

Standard Business Reporting in Australia: voluntary take-up issues facing users, preparers and regulators of company financial and business reports

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ABSTRACT

The medium for processing and reporting corporate financial and business information through the supply chain from the manager-preparer to government regulators and to external users has been evolving. In Australia, some major regulatory agencies of federal and state governments recently went 'live' with a co-ordinated on-line reporting facility called Standard Business Reporting (SBR), based on XBRL taxonomies for electronic data exchange. The take up by businesses of this medium compliance reporting of financial, tax and other business data to government regulators, is initially voluntarily. The objective of this paper is to assess SBR's prospects of widespread adoption by businesses, users and regulators in Australia. An assessment is provided of the normative arguments in support and against the implementation of XBRL from the viewpoints of corporate financial and business information stakeholder users, management preparers and government regulators. The limited experienced with XBRL implementation in other countries is also considered. Despite the many benefits espoused for this medium, the conclusion is reached that businesses will be hesitant and slow in the voluntary take-up of this new SBR facility in Australia.

Key words: extensible business reporting language (XBRL), standard business reporting (SBR), financial reporting media, regulatory agencies.

INTRODUCTION

Whether compliance-based or discretionary, the external reporting of financial and other quantifiable business information is fundamental to the functioning of business enterprises, their regulators and their stakeholders. The output of the external reporting process of business enterprises is a number of required and intended documents for both regulators (e.g., investments and securities regulators, government taxation and revenue collecting agencies and national and international economics and statistics bureaux) and stakeholders (e.g., shareholders, securities analysts, creditors, suppliers, clients, employees and community interest groups). This reporting process is tied to the business organization's accounting and management information system. The flow of information through a recording, verifying, computing, report-generating, disseminating, user-analysing, user-re-reporting, and user-decision-making process is viewed as the financial and business reporting supply chain (Volmer et al, 2007). Therefore, it is not surprising that endeavours to develop and adopt an optimal medium for processing and reporting financial and business information through this supply chain continues to be sought.

In Australia, several regulatory agencies of federal and state governments went 'live' with an on-line reporting facility called Standard Business Reporting (SBR), which they have made available to all regulated business organizations for submitting their financial, tax and other data reports and returns. Although other versions of standard business reporting based on extensible business reporting language (XBRL) have been trialled and adopted in other countries (e.g., the Netherlands and Singapore), it is a new practice in Australia.

OBJECTIVE AND STRUCTURE OF THE PAPER

The objective of this paper is to assess SBR's prospects for widespread adoption by corporate financial and business report preparers, users and regulators in Australia. A normative approach to making this assessment is adopted. This involves a critical review of the issues facing corporate preparer-managers, external user-stakeholders and corporate regulatory bodies in switching to this new reporting medium. It is premature for a positivist research approach to this topic because SBR practice has

barely commenced – the first reporting round for most prospective preparers is yet to occur.

With the above objective in mind, the paper is structured in the following way. First, the changing media for corporate financial and business reporting is introduced. Second, the nature of XBRL, the technology enabler of SBR, is outlined, together with the Australian Treasury's claims about its SBR system (built on XBRL). Third, a discussion is presented of the advantages and problems that SBR adoption raises for users, preparers and regulators, in turn. Reference is made to views and experiences from other countries where XBRL-based reporting has been contemplated or adopted. Finally, the weak points in the financial and business reporting supply chain are identified and conclusion are reached about the prospective for SBR take-up in Australia.

THE CHANGING MEDIA FOR FINANCIAL AND BUSINESS REPORTING

The paper medium used by business organizations to externally present financial and business information has been declining. Paper-based financial and business reporting, as a process for getting information to the point at which it can be used is criticised as slow, labour intensive, costly, error prone; and inefficient (Jones & Willis, 2003). Electronic technology through the media of CD-ROM, PDF and HTML began substituting for the use of paper medium in the financial and business reporting supply chain from the mid-1980s through the 1990s (Lymer et al., 1999). However, all of these electronic technologies contained weaknesses or gave little extra advantage to preparers and users compared to paper-based reporting. The use of CD-ROM for corporate reporting still had to be distributed by physical means, making it clumsy. The distribution of large corporate reports on Adobe Acrobat files has been an unsatisfying experience for users as the files are slow and difficult to download (Lymer et al., 1999). HTML's shortcoming is that documents have been formatted as an indivisible whole, making navigation of the document a problem for the reader (PWC, 2002; Nielson and Lyngbaek, 1989). Multimedia plug-ins, it has been found, carry data security and downloading problems.

