

XBRL - AN ADOPTIVE STUDY IN INDIAN PERSPECTIVE

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ABSTRACT

In India Ministry of corporate affair, the regulators of corporate entities has mandated filing of financial returns in XBRL- Extensible Business Reporting Language, format only from financial year commencing on or after 1.4.2011. Ministry has taken this initiative for saving cost, automation of data and to improve efficiency in handling business and financial information for class of companies (i) listed with any Stock Exchange(s) in India and their Indian subsidiaries; or (ii) having paid up capital of Rupees five crore and above; or (iii) having turnover of Rupees one hundred crore and above; or (iv) who were required to file their financial statements for FY 2010-11, using XBRL mode. XBRL filing is based solely on tagging, taxonomies and markup language which works via XBRL Software only. Early evidence from XBRL projects demonstrate the potential impact of the standard: significant reduction in the reporting burden on organizations, increased data quality, elimination of duplicated data, increased speed of processing, creation of streamlined reporting processes, and reductions in the cost of reporting.

Keywords: XBRL, India, Financial reporting, Companies.

INTRODUCTION

XBRL stands for eXtensible Business Reporting Language. It is a computer language based on XML (Extensible Markup Language) which is an open technology standard, free from any license fees, and accounting framework neutral, for the electronic transmission of business and financial data over the internet.

It is the process of:-

- creating,
- distributing,
- reporting and
- analyzing

information in a more efficient and effective manner.

In June of 2003, the Federal Financial Institutions Examination Council (FFIEC) announced the first step in an interagency effort to modernize and streamline how federal bank regulators collect, process and distribute quarterly bank financial reports. This project followed in line with the initial FDIC prototypes for the system that were developed by XBRL Solutions, Inc. and KPMG LLP in 2001 and 2002.

The FFIEC Call Report Modernization project that leverages XBRL was awarded to Unisys Corporation and its team of Microsoft, PricewaterhouseCoopers, IDOM, EDGAR Online, UBmatrix, and V-Tech Solutions.

The new business process, which will be phased in through 2005, will consolidate the collection, editing, and access of quarterly bank financial reports into a central data repository, which will be accessible by banking regulators, financial institutions, and the public. The new model is also expected to reduce burden on the industry, while providing data to the public in a more timely and flexible manner.

In October of 2003, KOSDAQ Stock Market, UBmatrix, Samil Accounting Firm (a member firm of PricewaterhouseCoopers) announced an innovative Web-based XBRL service designed to increase the value of data information with unparalleled data transparency.

Through this innovative offering, investors, regulators and financial institutions world-wide are able to quickly and accurately measure the performance of companies who are listed on the KOSDAQ exchange.

Today, XBRL is being adopted around the globe by the business community which sees the opportunity to transform the way it communicates and conducts business. XBRL projects are being implemented around the world.

In India, this initiative is driven by XBRL India, which is a Company registered under Section 25 of the Companies Act, 1956, incorporated for managing the affairs of the Indian Jurisdiction of XBRL International. XBRL India is facilitated by the Institute of Chartered Accountants of India.

XBRL GLOBALLY & IN INDIA

Various countries including Australia, France, China, South Korea, Spain, Israel, Japan, US, Sweden, Belgium, Germany, Canada, Singapore, UK have already adopted XBRL.

XBRL is revolutionizing the way business information is

- Generated
- Reported
- analyzed

which in turn is revolutionizing the world. India is now an established jurisdiction of XBRL International. A separate company, under section 25 has been created, to manage the operations of XBRL India. The main objectives of XBRL India are

- To create awareness about XBRL in India
- To develop and maintain Indian Taxonomies
- To help companies, adopt and implement XBRL.

XBRL India is facilitated by ICAI. Members of XBRL India are MCA, RBI IRDA, SEBI, NSE and BSE.

REPORTING FINANCIAL STATEMENTS IN XBRL IN INDIA

Due to globalization of businesses, the users of financial information of the business are spread across the globe. For the purpose of making the reported financial information usable across the globe, one common reporting language XBRL was introduced. This is universally adopted computer readable language for reporting the financial information. Using this, any financial reports can be viewed in the common format using XBRL in the prescribed format.

