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November 15, 2004

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

File No.: S7-36-04
Concept Release: Enhancing Commission Filings Through the Use of Tagged Data
Release Nos.; 33-8497; 34-50454; 35-27895; 39-2429; IC-26623

Dear Mr. Katz:

The Center for Public Company Audit Firms (the "Center") of the American Institute of Certified Public Accountants ("AICPA") respectfully submits the following written comments on the Securities and Exchange Commission's (the "SEC" or the "Commission") Concept Release: *Enhancing Commission Filings through the use of Tagged Data* (the "Release").

The Center was established by the AICPA to, among other things, provide a focal point of commitment to the quality of public company audits and provide the Commission and the PCAOB, when appropriate, with comments on its proposals on behalf of Center member firms. The AICPA is the largest professional association of certified public accountants in the United States, with more than 340,000 members in business, industry, public practice, government and education.

In late 1999, the AICPA – with the support of twelve sponsoring companies – launched the eXtensible Business Reporting Language (XBRL) in its continuing efforts to address transparency and business reporting using a market driven, collaborative model. In 2002, the AICPA founded XBRL International to extend this idea globally. Today, the AICPA continues as a founding member and host of XBRL-US and participates in the global XBRL Consortium of now more than 250 of the world's leading accounting, financial services, technology and regulatory organizations committed to transforming business reporting.

The AICPA is committed to an enhanced business reporting model as demonstrated through its sponsorship of the recently formed Enhanced Business Reporting

Consortium that eases the reporting burden, protects the public interest and motivates companies to provide transparent, easy-to-understand information to help all supply chain members make better informed decisions. As the Commission and investors increasingly demand more timely access to information, unique information formats like XBRL can play a central role in meeting these demands. As XBRL is extensible and interoperable, its true power resides in its ability to represent all business information prepared by public companies.

We commend the Commission's initiative to improve the filing, information collection and disclosure process using tagged data generally, and more specifically considering the eXtensible Business Reporting Language (XBRL) as a format for reporting financial information. The AICPA is committed to the promulgation of XBRL as an open, freely licensed standard for the efficient and transparent exchange of business information over the Internet. Our comments on certain specific aspects of the Release are presented below.

SPECIFIC REQUEST FOR COMMENTS

II.   TAGGED DATA AS PART OF OUR INITIATIVE TO IMPROVE ANALYSIS AND DISCLOSURE

B.   Essential Elements of Data Tagging
What are the advantages and disadvantages of using the active pairing approach as compared with the fixed field technology approach? Are there Commission filings, in addition to Section 16(a) beneficial ownership reports, that would better rely on fixed field technology? If so, which filings or forms would best use that technology?

Active pairing inherently provides the filer greater flexibility. Filer flexibility should be an important, if not overriding, principle of the program. If desired by the filer, active pairing may be used to populate a form to yield a fixed-field approach but the reverse is not true.

On a broader level, active pairing is fundamentally better for data reusability because both producers and consumers shift their focus from the forms to the individual data items and series. The ability to scale up to a greater variety and more targeted data collection benefits both producer and consumer.

Some information requirements are inherently fixed-field; such as those required to record the existence of corporate entities and their entitlements within a set of regulations. Among the filings listed at (http://www.sec.gov/info/edgar/forms/edgform.htm) it would appear that those associated with the Williams Act (SC-13D, Rule 144) and the N series of forms for Investment companies (N1-A, N-2, etc.) fit these criteria.

C. **Impact on Disclosure**

What effect would tagged data have on the ability to use and analyze registrants' disclosure? Is the provision of tagged data in Commission filings preferable to the current system?

After the initial tagging of data, tagged data will not have to be reentered or retouched for use or analysis. This will allow for faster, more cost effective and consistent use and analysis of the available information by all users.

More importantly, tagged data significantly improves the ability for filers to more precisely direct and publish business and financial information to investors, regulators, analysts, lenders and other key stakeholders. By contrast, the current filing process, ASCII and HTML file formats, encourages data aggregators, investors and other stockholders to normalize the data in a proprietary fashion resulting in different "truths" to the data depending on who is doing the normalizing.

Therefore, tagged data is preferable to the current system given that large sectors of the capital markets are making decisions based on far less tangible information. Analysts will be able to make decisions based on the depth and breadth of tagging, taxonomies used and other aspects that will broaden the measures they use.

