

XBRL and its financial reporting benefits: Capital market evidence

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I. Introduction

On December 17, 2008, the Securities and Exchange Commission (SEC) held an open meeting to vote on the final ruling to require public companies and mutual funds to use XBRL (eXtensible Business Reporting Language) to file financial information with the SEC. The rule was passed with an implementation schedule covering a three-year phase-in period, commencing with required XBRL filings submission for the first quarterly reports for fiscal periods ending on or after June 15, 2009. This will apply to companies with a public market float of \$5 billion and above (approximately 500 companies). The remaining companies who file using U.S. GAAP will be required to file XBRL on a phased-in schedule over the next two years. Companies reporting in IFRS issued by the International Accounting Standards Board will be required to provide their interactive data reports starting with fiscal years ending on or after June 15, 2011. All public US companies will be filing in XBRL by December 2011.

XBRL is an open source information standard which allows for the conversion of business information into computer-readable format. Granular information contained in the financial reports of companies (from the face of the financial statements, footnotes and eventually, the management discussion and analysis) are encoded such that computer applications can automatically download this detailed information and update valuation models for immediate analyses as soon as it is posted with the SEC or on its company website.

According to the SEC, XBRL has the potential to “increase the speed, accuracy and usability of financial disclosure and eventually reduce costs for investors.”¹

The final ruling issued by the SEC is the culmination of a growing momentum in the short history of XBRL acceptance in the United States which began with the SEC’s introduction of the XBRL voluntary filer program (VFP) in April of 2005. Since the inception of this program, to date, there have been approximately 125 firms voluntarily submitting over 540 filings to the SEC in XBRL format, and these numbers are growing each day. This growing momentum of the XBRL movement both within the U.S. and around the world beckons an examination of its benefits. This article provides initial evidence of these benefits based on analysis of these VFP firms.

We examine these VFP firms and a matched sample of non-VFP firms. Our univariate results show that the VFP firms tend to be profitable firms with varying degrees of growth potential compared to a matched sample of non-XBRL filing firms. More importantly, we find that VFP firms experience an increase in analyst following and trading activity in their stock subsequent to filing for the first time in XBRL. These results are consistent with the notion that XBRL increases transparency and promotes the efficient consumption of financial data by automating the data gathering and data analyses processes.

We then examine these attributes in a multivariate context. After controlling for other variables commonly associated with bid-ask spreads, our results indicate that bid-ask spreads decrease significantly in periods after a firm first files using XBRL. This finding remains the

¹ SEC press release - <http://www.sec.gov/news/press/2008/2008-300.htm>

same after controlling for self-selection bias. We run similar analyses for analyst following and trading activity. Unlike our univariate results, once we control for other factors associated with analyst following, our results indicate that analyst following decreases in periods after a firm first files using XBRL. This result is unchanged after controlling for self-selection bias.

This study is one of the first to provide evidence of XBRL adoption and its benefits to the capital markets. The findings contribute to the ongoing discussions amongst and between regulators, the investment community, analysts and public accounting firms. Although the findings in this study are based on the limited number of observations as restricted to the number of firms participating in the SEC's voluntary filer program and data availability in Compustat, CRSP and I/B/E/S, this study nevertheless provides initial evidence upon which future research may build upon as more firms begin filing in XBRL.

The paper is structured as follows: Section II provides an overview of XBRL; Section III discusses our sample and descriptive statistics; Section IV discusses the research design; the results are presented in Section V; and Section VI provides the conclusion.

II. XBRL (eXtensible Business Reporting Language)

What is XBRL?

XBRL is an open standard which provides a way to model business information and to articulate its semantic meaning. It is a markup language which is based on XML (extensible markup language) and uses XML syntax and its technologies. One such use of XBRL is to define and exchange information contained in a company's financial statement by specifying a standardized framework to govern the definition of financial information (to humans and

computers), its behavior and its characteristics. Once a company's financial statement has been encoded with XBRL (i.e., 'tagged'), the information contained in the statement is converted into computer-readable information. Hence, this information can be transmitted electronically, classified, sorted, and analyzed efficiently and effectively by investors on a very timely basis. For instance, once the XBRL-encoded financial statement (i.e., 'instance document') is filed with the SEC or uploaded to the company's website, investors will be able to download the information in the financial statements within minutes and be in a position to start analyzing the data.