The push for an XBRL-enabled internet-based medium has emerged out of the convergence of information technology and corporate governance changes. First, there has been an increasing trend within businesses to rely on internet technologies as the basis of internal and external corporate communications (PWC, 2002; Xiao, Jones & Lymer, 2003). Growing importance of the internet has prompted the accounting profession to assess its future position in an internet environment. For example, it is predicted by Troshani & Doolin (2005) that internet reporting will be more sophisticated and interactive, wherein customized financial reports will be supplied to corporate stakeholders on demand. Jones & Xiao (2003) perceived users, particularly financial analysts, using several search-facilitating technologies to extract required information. Internationally, the assurance working group of XBRL reported in 2006 a rapid increase in internet reporting on corporate websites and regulator websites. This reporting has expanded in scope well beyond the traditional financial statements, into broad-based performance reporting and corporate governance (Assurance Working Group of XBRL, 2006).

However, to go beyond supplying fixed-form PDF and HTML reports on the internet, an international data exchange protocol, XBRL, designed in the early 2000's, began to receive attention. This international standard for the electronic exchange of financial and business information uses identifying tag for each piece of electronic data. It allows labelling in any language and the incorporation of different national or international financial reporting, taxation or other compliance reporting computations and formats. Data can be handled more efficiently by various accounting software applications regardless of the data compilation, manipulation, and analyses requirements (Akanoh, 2006). It enables the preparation, exchange and publishing of financial and other quantifiable business information among disparate computer platforms, software applications and accounting standards (Hannon, 2003; Hasegawa et al., 2003; Jones & Willis, 2003). XBRL delivers corporate information along with identification tags that make the information self-describing to a computer. The receiving computer can allow the tagged data to flow automatically and seamlessly into its proper place. A further feature of XBRL is that it tags both financial and non-financial information in standardized, computer and human readable format. The strength of XBRL is that the technology required for XBRL-

enabled data resides in the middle of the current IT infrastructure (Troshani & Doolin, 2005). Organizations can utilize their existing infrastructure, such as back-end relational databases and front-end applications like Excel.

AUSTRALIAN RESPONSE TO THE AVAILABILITY OF XBRL

Duplicated or contradictory reporting obligations placed on business organizations by regulators can be counter-productive to the efficiency of business preparers and government regulators. This issue led the Australia government's Treasury Department to convene a taskforce in 2006 to consider reducing regulatory burdens on business. It produced "Rethinking Regulation" (the Banks Report) in 2006. The cost to business of compliance reporting was estimated in the order of 2.5 per cent of GDP per annum. The taskforce report concluded that there is a considerable potential for government agencies to rationalize the data businesses have to report (Madden, 2009).

The availability of XBRL gave the Australian Treasury an impetus to take the initiative to reduce the reporting burden. It studied the Dutch XBRL Taxonomy Project which was established in the Netherlands in 2004 to reduce the regulatory burden. The Dutch project aims to standardise the reporting of financial accounts, taxes and financial statistics and move to XBRL reporting for all these areas. It uses XBRL to automate the way businesses collect, prepare and send their information to government. An added favourable feature of XBRL is its design for the preparation of financial statements of reporting entities based on International Financial Reporting Standards.

Subsequently, Australia's version of XBRL-enabled reporting by business to government was SBR, launched in July 2010. The Australian Treasury is the lead agency, with participation from the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO), the Australian Bureau of Statistics (ABS), and State and Territory revenue offices (SROs). There was extensive consultation and collaboration with stakeholder groups, including business, business intermediaries

(e.g., practicing accountants, tax agents, financial advisors, payroll specialists and industry associations) and commercial accounting and business software developers. Together a single set of reporting terms, called the SBR Taxonomy, and has been developed in XBRL. The achievement of the Australian government's goal of making a reduction in the reporting burden is expected by the progressive voluntary take-up of the SBR platform by businesses and other government regulators.

A sensitive issue for participating business is their ability to remain in control of their data sent directly and electronically from the business's system to the participating regulatory agencies. The Australian SBR technology solution has design the transmission process in the following way:

- Information transmitted from business to government follows a machine-to-machine channel. This information is sent from the business (or intermediary's) computer to a government computer(s) which will extract the relevant information packets and route them to the appropriate agency(s).
- Any information in government machines that are routing the information to agencies will not be stored. Information will only be stored by each agency in the relevant form-based packet as has been the case before the adoption of SBR (Madden, 2009).

