped in unstructured spreadsheets and documents with no automated means for retrieval; and verifying data accuracy is costly and time-intensive because data is manually validated between a source and final document (Microsoft Corporation, 2008).

Current trends unfortunately, have revealed certain worrisome concerns relating to the integrity of financial information. Current market conditions have increased the pressure on companies to meet past or projected earnings levels. As a result, some managers have engaged in manipulation or "smoke and mirrors" to prop up their companies' earnings and thereby their share prices. The resulting and inevitable restatements of earnings might cause investors to lose billions of naira, and perhaps, confidence in the market (Hunt, 2001).

THE FINANCIAL REPORTING PROCESS
Financial reporting is the communication of financial information useful for making investment, credit and other business decisions. Financial statements and supporting disclosure documents are management's responsibility and management accountants should do all that they can to make sure those statements and supporting documents are accurate, complete, and provide a reliable picture of the company. The users of published financial information provide the continuing background against which financial reporting has developed (Mukoro, 2007). The capital formation process hinges on the willingness of investors to make investments in the securities of public companies. Investors commit their personal funds to companies relying, in part, on management's representations and the auditor's opinion that a particular company's financial statements fairly reflect the financial position, results of operations, and cash flows of the company.

NIGERIA'S FINANCIAL SYSTEM STRATEGY (FSS) 2020 AND XBRL
The FSS 2020 is a vision which emanated from some studies conducted by Goldman Sachs in United States. The studies posited that Nigeria should be one of the top 20 global economies by the year 2020. This implies that Nigeria is currently 12 years away from that set goal of being among the 20 largest economies in the world. To give effect to this, an Implementation Committee has been established by the Central Bank of Nigeria to implement the Financial System Strategy (FSS) 2020. Basically, Nigeria is expected to be among the top 20 largest economies by Gross Domestic Product (GDP) by the year 2020. Looking at developments in other economies of the world (e.g. in financial reporting), Nigeria must embrace XBRL if the FSS 2020 will be a reality. This achievement, though a possibility, will require hard efforts. Nigeria, as an economy is currently rated around number 45 in the world (in terms of GDP) according to the 2006 International Monetary Fund (IMF) review of countries by GDP ranking (Fasua, 2008).

Nigeria's FSS 2020 target is a big challenge because South Africa which is presently the 20th largest economy by GDP has a GDP that is five times that of Nigeria. This means South Africa is the country Nigeria wants to really upstage. Furthermore, there are other important countries like Israel, Switzerland, Sweden, Egypt, Algeria, South American and Eastern European countries between South Africa and Nigeria. In effect, Nigeria has to overtake all these countries to achieve its proposed FSS 2020 feat. This means President Obasanjo's prediction of a multiple- of- six growth in Nigeria's current GDP of about $160 billion (rising to over $900 billion) must become a reality. The contributions and developments from the financial services sector will go a long way in actualizing the Vision 2020. Not only that, the benefits and growth accruing from the use of XBRL cut across all sectors and institutions of a nation's economy.

Further, XBRL will greatly enhance further gains from the consolidation of the country's banks, feeding liquidity into the system, by way of interactions between borrowers and lenders, and ability to do businesses that would prosper. Also, the real sector, whose growth is the real logic behind growth of GDP(and invariably the realization of the Vision 2020) will benefit a lot from the adoption of XBRL in several respects. The real sector must also be necessarily assisted by infrastructure (like it is obtainable in the developed world) because at the end of the day, infrastructure translates to subsidy just like XBRL will translate to subsidy. So, the government, in ensuring that there is infrastructural

development (amenities, roads, irrigation, power and communications), XBRL will be of tremendous relevance as vital and useful information would be needed in making useful decisions. This means the revival of moribund textile industries, industrial estates in Lagos and Ota in Ogun State, factories is very germane for FSS 2020 to be realized. There should be an impetus for producers and manufacturers to go back to the drawing board, employ people, increase capacity utilization, and make their industries work again. In all of these, the operationalisation of the Vision 2020 should involve public-private sector initiative models. The government must also be visibly involved and the country's cash flow must be directed in that area. Even when that is achieved, the tempo of development must be maintained.