An XBRL taxonomy is often likened to a dictionary of financial concepts. The US GAAP Taxonomy is a collection of such financial concepts used by companies in their financial statements. Currently, there are over 15,000 'elements' (i.e., financial concepts) in the US GAAP Taxonomy. Each element is given a definition along with other attributes associated with the financial concept (e.g., is it a monetary, string, share concept, etc.). In other words, each element is assigned a unique barcode which contains information regarding the item's definition and various attributes. To encode a financial statement with XBRL, each financial statement item has to be 'mapped' to the US GAAP Taxonomy. The process of mapping involves navigating through the taxonomy and identifying the appropriate element within the taxonomy which correctly encapsulates the financial statement item. In essence, the goal is to associate each financial statement item to an element in the taxonomy in a manner that is consistent with the creation of GAAP financial statement. The next stage would be to 'tag' the financial statement item. The process of tagging involves the use of specific software to 'link' the financial statement item to the element in the taxonomy. This process is often likened to the use of a scanner to scan barcodes.

Appendix A provides an example of some of the attributes of an element, Cash and Cash Equivalents. The Standard Label of an element is its human-readable name. Companies may change the Standard label to conform to the company-specific caption in its financial statement. For instance, Company A may call its financial statement item “Cash and Cash Equivalents”. To ensure conformity between the XBRL-formatted financial statement and the regular financial statement filed with EDGAR, Company A may change the Standard Label to “Cash and Cash Equivalents” from “Cash and Cash equivalents, at Carrying Value” (as specified in the taxonomy). The Name is the computer-readable name of the element and this is the ‘barcode’ or unique identifier assigned to the element. This cannot be changed by the company. The Balance attribute of the element is the normal balance of the item (i.e., debit or credit balance). The Item Type describes the nature of the financial concept, that is, whether it is monetary, string, share, etc. The Period Type indicates whether the financial concept is related to an instant in time (i.e., balance sheet item) or whether it relates to a period of time (i.e., duration type). The Documentation is the definition provided in the taxonomy for the element. The definition is based on the US GAAP authoritative literature. Reference refers to the specific authoritative literature from which the financial concept is derived.

Instance Documents

As previously discussed, an XBRL instance documents contains a set of business and financial information that adhere to the governing rules of a taxonomy, in this case, the US GAAP taxonomy. An instance document contains *fact values*, business and financial information that has directly mapped and tagged to the US GAAP taxonomy. In addition, the instance document also provides the *context* to the information, that is, the ‘perspective’. That is,

the name of the entity, the time period, and the segment which the financial information pertains to. It is the instance document (i.e., XBRL-formatted financial statement) that is required as part of the SEC mandate to be filed with the SEC. Since the instance document contains a rich set of financial information that is in computer-readable format, an investor or analyst can immediately download the entire information set into a software application (like Excel) for immediate manipulation and analysis (Plumlee and Plumlee, 2008). Conceivably, XBRL increases the dissemination of information from the firm to investors and analysts.

In summary, proponents of XBRL around the world suggest that one of the significant benefits of XBRL is that, once implemented, it has the potential to increase transparency and information accessibility, thus promoting the efficient functioning of the capital markets (Kernan, 2008).

Based on the above discussion, we propose the following hypothesis:

H1: Firms that file using XBRL experience a reduction in information asymmetry.

H2: Firms that file using XBRL experience an increase in analyst following; and

Sample and Descriptive Statistics

Our sample consists of the participant firms in the SEC's voluntary filer program. This VFP program started in April 2005. We start our analysis with the full population of filers available from the SEC's website: <http://www.sec.gov/Archives/edgar/xbrl.html>. As of October

31, 2008, we find a total of 389 separate filings with available data on CRSP and Compustat, representing 74 unique firms.²

Panel A of Table 1 shows that the first XBRL voluntary filings started in December of 2004, with three filers. In 2005, an additional nine firms make their first filings. In 2006, there seems to be some momentum gathering, as 23 additional firms make filings. In 2007, there are an additional 39 new filers. In Panel B, we note that an overwhelming 63.5% of these first-time XBRL filers are listed on the NYSE, while 31.1% of the filers are listed on NASD. In Panel C, we find that there is quite a bit of variation in the industry membership of these first-time filers. However, it is firms in the Business Services sector that are most represented (14 firms), followed by Trading (7 firms), then Communications (5 firms).³

