

JSE launches an XBRL financial reporting portal

Encouraged by leading stock exchanges and welcomed by analysts and investors alike, XBRL financial reporting is likely to become part of every financial director and investor's daily lives. Like many other stock exchanges, the JSE is set to introduce a financial online reporting portal which will allow listed companies to file their financial reports using XBRL. The introduction of this portal will allow for faster, simpler access to company information for both investors and analysts.

What is XBRL?

XBRL stands for 'eXtensible Business Reporting Language', and is an electronic language used for the communication of business and financial data. The original concept that continues to form the backbone of XBRL is the creation of a global standard that permits each piece of data contained within corporate financial reports, such as the primary financial statements or the notes and schedules to the financials, to be "tagged" with what is perhaps best described as a "bar code".

This tagging allows consumers of information to immediately pull out the exact information they want, and instantly compare it to the results of other companies. This includes performance in past years, industry averages – in whichever way the consumer wishes to slice and dice the data. In essence, XBRL allows the user to aggregate, compare and present information in many different formats – which vastly enhances the usability of the information inside and outside the organisation. This offers great advantages to listed companies, analysts, investors as well as for regulators and financial journalists.

The JSE's XBRL Financial Portal

Internationally, equity exchanges and regulatory authorities – including the US Securities Exchange Commission, Deutsche Boerse and Tokyo Stock Exchange – have embraced XBRL. While South Africa was one of the first countries to embrace International Financial Reporting Standards (IFRS), but it has been slow to recognise the benefits of XBRL. The local entity of XBRL is being driven by XBRL South Africa (which is under the auspices of SAICA), a non-profit organisation, of which the JSE is a member. Its primary objectives are to promote and create awareness of the use of XBRL in South Africa and to create taxonomies for South African specific reporting requirements, such as the additional reporting requirements of the SA Companies Act over and above IFRS standards.

Like other financial portals hosted by exchanges, this online digital reporting filing platform would be voluntary and complementary to existing financial reporting. "Promoting XBRL is in line with the JSE's efforts to continually innovate, encourage greater market transparency and improve efficiencies in the preparation and communication of financial information," comments Freda Evans, CFO at the JSE.

Providing an online reporting portal should make it easier for listed companies to report using XBRL. The portal will have a secure login for financial staff to load their financial data and separate login for investors and analysts to download this data. "The portal is designed to be as user-friendly as possible using numerous prompts and a how-to guide for users. Our intention is to provide a valuable service to our listed companies, rather than adding to their reporting requirements," adds Evans.

Benefits for listed companies

There are numerous reasons why companies should consider reporting using XBRL:

Attract foreign investment

Perhaps the most compelling reason to use XBRL financial reporting is the ability to communicate better in international capital markets.

As XBRL is becoming a global standard, regardless of language or location, the information embedded in XBRL data tags will allow international investors to read and analyse any financial statement. Companies whose financials are tagged will likely get the largest share of analysts' attention as innovators and market leaders while non-XBRL friendly competitors will be marginalised.

Less time and lower costs

If implemented correctly, XBRL has the potential to cut hours of waste, cost and inefficiency – not just for users of financial data but also for the companies that prepare it well. While the implementation of XBRL has technological and training requirements, in the long term it will save the company money.

Reduced errors

Because computers can read information presented in an XBRL format, it means that the information can be transferred without being manually recaptured. As data is tagged when transferred, errors associated with manual data entry are eliminated, thus freeing up valuable company resources.

Multiple uses for data

Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders.

Companies can benchmark

Listed companies can now benchmark themselves against their industries/sectors and peers far more easily.

Internal reporting

Just as investors and analysts can reap the benefits of XBRL, a company could also utilise this in its internal financial reporting processes for example in consolidations.

Benefits for investors and analysts

Whether they are locally based or international, investors and analysts will ultimately benefit from XBRL reporting.

Lower cost to acquire information

Large investment firms will be able to reduce costs through the use of computer extraction without the need for translation or manual checking. By going direct to the source of the data, rather than through an intermediary, they will stand to save both time and money. Human effort can switch to higher, more value-added aspects of analysis, review, reporting and decision-making. In this way, investment analysts can save effort, greatly simplify the selection and comparison of data, and deepen their company analysis.

Allows for quick and easy comparisons

Investors and analysts may use the tagged data in online databases to screen companies according to certain financial criteria, or they may use it to make valuation projections and assess whether a company's stock is over- or under-valued. Individual investors will benefit when online data providers provide information in XBRL format that can be easily rendered and used in Excel format with the click of a button.

Enhanced ability to compare data

XBRL means that they will be able to value a company quicker and to quickly and accurately analyse multiple companies within an industry, which improves efficiency dramatically. Analysts will also have the ability to accurately and easily compare multiple companies over an historical timeframe. For investors, XBRL will mean improved accuracy, integrity and immediacy of data. This includes an increased ability to compare companies across time periods, sectors or countries. XBRL also has the functionality to allow for automated analysis and flexible modelling.

Improved screening of data

Software can also immediately validate the data, highlighting errors and gaps which can immediately be addressed. It can also help in analysing, selecting, and processing the data for re-use.



For more information about the XBRL financial portal please email XBRL@jse.co.za