Would tagged data have an effect on the quality of disclosure in Commission filings?

Tagged data, taken as part of a complete system of improved information flow to the end user with improved feedback to the filers, will improve the quality of disclosure in Commission filings over time. The potential greatest benefit is that if data quality is consistent over a longer period emerging intelligent tools will be able to discover trends and abnormalities. The Commission should also consider "assurance" of the tagged data to improve data quality as discussed at Item III. D. below in this letter.

Can the usefulness of disclosure be improved in ways other than the application of tagging technologies? For instance, are there alternative solutions (e.g., software products) that reliably facilitate analysis of the text-based information contained in filings today?

We are not aware of any software products that can reliably extract structured content from the text-based information in filings today. Tagging of this information by the filer, who is motivated to communicate precisely with the market, is the best way to capture this information for users who will use software tools designed to analyze this tagged data.

In the longer term, the Commission may want to consider revising or reorganizing some filings so that the information that lends itself to a fixed-field approach is separated from that which is more appropriate for an active-pairing approach. As noted earlier, the active-pairing approach is more general and can be presented to an end user as if it were fixed-field, while the reverse is not true.

III. XBRL AND XBRL TAGGED DATA

A.   **Technology Specification**

Is the XBRL Specification 2.1 sufficiently developed to support the tagging of financial information? Explain whether the specification provides an effective and efficient means for tagging data in Commission filings.

The XBRL Specification 2.1 has reached a level of maturity where compliant applications are able to readily exchange XBRL taxonomies and instance documents. In particular, XBRL provides the only existing standard by which families of related XML Schemas can be coordinated and their relationships managed in a flexible, extensible way. The majority of the remaining work exists at the taxonomy level with further development of taxonomy vocabularies and relationships driven by marketplace adoption and feedback.

Three US GAAP taxonomies have been developed and are suitable for 90% of major US public companies. In addition to finalizing taxonomies to cover the remaining 10%, improvements will likely be needed in the customizable areas, such as footnotes. Additionally, XBRL taxonomy design allows for leveraging the financial data concepts in the hierarchical framework while the related text is provided for in the footnotes.

In addition, in an effort to enhance the interoperability of XBRL information that crosses multiple taxonomies, efforts are underway to standardize vocabularies for geographic, line of business, and other business segmentations, as well as other "contextual" information such as the reporting date and status of the information needed by the information consumer to interpret the data correctly. Again, market use and feedback is essential to the development of these vocabularies but it stands above and outside of the XBRL specification, which is stable.

Other XBRL standard development efforts include the ability to express complex formulas for validation and other purposes. The experience of other regulators has shown complex validation to be important to the overall business process but also recognized that implementation will take some time. This development will have little impact on the voluntary filing program for a number of months.

The effectiveness and efficiency of XBRL for tagging Commission filings results mainly from the quality of the taxonomies and the growing number of software products that are XBRL-enabled. Progress in both areas has been rapid in calendar 2004 with the completion of the XBRL 2.1 Specification at the end of 2003.

Although XBRL Specification 2.1 is an open standard available on a royalty-free basis, are there limitations on the ability of filers, software providers or others to freely use the specification?

XBRL is unencumbered by any significant patent or intellectual property issues. The primary limitation found in practice has been the need for developers to invest in understanding XBRL and why its scope demands richer data structures than are found in typical point-to-point XML applications. For example, XBRL is impacted by errors and deficiencies in various major vendors' implementations of its underlying XML, XML Schema, and other open standards. These vendor issues have been fully documented but it is only recently that the appropriate knowledge sharing forums have been created to ensure that independent software developers are aware of these issues.

B.   **Taxonomies**

What should the Commission's role be in taxonomy development? How could the taxonomies be assessed to determine whether they include the disclosures required by GAAP and Commission rules?

The Commission's primary role related to taxonomies should be to support market development efforts. XBRL Taxonomies are currently developed using an open market collaborative approach designed to assure that all stakeholders (commercial and regulatory) have an opportunity to participate and influence the taxonomies designed to meet the capital market needs. The current process follows a standards development process, which includes public review and comment as well as providing for FASB review.

