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by **Ashutosh Deshmukh** © 2006, Idea Group Inc.

## **Chapter III**

# **The XML-Based Web Languages and Accounting**

## **XML: What's in it for Accountants?<sup>1</sup>**

The Internet spins a vast web of information across the globe. Data and information flow freely — available to anyone for learning, understanding and analysis. Organizations can cooperate across departments, regions and countries. ERP II and ECM herald the era of intra- and inter-business collaboration. Sounds wonderful – what is the problem? The problem is as old as mainframe vs. PC and Windows vs. Macintosh. Data can move freely but are not standardized. Data streams have no universal meanings; consequently, data are not understood by all systems, analyzed easily, translated across different languages and human readable, among other things. Specialized hardware and software is needed for data decoding, and if the required tools are not available, then you are out of luck. This problem is not only confined to the Internet. A great deal of money (by one estimate, almost 20% of the U.S. gross national product) is spent on generating new information, and more than 90% of this information is in documents, not in databases. Businesses in

the U.S. produce approximately 100 billion documents per year. This information is stored in various formats across a range of computer systems. These disparate storage formats cause severe problems in accessing, searching and distributing this information.

Any solution (a combination of information technology products and services) that manages information across diverse software and hardware platforms must address a few key requirements. First, these solutions should be transparent to users. The technical details should not be handled by users. Second, users should be able to save data and information in the desired format; for example, databases, text files or proprietary formats. Third, a solution must intelligently retrieve data and information. This solution should be knowledgeable regarding meaning of the information itself. Finally, such solution should be capable of providing the desired output — print, screen, Web or CD/DVD format.

eXtensible Markup Language (XML) has been designed to meet these requirements. Needless to say, XML will not solve all information management problems, and certainly not in a short time. XML is the first step, but has been hailed as a revolutionary advance in data transfer and information identification on the Internet. XML has developed tremendous momentum in the last few years. The majority of key software vendors is involved in XML standard-setting forums and products, and is actively promoting XML gospel. Microsoft CEO Ballmer says: *“You could say we’ve put 100 percent of our resources into it. We’ve taken an approach that incorporates XML into everything we do. I’d say we’re betting the company on XML.”* The future seems promising, but only time can tell.

XML has applications in a wide range of areas; for example, sciences, mathematics, music, religion and, of course, business. XML and various XML-based languages are affecting different business areas, such as e-procurement, e-commerce, EDI, electronic payment systems, financial data transfer and derivatives, to mention a few. XML influence is also felt across different areas; for example, there are XML applications in accounting, finance, advertising and manufacturing. XBRL, an application of XML, is an electronic format for simplifying the flow of financial statements, performance reports, accounting records and other financial information between software programs. XBRL International explains XBRL as the accounting industry’s method to take standard business reporting data and transform it into the digital world of bits and bytes. Financial data consists of financial statements, cost accounting data and tax information; prior to XBRL, there was no standard way to transfer, analyze and understand this data. XBRL is designed to standardize financial data transfer and enable preparation and publication of that information in a desired format. XBRL is finding worldwide acceptance and is backed by major businesses, accounting institutes and governmental agencies worldwide. See the most current member list at [www.xbrl.org/](http://www.xbrl.org/).

As XML and XBRL make inroads in accounting software and internal and external accounting reports, and affect information transfer across businesses, it is necessary to understand the mechanics of these languages. A required depth of understanding, of course, depends on whether one wants to be involved in developing standards, preparing and/or programming reports, or simply using the language. However, whatever your role, you must understand these new developments.

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