Another factor that will assist Nigeria in realizing the Vision 2020 is the methods of measurement of GDP. Nigeria's economy is still largely informal; therefore most transactions that will actually qualify as part of the GDP are unrecorded. For example, in developed countries, part of their GDP figures contained even quantification of the work done by a housewife. Even though the housewife is not paid, her work is quantified and this goes to be part of the GDP. In Nigeria, there are many things which escape the GDP calculation. There is therefore no doubt that in evolving ways to capture the GDP properly, and systemizing many of these functions, the tool known as XBRL will be of substantial relevance. In addition, in areas such as management of statistics/data on population vis-à-vis GDP per capita growth computations, the XBRL technology is important. The use of XBRL by entities in Nigeria will mean Nigeria is not only getting it right but integrating itself with global economies. So, Nigeria must wake up, bearing in mind that Vision or FSS 2020 or being among the top 20 global economies, must be vigorously pursued because, it is presently, in terms of GDP per capita still ranking 165th out of the 176 countries surveyed by the IMF. In which case, it is only better than 11 countries most of which are fellow African countries. This means the mere share price of GDP is perhaps not a very useful index as that of per capital GDP which is what determines the average earning and productivity of the people. Setting the FSS 2020 goal is very necessary to redress this status of still being one of the poorest countries in the world. For this goal setting to go beyond semantics, XBRL reporting system must be embraced.

Soludo (2007) documents Nigeria's 2003—2007 National Economic Empowerment Development Strategy (NEEDS) agenda as: Economic reforms, corruption fighting, and strengthening of institutions (e.g. for transparency, accountability and good governance). These are further broken down as :

poverty reduction, employment generation, wealth creation and value re-orientation; asisted States with State Economic Empowerment Development Strategy (SEEDS); Economic and Financial Crimes Commission (EFCC) and anti-corruption stance; several landmark legislations--- Anti Money Laundering-EFCC, energy reform; pension reform; power plants in infrastructure; etc. Others are: fiscal, monetary and exchange rate policy reforms (e.g. managing reserves, inflation, remittances, potential supply of skills, global networks); banking and insurance reforms; presidential initiatives--- agriculture, improving telecommunication systems and information technology, addressing business environment, constitutional reforms, security issues, infrastructural deficiencies, microfinance and entrepreneurship etc; and de-regulation of downstream oil sector. All these aforementioned reforms and their ensuing outcomes will obviously need the digital reporting system of XBRL to drive and engender in the economy on a sustainable and fruitful basis.

THE XBRL CONCEPT

The idea behind XBRL, eXtensible Business Reporting Language, is simple because it provides an identifying tag for each individual item of financial data instead of treating financial information as a block of text - as in a standard internet page or a printed document. This identifying tag is computer readable. For example, company net profit has its own unique tag. KPMG International (2006) confirms XBRL as a digital business reporting system that creates an agreement on how to identify reporting concepts, and allows disparate systems and different organizations to reuse the numbers that relate to those concepts. XBRL can change the way an organization's performance information is defined, produced, exchanged, and communicated. It's not just a transport mechanism but also a way to define, constrain, and relate information.

The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computers can treat XBRL data "intelligently": they can recognize the information in a XBRL document, select it, analyze it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information.

Companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investors, analysts, financial institutions and regulators, can receive, find, compare and analyze data much more rapidly and efficiently if it is in XBRL format. XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. Data can be transformed into XBRL by suitable mapping tools or it can be generated in XBRL by appropriate software. (XBRL International, n.d.). XBRL is governed by a not-for-profit consortium made up of representatives from companies and organizations around the world, including the major accounting firms, software vendors, information brokers, regulators, and accounting standards-setters. XBRL is a freely licensed information standard. Its strength lies in its combination of XML-based reporting technology and the efforts of accountants around the world who are collaborating to achieve encapsulation of national and international accounting standards into XBRL format. (KPMG International, 2006). Standards, called "taxonomies" of unique concepts are produced and these taxonomies represent industry consensus which form the foundation for open information exchange in the XBRL era. The impact of XBRL tags in business reporting is comparable to the impact of ISBN (International Standard Book Number) bar codes in the publishing industry.

Current users of XBRL are Microsoft Corporation, Rivet Software, US Security and Exchange Commission (SEC) and Edgar Online, US financial institutions, Federal Financial Institutions Examination Council (FFIEC), Ubmatrix, Banque de France in Europe, , and the KOSDAQ Stock Exchange in Asia. (Oracle and Ubmatrix, 2007), (Goff and Leibs, 2003). Examples of leading engines for generating, converting, validating, and consuming XBRL documents are UBmatrix XBRL Processing Engine (XPE) and Oracle 10g.