Un-tabulated results reveal that XBRL filers have an average market capitalization at the time of filing of \$31.2 million. There are five firms with market capitalization at the time of filing greater than \$100 billion (e.g., IBM, Altria, Pfizer, Microsoft, and GE). The average market-to-book ratio for the sample is 3.4. There are 17 firms with market-to-book ratios higher than 5.0; there are 20 firms with a market-to-book of less than 2.0. Lastly, we find that XBRL filings are overwhelmingly made by profitable firms. Only five firms have accounting losses in the quarter of XBRL filing. The average return on assets of the filers is -0.002; however, this is largely influenced by one outlier observation. Excluding this loss, the average earnings of the filers is 0.019, suggesting that earnings were 1.9% of assets.

² There are a total of 515 filings representing 112 unique firms, but many firms did not have identifiable ticker symbols or did not have matching data on Compustat or CRSP, which were the databases that we used to cull our financial data.

³ Industry categorizations are based on 4-digit DNUM classifications, from Fama and French (1996).

In Table 2, we examine the analyst following characteristics of the VFP firms, as per I/B/E/S. In Panel A of Table 2, we find that on average, VFP firms have about 11 analysts following them at the time of the XBRL filing. We find that 9.5% of the sample (7 firms) do not have any analyst following, and that an additional 10.8% (8 firms) have only one or two analysts following the firm. There is a significant portion of the sample that exhibits a very large analyst following. Specifically, we find that 52.7% of the sample has an analyst following of ten or greater. This evidence suggests that XBRL filers are predominately firms with a substantial analyst following.

However, the sample of filers also includes a non-trivial number of firms with a very small following; perhaps firms that exhibit a poor information environment may be attempting to voluntarily file in XBRL to enrich the information environment, or attract a larger analyst following. Consistent with this conjecture, in Panel B, we present the average change in analyst following in the year following the initial XBRL filing. That is, we examine whether there is a change in the number of analysts following the firm between the time it first files in XBRL and one year later. For the XBRL firms that have subsequent analyst following data (a subset of our full sample due to data restrictions), these filers experience an average increase of 2 analysts in the year subsequent to the filing. A full 24.14% of the sample experiences a large increase of 5 to 11 additional analysts following the firm. However, there is still a non-trivial portion of the sample (10 firms) that experiences a decrease in analyst following, suggesting that XBRL filing does not guarantee an increase in following. Overall, these results suggest that the XBRL filing is correlated with an increase in analyst following. One interpretation of this finding is that the XBRL filing decreases the information acquisition costs for analysts (and the investing

community), as well as information processing costs, and therefore attracts more analysts to follow the firm.

Untabulated results reveal that VFP firms experience an average daily trading volume of 5.54 million shares before XBRL filing, and an average 8.61 million shares after XBRL filing. This average increase of approximately 2.21 million shares is statistically significant (t-statistic=2.60), suggesting that XBRL is significantly correlated with an increase in trading activity in the firm's stock.

IV. Research Design

In our main empirical tests, we consider the relation between XBRL filing, and several attributes of a firm's information environment, including changes in average analyst following, changes in average bid-ask spreads, and changes in average share turnover. However, the act of filing in XBRL (i.e., participating in the Voluntary Filing Program) is itself an endogenous choice that managers make based upon the perceived costs and benefits of such filing. Therefore, we must consider this endogeneity and self-selection in our tests.

We estimate a two-stage self selection model. In our first stage, we consider the entire population of CRSP/Compustat firms, and estimate a logit model of voluntary XBRL filing. Here, the dependent variable is a dummy variable loading as 1 if the firm-year voluntarily filed in XBRL, and loading as 0 otherwise.

$$\begin{aligned} \text{XBRL} = & \beta_0 + \beta_1 \text{MV} + \beta_2 \text{MTB} + \beta_3 \text{ALTZ} + \beta_4 \text{NF} + \beta_5 \text{LTD} + \beta_6 \text{TECH} \\ & + \beta_7 \text{TURNO} + \beta_8 \text{SHROUT} + \beta_9 \text{HERFIN} + \beta_{10} \text{NYSE} + \beta_{11} \text{INTCOV} + \varepsilon \end{aligned}$$

where MV = market-value of equity,

MTB = market-to-book ratio,
 ALTZ = Altman's Z-score,
 NF = number of analyst following,
 LTD = long-term debt, scaled by lagged total assets,
 TECH = 1 if high-technology industry, = 0 otherwise,
 TURNO = share turnover,
 SHROUT = number of shares outstanding,
 HERFIN = Herfindahl index of industry concentration,
 NYSE = 1 if listed on New York Stock Exchange, = 0 otherwise,
 INTCOV = net income / interest expense.

