Improving the business case of standardized business reporting

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In this presentation...

- Where are the data: the steps in the chain of administrative processes
- Standardization in the chain: SBR and SRCA
- Improving the business case: standardization and more.
- Issues
More and more of these processes are performed by software.

More and more financial data are digitally available.

If data were technically and semantically standardised...
Standardisation in the chain

– Getting data from digital company records is about digital messages containing financial data

– Standardization is essential:
  - Structure of messages: SBR ✓
  - Processes of message-exchange: SBR ✓
  - Message infrastructure: SBR ✓
  - Content of messages: classification and reclassification

We can not deal with each financial administration individually

– Conditional for succes is set of agreements between companies, software vendors, accountants and government

– Availability of digital standards facilitates acceptance
Fully link up with this chain:

- collect SME-data on a massive scale
- on a voluntary basis
- providing relevant feedback data for
  - SME’s
  - administrative intermediaries

Generate a practically complete, high quality microdata set
Main statistical actions in the chain

**Business processes**
- Order Intake
- Invoicing
- Stocks & Supplies
- HR
- ...
- ...

**Administrative processes**
- Book-keeping
- General Ledger
- Financial & Fiscal Reporting

**User processes**
- Trade Register (Chamber of Commerce)
- Credit Supply (Banks)
- Capital Supply (Shareholders & Investors)
- Tax Collection (Fiscal Authorities)
- ...

**Statistical processes**
- Input
- Through-put
- Output

**Classification**
- Recording
- Coding
- Identification
- Re-classification
- Re-classification / Mapping
- Validation
- Derivation
- Validation

Classification:
- 12
- 13
- 14
- 15
- 16

Report:
- A
- B
- C

Add Population data
- Data Checking & Editing
- Derivation
Standardisation in the chain

**Business processes**
- Recording
- Identification

**Administrative processes**
- Coding
- Classification
- Reclassification / Mapping
- Derivation
- Validation
- Standardised Reference Chart of Accounts

**User processes**
- Validation

**Statistical processes**
- Add population data
- Data checking & editing
- Derivation

**Mappings provided by regulators and users**

### Table: Reference Chart of Accounts

<table>
<thead>
<tr>
<th>Reference number</th>
<th>Reference code</th>
<th>Description</th>
<th>Mapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>300100000</td>
<td>BVrd</td>
<td>Voorraden</td>
<td></td>
</tr>
<tr>
<td>300101000</td>
<td>BVrdHan</td>
<td>Handelsgoederen</td>
<td></td>
</tr>
<tr>
<td>300102000</td>
<td>BVrdHanVoo</td>
<td>Voorraad handelsgoederen</td>
<td></td>
</tr>
<tr>
<td>300103000</td>
<td>BVrdHanVic</td>
<td>Voorzinding incourant handelsgoederen</td>
<td></td>
</tr>
<tr>
<td>300104000</td>
<td>BVrdHanHvv</td>
<td>Herwaardering van voorraden handelsgoederen</td>
<td></td>
</tr>
<tr>
<td>300105000</td>
<td>BVrdHanAww</td>
<td>Afwaardering van voorraden handelsgoederen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BVrdHanTve</td>
<td>Terugneming van een eerder verwerkte afwaardering</td>
<td></td>
</tr>
</tbody>
</table>

1. **Reference code**: Hierarchical alpha-code
2. **Description**: Standardised general ledger descriptions (in Dutch)
3. **Mapping**: Coupling with SBR-reports (taxonomies)
Standardisation in the chain: improving the business case

- Software vendors
- Accountants and intermediaries
- Companies
- Tax authority
- Annual accounts filing agency
- Statistics Netherlands
- Banks
SBR/RGS: CBS-business case for market?

Reduction of burden SN: paradox

- Sample: small # potential customers
- Potential customers unknown by service providers

- Detailed questions
- Not directly related to book keeping
- Differentiation in questions
Effect SBR/ RGS

- More data of more companies
- Comparable data
- Faster, more often

Standardized statistical company information

Standardized company data

- Standardized services for customers
- Based on standard chart of accounts
Current status in the Netherlands

– SN now involved in the network of contacts with software providers, accountants firms and large users around Standard Business Reporting
– SN-initiative with government and market partners for Standardised Reference Chart of Accounts successful
  - More and more software packages support the Reference Chart of Accounts
  - Software developers start to support the sending of digital SBR-messages to SN
  - SN’s proposal of delivering feedback data well received; a pilot delivers feedback statistical data
– Standardisation is the key – but it is not only in our hands....
### Statistical issues

**ISSUES**

<table>
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<tr>
<th>Issue</th>
<th>Possible Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-financial variables, e.g. Shop surface in m2, Hours worked</td>
<td>Use survey data from large firms; use alternative sources; additional survey</td>
</tr>
<tr>
<td>Non-recorded details e.g. exports to Eurozone countries</td>
<td>Use survey data from large firms; Long term: include in reporting and/or recording software</td>
</tr>
<tr>
<td>Different aggregation levels in individual administrations</td>
<td>Use imputation methods to standardise</td>
</tr>
<tr>
<td>Administrative vs. Statistical Units</td>
<td>Only 1-on-1 firms to report this way; Long term: reporting software also able to deliver consolidated data</td>
</tr>
</tbody>
</table>
### Implementation issues

#### ISSUES
- Detailed set of codes – makes mapping a considerable effort
- Hierarchical mapping and aggregation on multiple levels error-prone
- Mapping schemes to SBR taxonomy by regulators different in level of detail
  - Nature of mutations missing from coding scheme
  - Consolidation items missing from coding scheme

#### POSSIBLE SOLUTIONS
- Provide mapping examples, best practices as part of standard
- Provide set of guidelines and conformance suites for software suppliers
- Enforce use of one level of codesystem by regulators
- Investigate in what level of administration these facts originate (and if they do at all)
Feedback data issues

ISSUES
What kinds of data?

POSSIBLE SOLUTIONS

– Variables from the surveys involved (now in pilot)
– Regional detail
– Benchmark data to assess relative performance and business model

Which form and channel?

– Push:
  - PDF (now in pilot)
  - e-messages etc
  - Raw XBRL data (now in pilot)
– Pull:
  - open data via API’s that feed directly into the systems used by accountants
Organisational issues

**Ultimate goal:** become an integral part of the financial-administrative information chain

**ISSUES**

**POSSIBLE SOLUTIONS**

Set up different kind of relationship with enterprises, based on co-operation and adding value

Regard software providers and accountants as intermediate providers of enterprise data

Learn to speak the language of businesses

Invest time and effort in building network of contacts

Adapt internal processes to reap the full benefits
Thank you!