METHODOLOGY
The methodological approach adopted for this research paper is that of the secondary data. Secondary data is data which has been collected by others for purposes other than those of this particular research study. This includes information form sources such as journals, textbooks, the internet known as information super-highway, etc. Before making use of this data source, particular attention was paid to definitions used, measurement error, source bias, reliability and data time span. The major rationale behind this is that the use of relevant secondary data obviates the need for primary research to be undertaken at all in this context. It has enabled the assemblage and analysis of

more accurate information which is needed to solve the research problem of sensitizing Nigeria to the significant evolutionary impact of XBRL as a twenty-first century financial reporting phenomenon which is imperative to the realization of vision 2020. Other reasons for the use of the secondary data methodological approach are: (a) it helps in defining the research population (the Nigerian nation) (b) it enables the understanding/definition of the research problem, generation of hypotheses, as well as generation of lines of inquiry and alternative courses of action that could be followed. (c) Stakeholders e.g. government, international agencies, corporate entities etc have undertaken large scale surveys which are yielding far more accurate results than custom designed and executed surveys that are based on relatively small sample sizes (Agriculture and Consumer Protection, n.d.). It is on the aforementioned appropriate and adequate basis that this paper draws its conclusions and recommendations.

CONCLUSION AND RECOMMENDATIONS

Today's business world requires the ability to report, validate, and analyze business information efficiently, accurately and in a scalable manner. Through the eXtensible Business Reporting Language (XBRL), financial institutions and regulators have established a standard language to describe reported data and business rules surrounding that data. XBRL is an open standard based on XML that is currently supported by over 400 global organizations. It promises enterprises and government agencies a cost-effective method to deliver a 100% compliant communication process for both external and internal reporting. An XBRL based reporting system, extracts data to be reported, converts it into an XBRL document using an XBRL processing engine using the relevant taxonomy that defines the shared view of the concepts and the context of the data to be shared. XBRL is currently being used in a variety of application areas such as Regulatory Reporting Frameworks, Enterprise Data Consolidation, and Internal Reporting.

Since it is widely believed that the Web-based format will dramatically change business reporting in coming years, members of professional associations, academics, finance-watchers, the government, industrialists, researchers, management boards and the Nigerian public should begin to deliberate on how to integrate in full with the global financial reporting development. Many observers believe a standardized format for business reporting will make it much easier for companies to collect and analyze data. Same thing goes for outsiders who collect and analyze a company's data (investors, regulators,

analysts, and bankers). Once Nigerian lenders and regulators start requiring meta-data from businesses, companies will move most of their reporting systems to the XBRL format. The big and small accounting firms in the country should begin to explore XBRL as one of the technologies that will most effect business in coming years. In fact, the only real question about XBRL is not if it will catch on, but when. The guess here is sooner -- two years -- rather than later (five years).

Professional or regulatory bodies in Nigeria such as Securities and Exchange Commission (SEC) should embark/focus on a pilot program that's intended to make it easier for advisors, funds, and data providers to use mutual fund data in tools that compare critical data elements on risk, performance and other key characteristics using the new kind of interactive data made possible via XBRL. Thus, the first step could be the approval of voluntary filing period by SEC. The voluntary filing period will allow fund companies to submit their risk/return information via XBRL. While the XBRL interactive data should be easier to gather and manipulate, it is also expected that XBRL will make it easier for funds to submit their data, and advisors could create their own portfolio spreadsheet to compare funds for clients. The SEC could have a free downloadable tool that's available in the SEC Web site, in open source so that everyone can improve it for free. As a result, any analyst would not only be able to log onto the SEC's Web site and view interactive data, but will also use this software tool to immediately generate graphical reports and multiple-issuer comparisons.

Finally, for Nigeria to attain the vision 2020 destination in a sure and grand style, there is need for a clear vision and plan towards engaging the XBRL revolution. This should be incorporated in NEEDS 11 as suggestion to the Federal Government so that the next generation of reforms necessary to catapult the country further forward would be successfully entrenched. Such next-generation reforms include: Vision of a prosperous country based on hard work, productivity of the citizens, and sound value system; a vision that breaks away from a natural resource and rent- dependent society to one based on intangible wealth, entrepreneurship, and competition; consolidation of the objectives of poverty reduction, employment generation, wealth creation and value re-orientation; consolidating macroeconomic stability--- stable (low) inflation, exchange and interest rates; security of lives and property and continuity in addressing infrastructure deficiency; Financial System Strategy (FSS 2020)--- to drive the economic transformation; trade, technology and exploiting

networks/partnerships; conquering nature and exploiting technology through agriculture; deepening reform in education as bridge to the future---especially Science and Technology; and addressing Spatial Inequality- new thinking required on how to move the Northern Zones Forward.

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