For the take-up of SBR by business enterprises to be a success, there are three principal players in the financial reporting supply chain that need to be convinced of the net benefits of SBR adoption. These principal players are external users of company financial information (particularly, company shareholders and financial analysts), the preparers of statutory reports (particularly relevant company management and company auditors) and non-participating regulators (namely, relevant government agencies and professional bodies who have not yet set up the SBR platform). As SBR is enabled by XBRL, the advantages espoused for XBRL should apply to SBR. In the next sections, general advantages/disadvantages of XBRL as well as advantages/ disadvantages specific to SBR are discussed from the perspectives of investor-users, manager-preparers and regulators, respectively.

POTENTIAL SBR (OR XBRL) IMPACT ON INVESTOR-USERS OF COMPANY FINANCIAL INFORMATION

There is considerable literature suggesting the benefits of automation of business reporting. Can SBR (or XBRL) improve the quality of company financial information made available to investors and securities analysts who advise these investors, and reduce the costs to those investor-users of obtaining the information? If so, a company that takes up SBR-based reporting would, *ceteris paribus*, be preferred by investors and analysts over one that does not.

XBRL takes the advantage of both human and machine readability, as extensible mark-up language (XML) is the underlying dialect. XML can be used for constructing and presenting documents with accepted formats and rules. Problems that XBRL/XML can solve include:

- As open standards, XBRL and XML allow the users to use one technology for a variety of applications without being held hostage by one software company
- XML coded data in search engine databases allows users to clearly specify the exact definitions and context of their terms.
- Common standards simplify application integration
- XML automatically codes instructions for each output format (WEB, CD-ROM, printer, mobile devices etc) (Software AG, 2002)

The ability of XBRL to gather contextually relevant information from outside of the company offers previously unattainable benefits to the financial reporting supply chain. Hailed as the “digital language of business”, XBRL-enabled software can transform complete files into digital bits of information that are reusable and interoperable. Specifically it is claimed that XBRL can:

- Create more confidence in data through limiting the risk of erroneous data entry since all reports are automatically generated from one single information source.
- Minimize costs by allowing easier, more automatic composition and processing of reports to different clients

- Accelerate financial decision making by institutions such as banks and rating services
- Improve the process of publishing analyst and investor reports
- Allow consumers unprecedented access, comparison and analysis capabilities.
- Detect error at the source of data rather than at the receiving party.

(Software AG, 2002)

The technology behind XBRL makes it possible to store and retrieve financial information online. This attribute has a profound implication on financial report users. It means that everyone can find related financial information from the internet quickly and easily (Wallison, 2004). The accessibility of financial data will be opened to a wider range of people at more workplaces more quickly. SBR taxonomy (which is based on XBRL) has a universally accepted definition of each item of financial data. Not only people but also machines can recognize financial data. Machines recognize the data much more quickly and easily, because machines or computer software can be easily programmed to identify the numerical (mostly) data from a unique tag and use them in related operation. Both machine and human readability means that the users can only manipulate financial data into XBRL format and let computer software automatically find, store and analysis this data for specific practical use of the user (Wallison, 2004).

What are the findings of scholarly research about the usefulness of XBRL for financial reporting? It has been found by Hodge & Kennedy (2004) that XBRL helps even the non-professional financial statement users acquire and integrate related financial statement and footnote information when making investment decision. They carried out an experiment to evaluate XBRL's advantages. They tested two hypotheses- (1) individuals who use search facilitating technology are more likely to acquire information from various places in the financial statements and footnotes than are individuals who do not use search facilitating technology and (2) individuals who use search facilitating technology will better integrate related information from various places in the financial statements and footnotes than will individuals who do not use search facilitating technology. The result of the experiment suggests that XBRL helps financial statement users by improving the transparency of firms. The

result is consistent with the views of Lok Tin and Wefield (2001) who argued favouring the benefits of a XBRL based search engine in terms of fast financial information access (cited by Wang, 2007).

Cost efficiencies, automated exchange, great scope and reach of business information, frequency, timeliness, accuracy, reliability and accessibility of information are widely discussed by researchers in the information systems field (Wang, 2007). In particular the great scope and reach of business information and frequency make XBRL more appealing to the users. Scope and reach of information is understood from the broad international definition and professional sets of XBRL taxonomies (Wang, 2007). Individuals or organizations can reach related XBRL information from across physical space boundaries and look at the financial data terms with a completely systematic view. An XBRL formatted report (which is the feature of SBR reports) allows as many people, and as many times as they need, access to stored XBRL data. Also, data tagging makes financial statements easier to navigate for investors and analysts and harder for executives to hide financial information in footnotes (Cueno, 2002). In essence, the public can make investment decisions based on the most current and up-to-date information possible instead of information that is months old as is the case with traditional audited financial reports (Wang, 2007). The assessment of fair presentation based on a company's choice of accounting principles can be better achieved using XBRL. The tagging of assumption disclosures in XBRL formats would "make management's choices more transparent to users avoiding the scenario of Enron and easier to compare with those of other companies" (Akanoh, 2006, p.21) within and outside the same industry. Ultimately, observers could be assured of the reliability of decisions made by corporate managers.

