## Why the CIPC Decided to Mandate XBRL

Currently the CIPC Companies and Intellectual Property Commission of South Africa (CIPC), receives all Annual Financial Statements (AFS's) in PDF format, which is an unstructured format. This means analysis of AFS documents has to be done one-by-one by a human analyst. Humans have to do all calculations manually and are prone to making mistakes or missing important facts within the statements. Also, manual analysis is slow, and very difficult to compare with statements from other companies in order to determine trends within a sector of the economy or even the economy as a whole. The analysis scope of PDF documents is therefore very limited.

The CIPC has around 1.8 million registered active entities. A sub-set of these entities are required to submit AFS's. These include all public listed entities, state owned companies, private companies with a 350 Public Interest Score, and companies whose Memorandum of Incorporation prescribes filing of audited financial statements. Currently the operational efficiency and regulatory effectiveness of the CIPC is very limited due to the unstructured format that AFS's are submitted.

The use of XBRL will bring a new dimension of efficiency and effectiveness to the CIPC, because of the ability to use XBRL for validation of AFS data against the IFRS taxonomy. A validation engine can run automatically through the rules built into the taxonomy, and programmatically verifies that each rule has been adhered to in the AFS's.

The AFS's of all companies can also be consolidated in a common repository because of XBRL, in order to perform in-depth analysis via Business Intelligence technology on the consolidated data for identification of trends.

The CIPC is the central government agency for registration of all companies in South Africa. Many of these companies also need to submit financial statements to other regulators, depending on the industry they are operating in. Other regulators currently have different prescribed formats for statements required by them. By pioneering the implementation of XBRL at the CIPC, it will be possible for other regulators to also follow by developing their own taxonomies in line with the ground breaking programme of the CIPC. Should South Africa eventually decide on the principle of Standard Business Reporting (SBR) by introducing a common taxonomy for all regulators, this will enable all entities in South Africa registered at multiple regulators to submit their financial data only once, while the data will be shared by different regulators.

The CIPC also hopes to encourage client companies to realize the benefits of XBRL to improve their own back-end processes. Currently the processes of preparing financial statements for regulatory purposes often involve manual steps to consolidate data from various sources and disparate systems at client companies. XBRL can also be used for integration in back-end processes at client companies to automate the preparation of financial statements. This will improve productivity at client companies as well as the accuracy of data submitted to the CIPC and other regulators.

XBRL therefore has the potential to improve the efficiency, accuracy and

effectiveness of processes of the whole value chain of financial data from the point where individual transactions at client companies initiate the generation of financial data, to the point where a regulator like the CIPC can utilize financial data to influence wise decision making with regards to the economy as a whole.

For further information, please refer to www.cipc.co.za or contact:

Hennie Viljoen (XBRL Project Manager) – Hviljoen@cipc.co.za