Does XBRL benefit financial statement auditing?

Yuan George Shan
Business School, University of Adelaide, Adelaide, SA 5005, Australia. Phone: +61883136456, Fax: +61882234782, Email: george.shan@adelaide.edu.au

Indrit Troshani
Business School, University of Adelaide, Adelaide, SA 5005, Australia. Phone: +61883135526, Fax: +61882234782, Email: indrit.troshani@adelaide.edu.au

Abstract
XBRL (eXtensible Business Reporting Language) is heralded to significantly enhance transparency, efficiency, and accuracy in business information supply chains which can facilitate auditing in firms. We investigate the impact of XBRL on financial statements auditing by using empirical evidence from firms listed in the NYSE and NASDAQ between 2009-2011, the time when the US Securities and Exchange Commission (SEC) XBRL adoption mandate for publicly listed firms took effect. Our results support claims that XBRL can facilitate auditing which is manifested in reduced auditing costs. That is, XBRL adopters are likely to pay reduced audit fees. We also find that this effect is directly related to firm size, with larger firms benefiting more than smaller firms. As XBRL has been in an emerging state for over a decade, our findings offer much needed evidence concerning its economic consequences which can have important implications for accountants, auditors, and XBRL application developers.

Keywords: XBRL, auditing.