In summary, the existing literature provides strong arguments mostly in favour of XBRL. Some of the arguments come from empirical experiments while others are normative contributions by scholars like Jones & Willis (2003) and Pinsker (2003, 2005). Scholars have often based their normative reasoning on the technological superiority of XBRL. Drawing from this literature it can be claimed that XBRL will enable public financial reporting to become less error prone, more consistently

reliable, more timely and less costly to produce. All these advantages are important to current and prospective company shareholders and other securities investors and analysts because it enables them to obtain higher quality information on which to make investment decisions. Under signalling theory, higher quality company information disclosure enables investor-users to more accurately assess the value of a company, thereby generating value to the investor.

Investor-users could create the push-demand on companies to take up SBR in Australia. However, the pull for voluntary adoption of SBR can come from the company preparers of statutory financial reports, namely, the relevant management in a company and the company's external auditors.

POTENTIAL IMPACT OF SBR (OR XBRL) ON PREPARERS OF COMPANY STATUTORY REPORTS

The anecdotal evidence is that financial and executive management, as responsible preparers of financial reports of their company, have tended to be sceptical about the advantages of adopting XBRL. In the US, the SEC has pushed hard to achieve XBRL reporting as mandatory for SEC filing. The voluntary filing did not bring mass adoption in US. There are other stories from other parts of the world like the EU and Singapore. In each case, it is the regulators who impose XBRL in the financial reporting supply chain.

Management in business organizations is likely to be aware of the advantages of XBRL to the users and regulators, but appears not convinced about the benefits that XBRL would bring to their organization. Accounting and information systems researchers and practitioners have addressed the benefit to manager-preparers, as well as counter-arguments.

The literature suggests that organizations can leverage on the extensibility of XBRL reports if they carefully plan their overall information system strategies. For example, Weber (2003) provides a case illustration of how having an XML-based system can bring competitive advantage for an organization. He demonstrates that in an XML environment, the organization could capture data and transmit it in XML format to a service provider as a way of outsourcing its processing and reporting functionality.

Such an outsourcing possibility would enable the organization to reap the gains from economies of specialization, scale, and scope (Weber, 2003). Businesses would capture some of these benefits through competition among the service providers. This led the author to conclude that given the increasing complexity of the information systems and reporting activities that businesses now must undertake, it is easy to see that XML offers some attractive possibilities for many managers.

XBRL can lead to more efficient data collection by lowering operating cost associated with idiosyncratic data feeds, reducing errors, facilitating a concentration on adding value to the data, and increasing transaction capacity to financial publishers and data aggregators (Bovee et al, 2001). Bovee et al. (2001) conduct an experiment to find that an accounting team can develop financial documents more quickly and accurately by using XBRL without having programming ability. This allows companies to meet the need for 'real time reporting', which is currently being asked by regulators and users. The need for "real-time disclosures" can be met with XBRL's ability to improve data processing and publishing efficiency. XBRL technology can automate data entry and data processing and, then enable online publishing. This automation and real time disclosure by XBRL means that the asymmetry between internal management information and external public information can be greatly reduced by the use of XBRL in the company's accounting transactions processing (Hunton et al, 2003). XBRL also provides flexibility to some businesses. Weber (2003) reported that mergers and acquisitions should be easier to effect if the businesses involved operate in an XML environment. This is particularly because some problems that arose previously during attempts to integrate disparate information technology platforms should be mitigated (Boritz et al, 2003). Similarly, internal reorganizations are likely to be easier to effect because they are less constrained by incompatible information technology platforms. On the other hand, businesses operating in an XML environment become more amenable to takeover. They have fewer barriers in place to prevent a takeover (Weber, 2003). By incorporating these general benefits associated with XBRL (and/or XML), participation in SBR project is expected to be a worthwhile adventure for Australian business, at least as claimed by Australian Government.