The Commission may provide some oversight and input to the taxonomy development process due to the importance of this program. Further, the Commission needs to address how it will store and provide access to taxonomies by filers, investors and other interested market participants. There is the assumption that all public companies will file leveraging the "approved" industry-level taxonomies and extending as necessary.

If, in the future, the Commission believes that an appropriate authority should approve the taxonomies used for filing with the Commission, consideration should be given to the FASB "certifying" the GAAP portions of the promulgated taxonomies for consistency with GAAP.

That said, the Commission should take care not to put its regulatory cart before the market information horse. Insofar as the mission of the SEC is to protect investors and ensure the smooth functioning of capital markets, its current regulations oriented toward historical cost reporting have the potential to be significantly augmented and made more effective by XBRL tagging. XBRL offers registrants an unprecedented opportunity to report structured information to an investing community for whom historical cost accounting may have declining relevance.

A higher level of oversight and guidance is needed but the Commission does not necessarily need to judge individual tags. Rather, it should seek to ensure that taxonomies for efforts such as the recently established Enhanced Business Reporting Consortium have every opportunity to emerge into wide use.

Are the standard taxonomies sufficient for registrants to submit data tagged using XBRL without extensions? If not, should standard taxonomies be expanded to make extensions unnecessary? If standard taxonomies were expanded to make extensions unnecessary, would the standard taxonomies still be manageable, efficient and useful?

Based on review of the Commission's expectations, it appears that the XBRL taxonomies align well with the definitions and classifications per GAAP and Commission rules. By utilizing industry-specific standard taxonomies, registrants should have sufficient detail in which to present data but each registrant is going to have some nuance in their financial statement presentation that is not included in the standard taxonomy. To expand standard taxonomies to include all potential presentation and disclosure possibilities would create an amount of data that would not be manageable by registrants or external users of the financial data. While the expanded taxonomies would be more comparable to registrants' financial statements, the effort to create these taxonomies would be significant. Moreover, it is questionable that taxonomy builders could even anticipate every element order or calculation that a company may choose to use in a filing.

What would be the advantages or disadvantages of permitting registrants (either individually or as part of an industry group) to develop, use, and submit their own extensions? If registrants were permitted to use their own extensions, would it result in better financial reporting with greater detail than reliance solely on standard taxonomies? Is there any potential that investors could be confused or misled by registrant-developed extensions?

XBRL was explicitly designed to allow for registrant-developed extensions for the very purpose of providing more detail and information that better aligns with management's message. The extension provides companies the flexibility to provide additional detail on company or industry specific disclosures that may not be captured in a base taxonomy. It allows the company to define

specific accounting terms or disclosures that are different from other companies or industries. As a result, companies providing an extension will provide better reporting.

Forcing companies to use only a standard taxonomy would cause significant burden to ensure the standard taxonomy covered 100% of all reporting possibilities and could make companies feel as though they were normalizing their data.

While this flexibility does potentially provide the preparer a mechanism to mislead investors, that mechanism also provides a trail of discovery and analysis for auditors, investors and regulators by way of the extension. The extension allows the reader of the filing to determine what specific terms that the registrant is using that vary from the standard taxonomy.

C.   **Presentation and Analysis of Tagged Data**

Would it be preferable for registrants to develop and submit their own style sheets to render tagged data into a specific format or for the Commission to provide a standard style sheet? Why or why not?

Rendering could use various technologies that use a commercial off-the-shelf (COTS) web browser as their runtime rendering engine. In principle, one is not limited to XSL and XSLT but could also employ JavaScript and platform-independent applets. Indeed, even the "style sheet" approaches that would be used with any active pairing approach (particularly XBRL) will require a small "driver" encoded in HTML and JavaScript, at a minimum. If the Commission decides to accept style sheet or other executable script in the files that accompany the XBRL filing, care should be taken to define limitations that will prevent Trojan Horses (programs that appear innocuous but perform malicious acts when executed). This possibility certainly suggests that to the extent the Commission can define a secure and freely available implementation for rendering, it should do so as a "default." That said, the system should allow filers to submit their own rendering in some fashion, otherwise the flexibility being offered to filers will be illusory.

What is the appropriate level of detail to be provided in rendered financial statements? What standards should be established to ensure a sufficient level of detail in the rendered financial statements?