The inclusion of these variables is fairly standard in the voluntary disclosure literature, so we do not belabor the point here (see, e.g., Healy and Palepu, 2001). In Table 3, we present results from this logit regression estimation. Results are generally consistent with the extant literature and with our expectations. For instance, firms with a large analyst following (NF), lower leverage (LTD), high-tech industry membership (TECH), higher shares outstanding (SHROUT), membership in competitive industry (HERFIN), and are listed on NYSE, are all found to be more likely to make a voluntary XBRL filing.

Next, from this first-stage estimation process, we calculate the inverse Mill's ratio (IMR), which controls for the self selection issue. We then include this IMR ratio into our second stage regression. In our second stage regression, we consider only those firms that have voluntarily filed XBRL. For these firms, we collect data for the 2004-2007 period. We then estimate regressions with the XBRL filing dummy included as an independent variable. The second-stage model is:

$$\begin{aligned}
 \text{EFFECT} = & \beta_0 + \beta_1 \text{POSTXBRL} + \beta_2 \text{CORE} + \beta_3 \text{DCORE} + \beta_4 \text{SI} + \beta_5 \text{MV} + \beta_6 \text{MTB} \\
 & + \beta_7 \text{IMR} + \varepsilon
 \end{aligned}$$

where EFFECT is one of several dependent variables of interest, including change in analyst following, and change in bid-ask spread,
 POSTXBRL = 1 if firm-year observation is during or after quarter of XBRL filing,

CORE = (net income – special items) / lagged total assets,
DCORE = change in CORE,
SI = special items / lagged total assets,
MV = market-value of equity,
MTB = market-to-book ratio,
IMR = inverse Mills' ratio, calculated from stage 1 regression.

V. Empirical Results

Our first model considers the potential effect of XBRL filing on bid-ask spreads.

Consistent with H1, we expect that firms that file using XBRL experience a reduction in information asymmetry (as proxied by bid-ask spreads). Table 4 presents results for our second-stage model using the average bid-ask spread during the quarter as the dependent variable. The coefficient for POSTXBRL is significantly negative (-0.232, $t=-2.27$), suggesting that firm's quarterly bid-ask spreads are negatively related to the filing of XBRL. Controlling for other factors associated with bid-ask spreads, we find evidence consistent with our conjecture that XBRL filing reduces information asymmetry.

In Panel A of Table 5, we consider the potential effect of XBRL filings on the change in analyst following (H2). Results show that the coefficient for XBRL filing is significantly negatively (-2.452, $t=-2.77$), suggesting a negative relation, which is inconsistent with our predictions. However, this estimation only examines the unconditional relation. As is suggested in extant literature, because relatively smaller firms have poorer information environments (Vermaelen, 1981; Diamond and Verrechia, 1991) it is the small firms that have more to gain from XBRL filings. Conversely, larger firms that already operate in rich information environments may not have much to gain from the incremental benefits of XBRL filing. To examine this possibility, we interact the XBRL variable with firm size (MV). Panel B of Table 5 presents results from this interaction. We find that the interaction term is significantly negative (-

0.001, $t=-272$). This suggests that firms that are smaller in size that participate in XBRL filings enjoy an increase in analyst following. Put differently, the relation between XBRL filing and analyst following systematically varies with firm size, where it is the small (large) firms that seem to garner the most (least) benefits insofar as experiencing a larger (smaller) analyst following.

Overall, our results suggest that firms that file in XBRL enjoy reduced information asymmetries (in the form of lower bid-ask spreads). In addition, smaller firms with poorer information environments are likely to attract an increased analyst following. This is the first study to provide initial empirical evidence on the benefits of XBRL filing for the capital markets.