It has been widely advocated that in the longer run, XBRL will reduce the costs of (a) compliance with reporting regulations and (b) data quality assurance services (e.g., audits) (Weber, 2003). Using XBRL, SBR will also enable businesses to communicate more effectively with financial markets, thereby reducing their cost of capital. From a small business perspective, SBR will be almost invisible because it builds the taxonomy into the accounting systems that businesses use to manage their records (Madden, 2009). Moving up the scale to large business, much of the SBR abilities will still be built into accounting systems, but the range of reports will be broader (SBR steering group, 2008).

The Australian Treasury's SBR website notes some additional benefits that businesses can avail by adopting XBRL. It first concedes that some of the information mapping between the SBR definitions and the information in businesses' accounts will need to be set and tested by the business or its accountant (www.sbr.gov.au). However, once mapped, the information can be used to satisfy a range of reporting needs. Businesses will no longer need to re-enter data into different systems or interpret terms for one agency that have a slightly different meaning for another. All this will ultimately save an estimated \$800 million per year for business in Australia (Madden, 2009). Therefore longer-term cost savings is one of the most compelling impacts that the business should experience from the adoption of XBRL (or SBR).

The standardisation of data definitions and reporting requirements will result in fewer data elements in total and increased consistency in the way businesses report data within and between agencies. This could also alleviate current confusion in the business community where different agencies use different definitions for similar terms (Madden, 2009). Consistent definitions will lead to improved data quality and integrity, as businesses have a clearer idea of what they are required to report, and agencies will know what they were getting. There is also potential for timelier reporting, as businesses will not need to transform their existing data sets to the same extent. Based on a reduced set of data across agencies, and alignment of terms it will leave less room for error in reporting, and will also make it easier for software producers to incorporate those definitions into their reporting systems. It

must also be stressed that SBR will allow business, accounting and financial systems to become the portal to report to government. Australian SBR project is aimed at reducing business forms submission to the government agencies. In this sense, SBR will operate much like a post office, simply moving electronic messages from businesses' system to the right agency, and returning an electronic receipt (see sbr.gov.au). For some of the simpler forms, the reports will be pre-filled in the accounting system, and businesses will be able to complete the forms where necessary, check for accuracy and validity, and correct any errors before final submission. This will save time and effort with corrections. In addition, businesses will be able to use a single sign-on not only to send reports to multiple agencies, but also to log onto the web portals provided by the agencies involved in SBR. Along the way, because the terms used by different agencies have been harmonised into a smaller, single and consistent set of definitions — the SBR Taxonomy — business will understand better what government is asking for. All these expected to reduce the time needed compliance reporting by businesses in Australia, which will cascade over time, freeing up business people and their professional intermediaries for higher level analysis and advising and streamlining the movement of financial information along the entire reporting chain. As a summary Australian Treasury expects that SBR would benefit Australian businesses in the following areas:

- Reduction in the administrative burden (i.e. cost) of providing data to Government-
- Streamlined process of passing/aggregating data across different internal departments, offices or business units of a company.
- Increased interoperability of finance applications
- Increased ability to change providers of filing services (where used) driving increased competition for business and lower charges.
- Better interaction with the banks for loan applications and risk systems:
- Improved data quality (less errors due to less manual intervention).
- Avoidance of fines for non-compliance with a mandatory request to provide data.

(OECD forum, 2009)

These benefits of SBR can only be achieved by a business once it fully implements SBR. It seems that two major benefits out of prospective adoption of XBRL (and/or SBR) are mostly reiterated in the literature – cost savings due to streamlining of

information systems, and better compliance reporting. But the literature did not fail to mention what concerns businesses should consider before adopting XBRL for their reporting purposes. Probably these concerns might explain why a majority of the organizations have reservations about taking up XBRL reporting.

The first concern relates to outsourcing possibilities. Earlier the possibilities of outsourcing were listed as one of the benefits of XBRL. But that same outsourcing decision may become a concern for the management of an organization. It has been reported by Weber (2003) that if a business decides to use XML essentially to outsource its information systems processing and reporting activities, it ought to carefully consider four questions. To quote from Webber (2003):

- 1. How integral are the processing and reporting capabilities to the core competencies of the business? Will use of XML to outsource these activities to a service provider fundamentally undermine these core competencies of the business over time?*
- 2. What will happen if the particular service market on which the business relies ends up as an oligopoly or monopoly? Will a "hold-up" situation arise in which the service provider can extract "rents" from the business?*
- 3. Can the business place reliance on the service provider's system of internal control? What implications will reliance on the service provider have on the conduct of the business's audit?*
- 4. As more businesses place reliance on the service provider, will the service provider increasingly become a target for attack by malicious parties? For instance, will hackers attempt to perpetrate denial of-service attacks with a view to blackmail the service provider or impact the share price of the service provider or the businesses that rely on the service provider? (Weber, 2003, pp.3-4).*

Therefore, the business would be prompted to view XBRL from a strategic perspective rather than from a narrow operating activity perspective.

