

# SEC-mandated XBRL data at risk of being irrelevant to investors and analysts

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In 2009, the Securities and Exchange Commission mandated that public companies submit portions of annual (10-K) and quarterly (10-Q) reports—in a digitized format known as eXtensible Business Reporting Language (XBRL). The goal of this type of data was to provide more relevant, timely, and reliable "interactive" data to investors and analysts. The XBRL-formatted data is meant to allow users to manipulate and organize the financial information according to their own purposes faster, cheaper, and more easily than current alternatives.

But how useful and usable is the new data to analysts and [investors](#)? The authors, early proponents of interactive data, from Columbia Business School's Center for Excellence in Accounting and Security Analysis (CEASA) recently completed a review of the state of XBRL, with a focus on its usefulness and usability for security analysis. The study questions the reliability of the data, the simplicity and stability of the underlying [taxonomy](#) and architecture, as well as the lack of user tools that add value and are easily integrated into an investor's or analyst's existing work flow and tools. As a result, the researchers conclude that XBRL has promised more than it has delivered to date and is at risk of becoming obsolete for use by analysts and investors.

However, the authors recommend specific changes that could make the formatted data more useful to investors and analysts. First, the entire XBRL stakeholder community must reduce significantly the error rate and limit unnecessary "extensions" (company-specific data identifiers or "tags"). Steps that might achieve this include: greater regulatory

oversight and enforcement, mandatory audits of the data and tags, or requirements around meeting the XBRL US organization's error and quality checks. Second, the entities that file the XBRL-formatted financial reports should focus their energy on improving the quality of their data, rather than on trying to destroy the SEC's XBRL regulation. Third, the ongoing development of XBRL technology should be taken over and run by technologists, rather than accountants and regulators. An interesting approach for this might include partnering with major business information system vendors (like IBM, Oracle, and SAP), the key web-based financial information suppliers (like Google and Yahoo), and possibly even the major data aggregators (Bloomberg, CapitalIQ, Factset, and Thomson Reuters) not only to ensure that the SEC's regulatory data can be used effectively by investors and analysts, but, more importantly, to help improve the XBRL technology and usability overall.

"The potential for interactive data to democratize [financial information](#) and transform transparency remains stronger than ever, and many investors and analysts wish that the data were more useful today," the researchers wrote in the study. "But unless stakeholders focus on improving the data's reliability and on creating value-added, easily integrated tools, XBRL-tagged data is unlikely to be used by a significant number of investors or [analysts](#)."

Provided by Columbia Business School

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