The level of detail in the rendered financial statements will be dependent upon use: the filing, industry and company (i.e. information presented in financial statements and disclosures; third party usage). The Commission may consider providing guidance and encourage the evolution of more detailed tagging by registrants over time. No standards should be established to ensure a sufficient

level of detail. Style sheets used to render the financial statements may be based upon industry templates and customized by each company.

One improvement that could be made to this highly flexible and open-ended filing program would be to provide more specific suggested content areas and levels of detail and materiality, based on the US GAAP taxonomy and aligned to existing filing types to increase the likelihood that information consumers will know what to do with the files. It is important for the Commission not to pre-judge for itself or for the market whether and with what speed a move to more granular tagging might be required, or whether granular is necessarily better – it may be that more uniform summarization, rather than more detail will meet the market's needs better. A goal may be to provide for companies and other market players to lead the way in that respect.

Are software analytical tools sufficiently developed to analyze the data? What are the fundamental features of such tools?

The scope of analysis in the financial investment sector, ranging upward from simple credit rating models to anomaly detection, peer group analysis, trending and forecasting, encompasses many tools, but they all require relatively clean, normalized data, and usually for several historical periods.

Broadly speaking, these analytical tools come either with or without the most fundamental feature: either they have a fixed set of categories for proprietary forms of analysis, or else they are a "toolkit" in which the user has wide latitude to configure the analysis they want. The marketplace supports both.

Analytical tools with a fixed set of categories will almost certainly be limited by their need to map their categories onto the terms in the published taxonomies, and will have difficulty dealing with extensions.

Analytical tools in which the mapping is configurable by the user, and can be saved and carried over to future analyses, will have a considerable advantage in the marketplace in dealing with XBRL.

That said, the analytical (consumption) tools for using XBRL have been shown to be considerably easier to develop than the production products, and the only reason they don't exist in large numbers today is the relative scarcity of a continuous supply of richly tagged XBRL instances. Conversion into XBRL presents an opportunity for current data aggregation vendors.

D.   Attestation/Validation of Tagged Data

If we require or accept tagged data in Commission filings, should accountants attest to the accuracy and completeness of the tagged data? If so, what form should such an attestation take?

XBRL was designed to improve the exchange of business information for a higher quality and more efficient capital market with mutual benefit for filers and users. We believe that the auditing profession should provide examination level assurance that the information in an XBRL filing is the same as the information presented in the "text version" and that the tags used by the filers were appropriate (either from the US GAAP taxonomy or the company extension). Examination level assurance will build investor confidence and enhance marketplace trust in the reliability of tagged data. If desired by the Commission or filer (optional), the auditor can also provide high-level assurance that the XBRL Instance Document complies with the XBRL technical specification.

The AICPA's Auditing Standards Board has developed specific guidance for practitioners to provide assurance on XBRL Instance Documents and taxonomy extensions. (Interpretation No. 5 of chapter 1, Attest Engagements, of SSAE No. 10: Attestation Standards: Revision and Recodification (AT section 101), as amended titled "Attest Engagements on Financial Information Included in XBRL Instance Documents" which can be found here: http://www.aicpa.org/members/div/auditstd/announce/XBRL_09_16_03_FINAL.htm).

This guidance discusses various considerations and procedures for an attest enagement on an XBRL Instance Document, including illustrative sample reports. Example procedures the practitioner should consider performing that are discussed in this interpretation include:

• Compare the rendered Instance Document to the financial information.

• Trace and agree the Instance Document's tagged information to the financial information.

• Test that the financial information is appropriately tagged and included in the Instance Document.

• Test for consistency of tagging (for example, an entity may use one taxonomy tag for one year and then switch to a different tag for the same financial information the following year. In this case, the financial information for both years should use the same tag).

• Test that the entity extension or custom taxonomy meets the XBRL International Technical Specification (for example, through the use of a validation tool).

While the AT 101 guidance is sufficient for the initial stages of the voluntary filing program, the Commission should establish policies and procedures for requiring examination level assurance on XBRL Instance Documents that the CPA profession can take as direction to further develop guidance in this area. Of particular importance is how the Instance Document and attest report is made available such that the investor will have confidence that the Instance Document files and the related attest report that they download from the EDGAR system have not been altered.