In order to meet the universal requirements, India also adopted the practice and introduced the concept of using XBRL for Financial Reporting. As a part of this initiation, On June 7, 2011 the Ministry of Corporate Affairs (MCA) mandated the filing of the annual financial statements in XBRL format for all the financial statements prepared for the period starting from 31st March 2011 (i.e. from the financial year 2010-11).

As per the MCA circular, the following is the eligibility criteria for filing the financial statements in XBRL in the format prescribed in the Taxonomy published by the MCA.

- All listed companies including their Indian subsidiaries (but excluding the overseas subsidiaries)
- Companies having a paid up capital of more than Rs. 5 crore or turnover of Rs 100 crore or above.

In the first phase Banking, Insurance, Power, and Non-Banking Financial Companies (NBFC) are exempted from submitting financial report in XBRL Format.

Now, Indian companies can use internationally accepted reporting format XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investors, analysts, financial institutions and regulators, can receive, discover, compare and analyse data much more rapidly and efficiently if it is in XBRL format. It also assists to access non-financial information like supplier data, customer application forms, project data, employee information, regulatory submissions, and Management Information System on the company.

FUNDAMENTAL TERMS IN XBRL

1. Schema:

XBRL Schema stores information about taxonomy elements. Main purpose is to provide the computer with information on how it should represent and process accounting terms.

2. Taxonomy:

Taxonomy in general means a catalogue or set of rules for classification. In XBRL, taxonomy can be referred as an electronic dictionary containing computer readable definitions of the business reporting concepts as well relationships between them and links connecting them to human-readable resources (metadata).

The taxonomy gives meaning and structure to the concepts and provides additional information in a number of ways:-

- Concepts have a type, e.g. “cash” would be monetary (numeric with a denomination), while “name” would be plain text;
- Concepts can have relationships with each other (e.g. calculations) and with documentation (e.g. reference material);
- There are two types of concepts:
 - Item: An item describes a single concept that can be reported on as an independently understood fact, e.g. “cash”, “number of employees”.
 - Tuple: A tuple is a ‘collection’ of concepts (either item or tuple), grouping together related information that doesn't have enough meaning by itself, e.g. a “manager’ tuple could contain a “name” and a “title” item.

3. Instance document:

An XBRL instance document is a business report in an electronic format created according to the rules of XBRL. It contains facts that are defined by the elements in

the taxonomy it refers to together with their values and an explanation of the context in which they are placed.

An XBRL instance document contains the following:-

- A reference to the taxonom(y)/(ies) on which the instance is based;
- Context identification;
- The facts, with references to the concepts in the taxonomy.

In simple words, taxonomy is the container, and the Instance document is the contents of the container.

4. **Tags:**

Tags are the element that is used to identify/map and describe the elements of financial statements or any business term. The process of mapping the financial data to unique element is called tagging.

XBRL is a code based language made up of tags representing various pieces of financial information. A Tag is a computer code that represents one concept such as Gross Revenues or Product Revenues. XBRL uses tags to describe data for example <Product Revenues> 100</Product Revenues>. Here, the word “Product Revenues” together with the brackets “<” and “>” is called a tag, in which “<...>” is called opening tag and “</...>” is called closing tag.

In XBRL, same data types are tagged identically e.g. all companies names will have a similar tag and all net assets have another tag and so on.

5. **Extension:**

Extensibility is one of the important aspects of XBRL. When there is no tag available in public taxonomy to identify an element of financial statements of reporting entity, extension tag is used to identify/map the same element.

6. Attributes:

The properties of the tag are called the attributes. They are: Data type (Number, string, Date, percentage, text etc) and Period type (Context) Balance type (Debit/Credit) Reference etc.

7. Fact:

The values included in the instance document, which correspond to the concepts included in the taxonomy, are called as facts. These facts can either be numeric (monetary, shares or other numeric information) or non-numeric (string, date or text block).

E.g.

