

The SEC votes to mandate XBRL filing

How prepared are you?

Does your company have the necessary expertise and resources to prepare for XBRL conversion? If you want practical answers to your XBRL questions, Merrill Corporation can help.



At its May 14 Open Meeting, the U.S. Securities and Exchange Commission (SEC) voted to propose amendments that require U.S. companies (and foreign companies who follow U.S. GAAP rules) with market capitalization of \$5B or more to file financial statements, footnotes and schedules in XBRL format. The balance of public companies will be mandated to comply with this new rule over the next three years. Industry insiders anticipate the ruling, which was released on May 30th for a 60-day comment period, will likely be adopted in fall 2008, requiring that hundreds of public companies be prepared to comply for fiscal periods ending in late 2008.

What will be the impact on your company? If you are on the short list, you will need to quickly embrace this change in order to properly manage the XBRL learning curve.

The proposed SEC rules will apply to U.S. and foreign companies in phases:

- **First Year** - Approximately 500 U.S. and foreign companies with market capitalization of \$5B or more and prepare their financial statements in accordance with U.S. GAAP.
- **Second Year** – Balance of large accelerated filers.
- **Third Year** – All others, including small filers, public and foreign private issuers that prepare their financial statements using IFRS.

A grace period is provided for first-time filers but thereafter, companies need to be prepared for concurrent filings:

- **First XBRL filing of financial statements** – First-time filers have a 30-day grace period after the official EDGAR filing to file their XBRL exhibit.
- **Subsequent filings** – XBRL filings will be required concurrent with the official EDGAR filing.
- **Detail tagged footnotes** – First-time filers have a 30-day grace period; subsequent filings are addressed as above.

The XBRL data would be provided as an exhibit to periodic reports and registration statements:

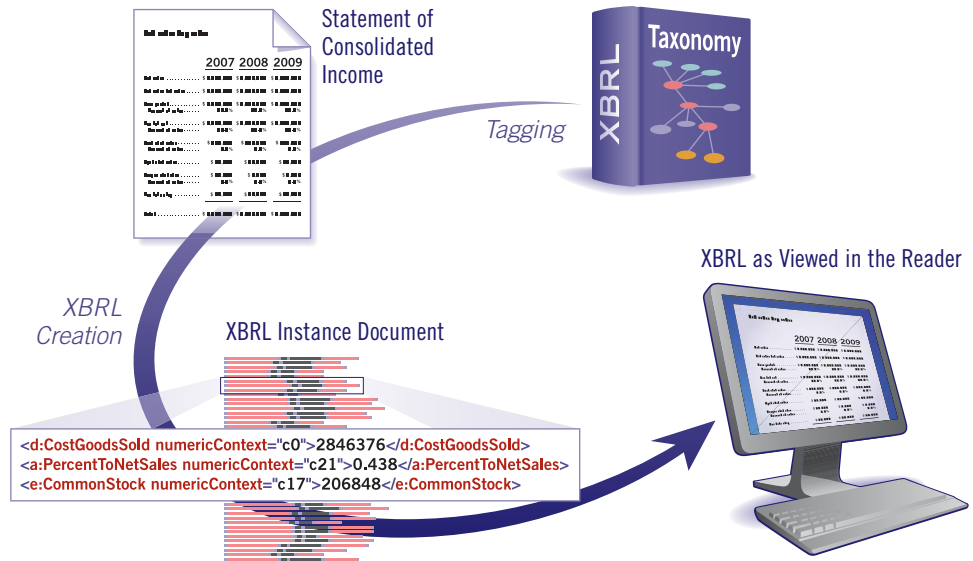
- **First Year** (of mandated filing) – Financial statements, footnotes to financial statements (block tagged) and schedules.
- **Second Year** (of mandated filing) – Same as above, but companies are required to provide tags for the details within the footnotes and schedules.
- **Future** – Expect additional segments of SEC filings and forms to be phased in over time.

XBRL (eXtensible Business Reporting Language) is the global open standard to prepare, publish, exchange and analyze business reports and statements in a consistent, accurate, machine-readable format.



The XBRL Tagging and Mapping Process

Merrill's survey of voluntary filers found that companies spent an average of 222 hours for the average in-house approach, compared with an average of 20 to 60 hours for those who outsourced the process.



What does it take to prepare for XBRL conversion? Does your company have the necessary expertise and resources? If you want practical answers to your XBRL questions, Merrill can help. We've been involved with the SEC's XBRL program since it was launched as a voluntary program in April 2005.

Merrill's expert XBRL team has practical experience working with taxonomies, implementation, documentation and requirements. We provide a complete end-to-end XBRL solution.