VI. Conclusion

XBRL is increasingly being adopted around the world as *the* standard for business and financial information exchange and reporting. As the SEC enters into the digital age, replacing the 1980s-based EDGAR system with its new system, IDEA (Interactive Data Electronic Applications) which is based on XBRL, the promises, or lack thereof, of XBRL will be rigorously examined and tested as the data become available in the future. This study provides important initial evidence documenting the benefits of XBRL to the capital markets in the U.S.. The findings of this study suggest that firms that file using XBRL experience a reduction in information asymmetry and, for those smaller firms where the information environment may be poor, XBRL plays an important role in attracting an analyst following. These results are robust after controls for endogeneity and self-selection bias. Despite the relatively small sample of firms upon which the analyses are based because of data limitations, we nevertheless provide timely evidence that will contribute to ongoing discussions amongst regulators, analysts, investors and the accounting communities around the world.

Table 1

Descriptive statistics – XBRL Voluntary Filer Program (VFP) Firms

Panel A: Number of firms entering the VFP

Year	N	Percent
2004	3	4.1
2005	9	12.2
2006	23	31.1
2007	39	52.7
Total	74	100.0

Panel B: Stock exchange listing of VFP firms

	N	Percent
NYSE	47	63.5
NASDAQ	23	31.1
AMEX	2	2.7
OTC	2	2.7

Panel C: Industry membership of VFP firms

Industry	N	Percent
Business Services	14	18.9
Trading	7	9.5
Communication	5	6.8
Chemicals	4	5.4
Petroleum and Natural Gas	4	5.4
Computers	4	5.4
Electronic Equipment	4	5.4
Pharmaceutical Products	3	4.1
Utilities	3	4.1
Retail	3	4.1
Steel Works Etc	2	2.7
Coal	2	2.7
Banking	2	2.7
Miscellaneous	2	2.7
Food Products	1	1.4
Candy & Soda	1	1.4
Beer & Liquor	1	1.4
Tobacco Products	1	1.4
Healthcare	1	1.4
Medical Equipment	1	1.4
Rubber and Plastic Products	1	1.4
Automobiles and Trucks	1	1.4
Aircraft	1	1.4
Defense	1	1.4
Business Supplies	1	1.4
Transportation	1	1.4
Wholesale	1	1.4
Restaurants, Hotels, Motels	1	1.4
Insurance	1	1.4

Our sample consists of the participant firms in the SEC's voluntary filer program. This VFP program started in April 2005. We start our analysis with the full population of filers available from the SEC's website: <http://www.sec.gov/Archives/edgar/xbrl.html>. As of October 31, 2008, we find a total of 389 separate filings with available data on CRSP and Compustat, representing 74 unique firms

Table 2
Analyst following

Panel A: Number of analyst following

Analyst following	N	Percent
0 analysts	7	9.5
1-2 analysts	8	10.8
3-6 analysts	10	13.5
7-9 analysts	10	13.5
10-20 analysts	33	44.6
21+ analysts	6	8.1

Panel B: Change in analyst following

Change in analyst following	N	Percent
5 to 11 increase	7	24.1
1 to 4 increase	10	34.5
No change	2	6.9
Decrease	10	34.5

Analyst following is collected from the I/B/E/S database.

Table 3
Stage 1 Voluntary disclosure model

$$\text{XBRL} = \beta_0 + \beta_1 \text{MV} + \beta_2 \text{MTB} + \beta_3 \text{ALTZ} + \beta_4 \text{NF} + \beta_5 \text{LTD} + \beta_6 \text{TECH} \\ + \beta_7 \text{TURNO} + \beta_8 \text{SHROUT} + \beta_9 \text{HERFIN} + \beta_{10} \text{NYSE} + \beta_{11} \text{INTCOV} + \varepsilon$$

	β	p - value
Intercept	-3.196	0.000
MV	0.000	0.718
MTB	-0.001	0.513
ALTZ	-0.001	0.891
NF	0.011	0.037
LTD	-0.724	0.012
TECH	0.261	0.006
TURNO	-0.007	0.346
SHROUT	0.000	0.000
HERFIN	0.982	0.004
NYSE	0.526	0.000
INTCOV	0.000	0.808

where

MV = market-value of equity; MTB = market-to-book ratio; ALTZ = Altman's Z-score; NF = number of analyst following; LTD = long-term debt, scaled by lagged total assets; TECH = 1 if high-technology industry, = 0 otherwise; TURNO = share turnover, SHROUT = number of shares outstanding; HERFIN = Herfindahl index of industry concentration; NYSE = 1 if listed on New York Stock Exchange, = 0 otherwise; and INTCOV = net income / interest expense. We use the 74 VFP firms and the entire population of CRSP/Compustat firms to estimate the logit model of voluntary XBRL filing. Here, the dependent variable is a dummy variable loading as 1 if the firm-year voluntarily filed in XBRL, and loading as 0 otherwise.