The issue of cost pressure comes next. In the short run, all businesses are likely to incur higher costs as they add XBRL capabilities to their existing information systems

to enable them to comply with regulations that require them to report in XBRL format. In this regard, businesses need to consider how this short term cost pressure would outweigh the very long term benefit. This short term cost pressure is particularly important for small and medium organizations. The existence of XBRL is also likely to motivate regulators and investors to place increased pressure on businesses to provide continuous reporting of their financial position. At least in the short run, responding to this pressure is likely to result in businesses incurring higher costs. In the midst of the global financial crisis in 2008-2009, the organization would be wary about the high cost associated with implementation of SBR, especially when preparers might perceive SBR gives more benefit to the users than the preparers themselves.

SBR or XBRL promotes continuous reporting which businesses strive to achieve to please the stakeholders. But managers would be reluctant to compromise their businesses when adopting continuous reporting. Continuous reporting via XBRL can be a blessing and a curse according to Hunton et al. (2003). "The blessing is that real-time disclosure of information can be made available to the entire marketplace at once, thereby decreasing the potential for information asymmetry and increasing the decision usefulness of such information. The curse, however, is that the same technological improvements that give rise to timelier and more equitable disclosures can also be used to offer richer disclosures (Hunton et al, 2003, p.12)". Stakeholders would start to demand more and more information. If a particular company starts to do that there would be too much disclosure about the company in the marketplace that would impair its competitive advantage. Bamber and Cheon (1998) had a similar finding – there is a negative relationship between proprietary information costs and discretionary earnings forecast disclosures. There is also a possibility of hostile takeover bids by rival companies if too much information is available to them. Following the self-interest assumption of agency theory, managers would defer the plans to incorporate XBRL to ensure survival of the business.

To sum it up, managers face concerns about loss of control of their management information system from outsourcing of the SBR function, disruption to their established approach to business modelling, and the proprietary costs of externally

exposing more disaggregated and frequent financial information to competitors. The latter concern would particularly be a barrier to management that contemplates their company taking the lead in the implementation of SBR in its industry.

POTENTIAL IMPACT OF SBR (OR XBRL) ON REGULATORS

It is government ministries and agencies that are predominantly pushing the use of SBR by businesses in their country. The question addressed in this section is why the regulators are showing a keen interest in XBRL (or SBR). The literature suggests that XBRL offers several major benefits to regulators. First, it reduces the costs associated with their obtaining and assimilating information from businesses. Regulators are not forced to re-enter information or expend resources on dealing with the problems that arise as a result of incompatibilities between their own information technology platforms and those of the businesses that fall within their jurisdiction (Weber, 2003).

Second, the existence of XBRL allows them to argue more strongly for the standardization and harmonization of international business reporting standards. Most importantly XBRL offers better analysis of company information by the regulators (Weber, 2003). Public policy decisions by government agencies would be informed in a more consistent, complete and timely way. The experience by SEC in the US might be useful here to illustrate the advantages to regulators. SEC is an enthusiastic supporter of XBRL and it has already mandated XBRL for the registrants in the US. It has been demonstrated that “teams of reviewers” in the Corporation Finance division of the SEC could view a company’s data just as easily as the preparer itself (Brunka, 2008). The reviewers can automatically compare information from various sections within a single disclosure document. It is claimed that the structure of the XBRL taxonomies enables users to “view the underlying authority of accounting literature . . . associated with each piece of tagged information” (White , 2007 cited by Brunka, 2008, p.104). SEC reviewers could also view information from issuers across quarters with a simple mouse click. This enables SEC to better analyse company data and recommend action if necessary. One very good example has been given by White (2007), the director of Corporate Finance at SEC. Suppose a company is being investigated for stock option backdating. White (2007) stated that

regulators “could easily go back very quickly and look at all the past disclosures [the company] made concerning option grants.” In addition, the company and the SEC could easily and quickly look at what other companies were saying and how they were handling the problem. The interactive data format in XBRL allows investigators to cull and compare information more quickly (Brunka, 2008, p.106). Therefore, the XBRL technology provides enhanced searching capabilities. SEC staff may run searches looking for stock option filing dates that occur within a specified date range, and the staff may likewise search for stock option execution dates that fall within a certain range. This combination of searches allows investigators to spot filing dates that occur more than two business days after the execution date of the filing, a red flag for stock options backdating (Brunka, 2008). Overall, it appears that the SEC simply is able to spot internal inconsistencies more quickly and easily under the new program. In addition, where cross-company comparison of various issues previously involved sifting through hundreds of pages, or dozens of screens, of financial data, the XBRL technology makes it possible to pull up several companies’ disclosures on a particular area within seconds. SEC presumably is the biggest regulator of companies in the world. Other regulators can learn from SEC’s experience and that is why other countries including Australia are proceeding to implement SBR to leverage on XBRL.