IV. INFORMATION FOR AND FILING OF TAGGED DATA

A.   Information Appropriate for Data Tagging

What information contained in Commission filings would be appropriate for tagging? Only the financial statements? The financial statements and the notes to the financial statements? Should management's discussion and analysis or management's discussion of fund performance also be included? Should Commission industry guide information be included? Should financial schedules be included? What about other information included in the periodic or current reports or other information collected by the Commission? Please provide an explanation for the information that you believe is appropriate for tagging.

Structure adds value to information thereby lowering the cost of consumption and production. Accordingly, over a reasonable implementation period, all information within filings should be tagged as the tools and taxonomies costs effectively permit. This would include the following in a priority order that would allow filers to assimilate taxonomies within their reporting processes and extend them accordingly:

• Financial statement tables at the element level
• Notes to the financial statements at the macro or note level
• Data contained within the notes to the financial statements at the element level for required or common disclosure
• Investment management fee schedules
• Equity and debt offering information, loan covenants, option agreements, officer compensation agreements
• Management Discussion & Analysis or Management's Discussion of Fund Performance
• Corporate action information
• Commission industry guidance information

- Financial schedules included in the notes to the financial statements at the element level
- Other information contained in filings with the Commission

How the MD&A components of the taxonomy are enhanced may be the broader question for the Commission staff to consider. The following concepts may be useful in considering the structure of information for MD&A:

Framework: A framework is needed for the information included in the Management Discussion and Analysis section. This framework should address the macro level disclosure considerations for companies such as: market analysis; company strategy; activities creating value; and performance metrics.

Market Effort – A market-based consortium of capital market participants should be formed to drive the taxonomy development for MD&A.

Industry Orientation – The development of MD&A taxonomy concepts for use within the Commission's filing process should follow the industry orientation approach currently suggested for the existing taxonomies and proactively involve leading and active companies, industry associations, the analyst community and other interested parties in each industry sectors.

Standard Process – Taxonomy development for MD&A concepts should follow a common and public standards development process such as that outlined in Section 553 of the Federal Administrative Procedure Act. This Act is the foundation for FASB's comment process.

Are there specific industries for which data tagging would be easier to implement or the tagged data would be more useful?

Yes, it will be easier to tag data where XBRL industry extensions have been defined. One can begin with the F/Ss and Notes to the F/Ss then add other sections of the filings in an orderly manner. Focus initially on industries with a higher conformity of financial reporting (e.g. mutual Funds).

However, the bigger question may be if there are industries where the benefit-to-cost ratio is more compelling. Let us widen the presumption of the question beyond just tagging historical cost accounting financial data. It does not necessarily mean that the tags are applied to quantitative data, and it does not mean that tags are only applied to dollar values. There are industries in which valuation stand at the greatest variance from book value; pharmaceuticals and software are a couple of notable examples. These are the ones in which market collaboration will be able to converge on relevant reporting standards (tags) by leveraging the medium of XBRL taxonomies, its extensibility and the EDGAR system as a readily available distribution medium.

Should we consider tagging investment company information other than financial statements, such as the prospectus fee table or the table of sales loads and breakpoints? Should we consider tagging registrant or depositor financial statements for insurance company separate accounts issuing variable insurance products?

For investment companies, investors would benefit from the tagging of fee tables, sales loads, breakpoints and investment holdings. Investors would also benefit from the tagging of insurance company separate accounts. Investment company disclosures of earnings, management fees and other areas exhibit considerable variation today. Precise tagging, for example, of which waivers are and are not included in earnings figures would greatly increase transparency and reward funds with clearer reporting.

B.   **Filing of Tagged Data**

If we were to extend the acceptance of voluntary filings, would it be preferable to accept documents using tagged data as an alternate official filing similar to our current approach of accepting either ASCII or HTML formats? Would it be preferable for us to accept documents using tagged data as an unofficial part of the filing, similar to what is currently done with PDF files?

XBRL is a highly structured information format. It adds value to information and thereby lowers the costs associated with preparation and consumption of the information contained within the reports. As such, XBRL would be a

preferred format over less structured formats such as html, pdf, and ASCI. During the voluntary program, volunteers may want to provide their filings in a range of formats (XBRL, pdf, ASCI) for use by the market. Market feedback and commentary on the XBRL format may increase as XBRL enabled tools come into the market for both the production of content in a range of formats and for the consumption of XBRL tagged content.