Table 4
Effect of XBRL filing on average bid-ask spread
Stage 2 regression Model

$$\text{EFFECT} = \beta_0 + \beta_1 \text{POSTXBRL} + \beta_2 \text{CORE} + \beta_3 \text{DCORE} + \beta_4 \text{SI} + \beta_5 \text{MV} + \beta_6 \text{MTB} \\ + \beta_7 \text{IMR} + \varepsilon$$

	β	p - value
Intercept	0.394	1.110
postxbrl	-0.232	-2.270
coreta1	2.196	0.990
dcoreta1	5.468	1.650
sita1	16.098	4.330
mv	0.000	1.420
mtb	0.001	1.020
imr	0.263	2.370
Adj-R2	0.089	

where EFFECT the change in bid-ask spread; POSTXBRL = 1 if firm-year observation is during or after quarter of XBRL filing; CORE = (net income – special items) / lagged total assets; DCORE = change in CORE; SI = special items / lagged total assets, MV = market-value of equity; MTB = market-to-book ratio; and IMR = inverse Mills' ratio, calculated from stage 1 regression. We use the 74 VFP firms to estimate the second-stage regression.

Table 5
Effect of XBRL filing on changes in analyst following

Panel A: Unconditional tests

$$\text{EFFECT} = \beta_0 + \beta_1 \text{POSTXBRL} + \beta_2 \text{CORE} + \beta_3 \text{DCORE} + \beta_4 \text{SI} + \beta_5 \text{MV} + \beta_6 \text{MTB} + \beta_7 \text{IMR} + \varepsilon$$

	β	p-value
Intercept	3.716	1.210
postxbrl	-2.452	-2.770
coreta1	-31.099	-1.620
dcoreta1	16.643	0.580
sita1	89.728	2.780
mv	0.000	1.980
mtb	0.002	0.190
imr	0.074	0.080
Adj-R2	0.046	

Panel B: Interactions with firm size

	β	p-value
Intercept	3.285	1.080
POSTXBRL*MV	-0.001	-2.720
postxbrl	-0.306	-0.260
coreta1	-25.367	-1.330
dcoreta1	19.946	0.700
sita1	92.013	2.880
mv	0.000	2.830
mtb	0.005	0.380
imr	0.063	0.070
Adj-R2	0.064	

where EFFECT the number of analysts following the firm; POSTXBRL = 1 if firm-year observation is during or after quarter of XBRL filing; CORE = (net income – special items) / lagged total assets; DCORE = change in CORE; SI = special items / lagged total assets; MV = market-value of equity; MTB = market-to-book ratio; and IMR = inverse Mills' ratio, calculated from stage 1 regression. We use the 74 VFP firms to estimate the second-stage regression.

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Appendix A

Example of Cash and Cash Equivalents

Standard Label	Cash and Cash Equivalents, at Carrying Value
Name	CashAndCashEquivalentsAtCarryingValue
Balance	Debit
Item type	Monetary item
Period type	Instant
Documentation	<p>Includes currency on hand as well as demand deposits with banks or financial institutions. It also includes other kinds of accounts that have the general characteristics of demand deposits in that the Entity may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. Cash equivalents, excluding items classified as marketable securities, include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present minimal risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition. Original maturity means original maturity to the entity holding the investment. For example, both a three-month US Treasury bill and a three-year Treasury note purchased three months from maturity qualify as cash equivalents. However, a Treasury note purchased three years ago does not become a cash equivalent when its remaining maturity is three months. Compensating balance arrangements that do not legally restrict the withdrawal or usage of cash amounts may be reported as Cash and Cash Equivalents, while legally restricted deposits held as compensating balances against borrowing arrangements, contracts entered into with others, or company statements of intention with regard to particular deposits should not be reported as cash and cash equivalents.</p>
Reference	<p>Publisher: FASB</p> <p>Name: Statement of Financial Accounting Standard (FAS)</p> <p>Number: 95</p> <p>Paragraph: 7, 26</p>