It is suggested that there will be significant benefits to agencies from automated business reporting via SBR. Agencies would be able to introduce automatic checking of business data to identify data quality issues, as well as be able to run automatic risk-assessments of business reports, to determine whether further manual processing needed to be undertaken. This will result in savings in time spent processing business returns, and at the same time provide significant improvements in agencies’ risk management strategies (Wang, 2007).

The report of the SBR Steering Group of NZ (2008), sums up the benefits of SBR to company regulators, based on focus group research amongst government agencies in New Zealand:

Government agencies will benefit from:

- *Higher quality and more timely information being received from business on which government can make decisions.*
- *The elimination of duplicate and obsolete requests being made of business.*
- *Data being received in a standard format allowing for a reduction in collection costs as well as far greater analysis and understanding.*

The main intangible benefits for the government would be:

- *Improved data quality*
- *Faster and more consistent government responses*
- *Improved collaboration among government agencies*
- *Consistent data feeding into improved policy development and implementation processes.*

The realisable benefits for government would be:

- *Increased business and public satisfaction*
- *Improved agency interaction*
- *Scalable solution enabling future initiatives and other tangible benefits*
- *Reduced risk*
- *Reduced revenue leakage*
- *Improved efficiency*
- *Better decision making.*

(SBR Steering Group of NZ, 2008)

From the above list, regulators believe XBRL benefits are not limited only to faster data collection and better analysis of data but extend to improving efficiency and risk management in the economy leading to better public satisfaction with policy development. This view was shared at an OECD forum (OECD, 2009) where it was concluded that XBRL can “improve Governments’ ability to make timely and effective decisions impacting economic and fiscal policy because of improvements to the business reporting supply chain, with respect to reporting compliance, data accuracy and reporting process speed”.

As a further note, reliability of data transmitted via SBR is also addressed in the literature. Regulators would be interested in the possibilities of the rise of specialist

assurance service to ensure the reliability of transmitted financial data. Businesses can transmit their data to these service providers to have its quality assessed. XBRL, in turn, allows business reports to be tagged to indicate what elements have been subjected to assurance services (e.g., by an auditor). Links might also be established to files containing the evidence associated with particular assurance tags. The job of the regulators will be much easier as they are able to pay less attention to data quality and concentrate their efforts more into policy making. With a system that provides reliable data, regulators can focus on analysing the data to formulate new and updated policies. In addition, regulators can easily check whether or not companies are complying with their regulations and standards, and can do so in a timely manner. This will enable regulators to quickly respond to any issues of non-compliance.

Regulators around the world are increasingly concerned about litigation risks from inadequate monitoring of companies, partly due to the recent financial crisis. Continuous reporting reduces litigation risk as management undertakes frequent reporting (Hunton et al, 2003). But if the continuous reporting improves relevance without appropriate consideration for reliability, it may generate accounting information that is inappropriately relied on by financial report users. Thus the potential for litigation will increase. However, the emergence of specialist assurance services in the XBRL environment will ensure the reliability of XBRL reports. Therefore, continuous reporting via XBRL (or SBR) should reduce litigation risk of company information.

WHAT ARE THE PROSPECTS FOR VOLUNTARY TAKE-UP OF THE RECENTLY ACTIVATED SBR FACILITY IN AUSTRALIA?

The discussion above has given a review of what the take-up of SBR in Australia could mean to three parties in the financial reporting supply chain – company investor-users, company management-preparers and government regulators of financial and business reporting. Since, SBR taxonomies are based on XBRL, any XBRL advantage should accrue to the SBR initiative by the Australian government. It can be seen that there are varied potential benefits arising from the take-up of SBR. This review suggests the SBR provides benefits to all of the parties but users and

regulators are clear winners. Users would benefit by more timely and reliable information from companies. There would also be reduced information gathering cost for the users. The regulators would benefit by having better analysis capabilities with more up-to-date data. It would be easier for the regulators to identify problem companies in terms of non-compliance, and to aggregate business data for early indicators use in government fiscal, taxation and monetary policy decisions.