Getting started



You can start preparing now by meeting with Merrill's XBRL team to establish an XBRL readiness plan for your company. We can guide you through the primary questions you need to address when choosing how to respond to this new business environment:

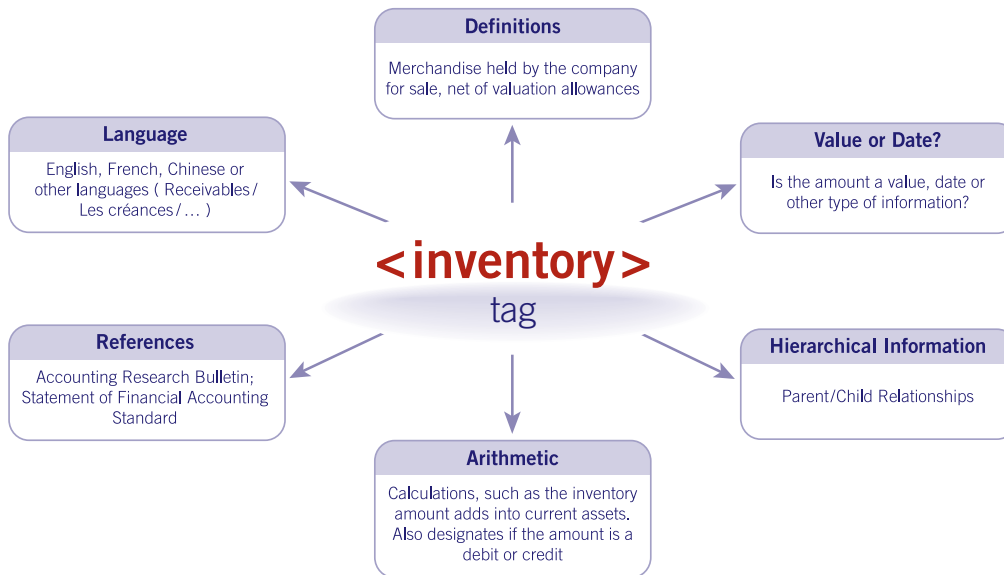
- **Resources:** What internal financial and IT resources are available to manage the XBRL process?
- **Expertise:** Do you currently have, or want to develop, employees with XBRL knowledge to manage the entire process?
- **Software:** Do you want to develop and maintain XBRL software?
- **Trusted Partners:** Do you have an accounting firm, financial printer and software provider who will offer proven XBRL solutions?

XBRL – Insource versus Outsource

In sourcing. It is possible to manage the XBRL process internally, and some companies may choose to do so. Certain companies may want to acquire hands-on XBRL knowledge, and they may already have the technical resources on-hand to effectively institute an in-house program.

Setting up an in-house program requires the assembly of a team of financial and technical

Information Attached to a Tag



resources who must:

- Learn the SEC filing requirements and XBRL basics, including the 129-page *XBRL U.S. GAAP Taxonomy Preparers' Guide*;
- Analyze and choose an XBRL software tool and become proficient in using it;
- Learn how to select proper tags from a choice of 13,000 elements contained within the newly released XBRL taxonomies; and
- Validate that the taxonomy complies with the requirements for XBRL specification.

The insourced approach requires a significantly larger time commitment than the outsourced approach. Merrill's survey of voluntary filers found that companies spent an average of 222 hours for the in-house approach, compared with 20 to 60 hours for those who outsourced the process.

Outsourcing. Outsourcing the XBRL process to a third-party provider offers companies the ability to become SEC XBRL compliant with greater ease, lower costs and reduced company staff time. By outsourcing, a company's learning curve is significantly reduced to allow them to focus on the more important task of financial content, rather than software applications and technical requirements as specified in the *XBRL U.S. GAAP Taxonomy Preparers' Guide*, which they will only use on a quarterly basis.

Companies who outsource find that, while it is vitally important that their finance staff have an understanding of XBRL filing requirements, they are able to implement XBRL more quickly. Once the initial setup is complete, outsourcing further reduces a company's time commitment.

Why choose Merrill?

As a full-service provider, Merrill offers a seamless end-to-end XBRL solution that includes expert consulting, mapping, tagging, creating the instance document in XBRL software, validating to XBRL rules and guidelines, and compliant filing with the SEC. This process is managed and controlled in-house by Merrill's own XBRL team of experts. Merrill's XBRL solution is totally customized to the client: one size never fits all.

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XBRL Process Flow



To date, Merrill has submitted valid XBRL filings with zero calculation errors, demonstrating the highest standards among industry participants.

In-house experts

Merrill's XBRL team is composed of CPAs, CMAs, controllers and finance practitioners with years of public accounting and corporate controller experience and a wealth of knowledge and experience in preparing XBRL documents. We understand the importance of finance executives being able to discuss XBRL decisions with peers, avoiding the disconnects that can occur in "accountant to programmer" discussions. Whether you have a question on the cash flow statement or a line item on the balance sheet, you will be talking to one of your own.

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Proven technological expertise

Merrill continues to be in the forefront of providing SEC filers real-time technology solutions to their compliance needs. We offer clients a one-stop source for information about the requirements, as well as a fully outsourced solution to meet their filing needs.

Merrill is a member of XBRL International and XBRL U.S. and also an active participant with the Consortium of Filing Agents and Software Developers, which regularly meets with the SEC to discuss new EDGAR and XBRL developments.

Trusted filing agent

Merrill is an acknowledged industry leader in EDGAR filing solutions. Leading companies trust Merrill's proprietary technology to ensure precise, seamless, fast and secure EDGARization of financial documents.

With our proactive solutions, we anticipate ever-changing needs and deliver better customer service. Merrill enjoys a long and trusted relationship with the SEC since the inception of the EDGAR Pilot Program in 1984 and is a member of the SEC Compliance Board. We were one of the original adopters and testers of the electronic EDGAR filing system in 1993.

Take advantage of Merrill's XBRL expertise

We can help you to get prepared now for this new mandate. Contact your Merrill representative or call **866.399.3770** today to schedule a meeting to review the SEC mandate and learn about the choices you have to make to become XBRL compliant. [↓](#)

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