Should tagged data be applied to only certain types of forms? If so, which forms? Should tagged data be applied only to periodic reports? If so, should it be applied only to annual reports on Forms 10-K and N-CSR? Should application extend to quarterly filings on Forms 10-Q and N-Q? Aside from periodic reports, should it be applied to information filed or furnished on Form 8-K? Should it be applied to reports by investment companies on Form N-SAR? Should tagged reporting for investment companies be different than for operating companies?

Tagged data should not be limited to certain types of forms. The SEC may consider indicating that it is looking for voluntary filings for specific financial schedules and specific forms, including 10Ks, 10Q, N-SARs and earnings release-related 8Ks. XBRL data could also be useful in analyzing the financial schedules provided in additional documents. In the near-term, data tagging may be more suited to the 34 Act reports, where it is useful for analysis and trending purposes and less so for offering document. For an IPO, perhaps the issuer could make the tagged data available on its website if investors need it for analysis purposes, provided it does not violate SEC communications restrictions.

In the longer term, the SEC should work with the XBRL organization to develop taxonomies, and if necessary, extend the underlying technology, to tag virtually all SEC filings in a consistent fashion. Tagged reporting for investment companies will differ from that for operating companies. In particular, the Form N-SAR should be tagged for simple data extraction. Additional standardized data, such as that provided in corporate actions, could also be filed using XBRL taxonomies.

What are the specific implications for the use of tagged data in filings made pursuant to the Securities Act of 1933? Would using tagged data affect an issuer's ability to access the market or the timing of its offerings? If so, how?

The fundamental effect of tagged data filings would be to streamline the process of accessing and analyzing available information. We would expect broad availability of tagged data to result in reduced costs and increased accuracy in the analysis of information included in tagged filings. Reduced cost with easier access and analysis of data will bring down many "barriers to

entry" allowing a broader base of market participants to effectively make use of information in Commission filings.

Companies will be able to communicate more effectively with stakeholders using Internet standards such as XBRL and Web services. These standards enable filers to go beyond today's paper centric publishing model to a more broadcasting like model wherein consumers' access reported information directly into their analytical models in a very short period of time. Over time, these standards may also influence the frequency of reporting as company's internal reporting processes also leverage these standards.

V. IMPACT ON VARIOUS PARTIES

A. **Investors**
   What are the likely impacts of the provision of tagged data by registrants on financial analysts, institutional investors, or individual investors?

Over time, it is likely that applications will be provided to all classes of investors to help with investment decisions. Financial analysts will quickly come to rely on spreadsheet add-ins that automate the inclusion of financial results into spreadsheet models. Investors will benefit from the ability to screen large volumes of data to look for investment opportunities. In addition, individual investors will benefit from a new class of applications that helps them to understand and analyze corporate disclosures in a more cost effective manner than is possible today.

The individual investor may receive the greatest benefit from the market adoption of XBRL. Enabling greater access to information, which due to high consumption cost barriers is largely the domain of institutional and Wall Street analysts, will provide individual investors with greater analytical capabilities and overall greater access to publicly available data through the tools. Promoting awareness of XBRL enabled benefits among this community seems very consistent with SEC's mission 'to protect investors'.

It should be noted that investors and other market participants might create their own private extensions to public taxonomies, which may be used for their own private purposes (e.g. quality controls checks, analytical rules, disclosure guidance, and specific process oriented business rules). Such 'private' extensions are not for public consumption or public use. It should be expected that some investors may develop extensions for analytical use and may elect to share these with other investors. The use of taxonomy extensions in this manner will work to enhance the transparency and market analysis of reported information.

Would the provision of tagged data by registrants result in time and cost savings to investors, such as through reduced data entry or formatting?

The provision of tagged data will provide several benefits to investors and will not in any way cause additional costs for investors. There will be considerable timesaving from the provision of tagged data. Currently, investors need to wait for information providers to normalize the data for many companies in order to make it available to investors. Alternatively, sophisticated investors can manually copy the data into spreadsheets or pay a service provider to access spreadsheets. Tagging the data will make the data available for analysis in a variety of formats instantly with the filing, thereby reducing time to availability and cost of access. In addition, tagging will reduce errors and level the playing field. It will also give greater flexibility to individual investor to create applications to integrate data directly from the EDGAR system.