But investor-users and company regulators in Australia will only benefit from the recent activation of SBR from July, 2010 by the major regulatory bodies (ASIC, APRA, ATO, ABS and State Revenue) if it is voluntarily taken-up by company management-preparers. At the moment, the ball is in preparers' court. The literature on SBR adoption from the management-preparers viewpoint suggests that preparers have much to weigh up. There is the issue of costs. SBR (or XBRL) would reduce information processing cost in the long run but could cause competitive disadvantage by the more timely public availability of company proprietary data. There will be short-term costs involving the project for installing the SBR platform, the potential disruption to vital information processing and reporting systems, and management training costs. These short-term costs would involve the issue of reorganization of IT systems even though it is suggested XBRL is compatible with disparate computing platforms.

The preparers can meet the users' expectation of continuous reporting implementing SBR and compliance reporting becomes much easier for the preparers as lot of government agencies are involved in the SBR project. By doing so, preparers would open up their databases to the users. Lots of proprietary information would be made available which has the potential to severely impair competitive advantage. Therefore, profitability of the company would be at stake. There would also be a risk of hostile takeover. All these concerns mean prepares need to carefully assess the situation before making a formal decision. The recovery from the global financial crisis may also prompt business managers to defer the decision to adopt XBRL and rather wait and see.

Therefore, a critical aspect of getting wide take-up by manager-preparers of SBR in Australia is the regulators' ability to gain their trust in the fact that data transmitted to government electronically will remain under the participating businesses' control. The design of the SBR transmission process in a way that ensures data is routed to relevant regulatory agencies in limited information packages, and more comprehensive information is not centrally stored by government or shared between regulators, is a suitable way of allaying fears of manager-preparers about the loss of control of proprietary information. The transmission design, however, weakens the benefits that regulators and users could gain from the adoption of SBR in Australia.

An interesting question arises: why Australian regulators did decide not to mandate SBR? One answer may be because they feared that it may cause a fundamental shift in accounting and financial reporting practice in Australia. Another view could be that the regulators want the law of supply and demand to dictate terms. That is "if the capital market places a premium on more frequent disclosure of information, firms that respond accordingly will reap financial benefits such as lower cost of capital and higher share price values. Firms that refuse to address marketplace demands for more timely information will suffer the economic consequences. Over time, firms will eventually find their break-even point with respect to the incremental cost of providing more frequent information (i.e., technology, opportunism, and competitiveness) and resulting benefits" (Hunton et al, 2003, p.12).

To end the discussion of prospects of SBR take-up by businesses in Australia, a pessimistic conclusion could be drawn from a 2002 survey in the US. . This survey, conducted by PWC amongst senior financial executives, found that only 42 percent believed that XBRL would enhance the usefulness of financial reports to users, while 47 percent admit that the role of XBRL remains uncertain (Cuneo, 2002). The inference is that preparers perceive that user groups will not necessarily benefit if their company implements XBRL. There has also been a call by some researchers (e.g., Locke & Lowe, 2007) to take steps to trigger end user adoption before pushing XBRL to preparers. Given managements' perceived doubts about incremental benefits accruing only to shareholders and other users of their corporate financial information arising from adoption of SBR, together with concerns about potential

competitive disadvantage from taking the lead in SBR adoption, the prognosis is for a slow take-up by Australian businesses.

CONCLUSION

SBR is an example of using new technology (XBRL) to achieve a policy objective; in this case, reducing the cost of financial reporting from business to government. The key components of technical interest for SBR adoption are robustness of the mapped taxonomy, and the use of the complete system when it is progressively taken up. SBR can become part of the standard functionality in accounting software. But the benefits will accrue through the financial reporting supply chain only when a critical mass of business preparers of external financial and business reports implement that functionality in accordance with the relevant government regulators' requirements. A key aspect of the rate of take up by business preparers is likely to be their acceptance of assurances from government that the data which they directly electronically transmit through SBR has a built-in design that safeguards their control over their proprietary data becoming available to users (especially shareholders and competitors), and partitions the supply of compliance data to regulatory agencies authorized to receive it.

Future research on the rate and consequences of SBR take-up in Australia can become empirical. After the actual roll out, an identification of the types of adopters and the effects on their cost savings and share market value compared to non-adopters can be compared. Empirical research could be undertaken to establish the company-specific factors that can explain the differences between the actual adopters, the intending adopters and the intending non-adopters.

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