B.   Registrants

Are current accounting or reporting software programs able to tag data? Are the programs able to tag data using XBRL?

Yes, several leading vendors of accounting and reporting software, including Microsoft Business Solutions, Oracle, Hyperion, CaseWare, MYOB, and SAP, offer capabilities for tagging data and exporting reports as XBRL.   In most cases, these programs XBRL support includes the ability to support any valid XBRL taxonomy and to tag data based on any taxonomy. Some of these systems are in the process of being upgraded to export the latest version of XBRL (2.1) which is the version used for the US GAAP taxonomy and these releases are anticipated for calendar 2004.

Those registrants who are most committed to the voluntary filing program and have the intention of filing more than just a "one shot" filing are the ones most likely to benefit from this during 2004 because software upgrades and integration may be needed to leverage these tools and get XBRL reporting efficiencies embedded into their reporting cycle.

What impact would data tagging have on a registrant's financial reporting process? What additional costs would a registrant incur to tag their financial reporting data?

Registrants will have the opportunity to better control how their data is presented to the market place. This should trigger a demand from the "analyst market place" to receive data in XBRL format, since it allows them to spend their time in analyzing instead of rekeying information, reducing the cost for the data. Consequentially it follows that the analyst coverage to each company will be of a much higher quality.

First-time tagging will require time and appropriate XBRL enabled software, although tagging for subsequent periods is expected to take less time. This is a process, which will require some time from the registrant's accounting staff, but the actual tagging is a simple process if the registrant uses accounting or reporting software that is XBRL enabled. There should be minimal impact to the daily/weekly/monthly/quarterly/yearly reporting cycle, as the main work of XBRL enablement is done during one-time setup. The only expected impact beyond one-time setup is in maintenance: as a registrant's reporting requirements change, they would need to keep the XBRL tagging current. The introduction of enhancements to financial software to allow exporting of XBRL tagged files will result in a limited repeat of the first-time event, as the tagging will need to be performed in the financial software. Use of consultants for support first time through will also add costs, as already indicated in your analysis.

Enhancements to software will result in additional base software costs, and possibly higher ongoing maintenance fees.

If assurance is to be provided on the tagged data, this will result in increased auditor work, which will result in increased audit fees.

What would be the advantages and disadvantages of requiring small business issuers to tag data in their Commission filings? Should we exempt small business issuers from any data tagging initiatives? Alternatively, should small business issuers be given more time than larger issuers to transition to the use of tagged data?

We believe the benefits of XBRL significantly outweigh the costs of implementation for business large and small. We encourage small business to participate in this voluntary program. Smaller businesses often suffer from a lack of coverage by analysts. Filing of tagged data will make it easier for analysts to import and analyze data. Market disclosure benefits, therefore, flow in some sense disproportionately to small businesses.

Moreover, any initial incremental cost of providing voluntary filings (relative to those already required) is likely to be small because of the reduced complexity of the filing itself. This is particularly the case if the company already relies on an external professional service provider for preparation services; professional preparers can amortize their costs over many clients. Small companies do have fewer resources internally to devote to financial statement preparation, and may be difficult to convince that participation in the voluntary filing program has short-term benefits.

It is worth noting that in the United Kingdom, at least, the focus of the electronic filing and XBRL tagging is in fact on the smaller filers because of the proportionately greater process efficiencies available.

What would be the advantages and disadvantages of requiring foreign private issuers to tag data in their Commission filings? Are the implications different if the foreign private issuer reports using home country Generally Accepted Accounting Principles or International Financial Reporting Standards with a reconciliation to U.S. GAAP? Should we exempt foreign private issuers from any data tagging initiatives? Alternatively, should foreign private issuers be given more time to transition to the use of tagged data?

The advantages and disadvantages would be the same as a US filer other than opening the company up to increased transparency from the US Financial Markets. We do not believe the implications would be significantly different other than the fact that analysts would need to adapt their models to handle both US GAAP taxonomies and foreign jurisdiction taxonomies. We believe that the filing of foreign companies using non US GAAP Taxonomies should be exempted in the short term to reduce any added complexity to a new process. However, there should be no exemption from letting them file using the US GAAP taxonomies.

What would be the advantages and disadvantages of requiring investment companies to tag data in their Commission filings? Are there types of investment companies that should be exempt from any data tagging initiatives? Alternatively, should certain investment companies be given more time than other investment companies to transition to the use of tagged data?

The advantages to the investment company registrant would be similar to those of other registrants. Registrants will incur costs to tag their data, particularly including first time setup costs. Over time, investment companies will benefit from more efficient preparation of filings and from improved information flow to fund investors. As investors begin to rely on fund analysis tools based on tagged data, investment companies that do not transition to the use of tagged data may find themselves at a disadvantage in retaining investors.

C. **Accountants**
   What effect, if any, would the use of tagged data have on the quality of and the time required to conduct audits and test internal controls?

The potential benefits (improved effectiveness and efficiency) for the auditing profession to be able to receive tagged client data are significant. Tagged data will allow auditors to improve the quality of analytical review processes, checking of data against predefined criteria, identification of risks, and reconciling between different reports the auditor may need to sign off on, i.e.,

Call Reports. In utilizing tagged data, the financial statement audits and tests of internal controls will be conducted more efficiently as data will be more readily available and in a format conducive for analysis. This will also enhance audit quality. As part of the Sarbanes-Oxley Act of 2002 Section 404 (SOX 404), accounting firms are required to provide an opinion on the internal controls over financial reporting in conjunction with an audit of financial statements of public company clients. As companies first begin to submit financial information using tagged data, accountants will need to increase the testing of internal controls to ensure compliance with SOX 404. As noted, the process for tagging data may be part of a software package, completed by third parties or performed manually.

Moreover, if data was tagged within the general ledger (XBRL GL) and a generic and integrated audit trail was available to management and the auditor from initial entry into the organization, with drill down from the highest-level report to the underlying accounting records, automated tests could be put in place. This would result in faster testing, highlighting exceptions to be followed up on, and providing much better documentation for the audit workpapers. Business rules could be represented electronically as well, improving the analysis of those rules as part of the assessment process. Should tagging be limited to the end product, the value of tagging would be reduced significantly.

While in the long run tagging data will improve analytical reviews and generate a good audit trail, in terms of SOX 404 time and fees will at least initially increase. There is the possibility of additional time and fees for the review of the "Work of Others", where third parties have been implemented and are spearheading the process, as there are specific SOX 404 rules (i.e., PCAOB Auditing Standard No. 2 paragraphs 108-126) regarding this process of reviewing the work of others. Tagging data also involves adding additional steps to the consolidation/reporting & closing cycles that would require more audit time and work. If assurance is to be provided on the tagged data as per the guidance at AT 101, this will also result in increased auditor work, which will result in increased audit fees.

As XBRL provides a new way of "delivering" business information, CPA firms will need to invest in training and skill development to support this demand. CPA firms of all sizes will be engaged in this new communication medium with similar benefits albeit at different scales.

D.   **Other Parties**
        What effect, if any, would the submission to and availability of tagged data on EDGAR have on other parties?

Intermediaries: XBRL lowers the cost of consuming information included within business reports and will therefore have an impact upon many/all participants within this business reporting supply chain/capital markets. This may be perceived by some current distributors and/or aggregators of business information as a threat to their existing business model. This perception may be a transitional one, as XBRL will enhance the 'raw materials' for these intermediaries providing them at a lower cost. The added informational structure of XBRL provides value to intermediaries and also provides a exponentially greater range of data for distribution (existing parsing tools, processes are not cost effective and thereby only capture a rudimentary portion of the reported elements).

XBRL enhances the transparency of information included in business reports and enables tools, which should help investors to also "protect themselves" through greater access and thereby insights to the information reported.

*   *   *   *   *

The AICPA appreciates the opportunity to comment on the Release. We would be pleased to discuss these comments with you at your convenience.

Sincerely,

Robert J. Kueppers
Chair
Center for Public Company Audit Firms

Stuart R. Benton, CPA
Chair
Business and Industry Executive Committee

Alan W. Anderson
Senior Vice President
Member & Public Interests
AICPA

cc: Chairman William H. Donaldson
       Commissioner Cynthia A Glassman
       Commissioner Harvey J. Goldschmid
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