Concept	Fact
Intangible Assets	100000
Name of subsidiary	Sample company ltd.
Date of board meeting	2011-04-30
Earnings per share	2.33

8. Context:

The reporting period, information about reporting entity and other information which is required to uniquely identify any fact value is considered as context. It documents the entity, the period and the scenario that collectively give the appropriate context for understanding the values of items. Context ids have to be created based on the rules specified in the filing manual.

9. Decimals attribute:

This attribute is to be defined for numeric items in the instance document. It specifies the number of decimal places to which the value of the fact represented may be considered accurate, possibly as a result of rounding or truncations; it shall be an integer or possess the value INF meaning that the number expressed is the exact value of the fact.

10. Unit element:

An element that appears in instance documents and specifies the units in which numeric items (that refer to its required ID attribute using a unitRef attribute) have been measured; it may define simple units using a measure element and complex units providing divide element and its sub-elements (unitNumerator and unitDenominator); there are several constraints imposed on this element, its children and their content; for example monetary concepts shall refer to ISO 4217 currency codes.

11. Footnote:

Appears in instance documents and provides additional information about facts; for example, several facts may be linked to the sentence Including the effect of merger with Sample Company; to express these connections XBRL utilises a footnote Link extended link element; footnote Links act as a kind of link base and enclose locators to the instance documents' facts; footnotes use footnote Arcs with an arcrole value set to connect facts to additional information.

PREPARATION AND FILING OF FINANCIAL REPORTS IN XBRL FORMAT

Companies incorporated under the Companies Act 1956, are required to file returns with the Registrar of Companies (ROC) every year. Ministry of Corporate Affairs (MCA) mandated some companies to file the annual financial statements in XBRL format for the Year 2010-11 onwards.

Now the question which arises is how to file Financial Statements in XBRL Form? In respect of this MCA has issued a step by step guide, which is as follows:-

Step 1 – Creation of XBRL instance document:

A. Map company's each financial statement element to a corresponding element in published taxonomy:

Companies have the option to create their own XBRL documents in house or to engage a third party to convert their financial statements into XBRL form.

The first step in creation of an instance document is to do tagging of the XBRL taxonomy elements with the various accounting heads in the books of accounts of the company. This would create the mapping of the taxonomy elements with the accounting heads so that the accounting information can be converted into XBRL form.

Mapping is the process of comparing the concepts in the financial statements to the elements in the published taxonomy, assigning a taxonomy element to each financial statement concept.

Selecting the appropriate elements for some financial statement elements may require a significant amount of judgment. For that reason those in the company who are most familiar with the financial statements should be involved in matching financial statements concepts to taxonomy elements. The mapping should be reviewed before proceeding further as the complete reporting would be dependant on the mapping.

B. Create instance document for Balance sheet and Profit and loss Account:

Once the tagging of financial statement elements with the published taxonomy elements is done, the next step is to create the instance document. An instance document is a XML file that contains business reporting information and represents a collection of financial facts and report-specific information using tags from the XBRL taxonomy. It is to be noted that no extensions to the core Taxonomy will be allowed. Separate instance documents need to be created for the following:

- (i) Stand Alone Balance sheet of the company
- (ii) Stand Alone Profit and Loss Account of the company
- (iii) Consolidated Balance sheet of the company
- (iv) Consolidated Profit and Loss Account of the company

The instance document should contain the financial information for both the current as well as the previous financial year.

Consolidated balance sheet and Profit and Loss instance documents to be created only in case the same is applicable to the company.

The following are the specifications to be followed while preparing the instance document –

- An XBRL instance document must be schema valid according to all schemas in the DTS
- The scheme element in the context must be <http://www.mca.gov.in/CIN>

C. Review and verify the instance document:

Once the instance document is prepared, it needs to be ensured that the instance document is a valid instance document and all the information has been correctly captured in the instance document.

Step 2 – Download XBRL validation tool from MCA portal:

There shall be a tool provided at the MCA portal for validating the generated XBRL instance document. Validating the instance document is a pre requisite before filing the balance sheet and profit & loss account on MCA portal. You are required to download the tool from the MCA website and validate the instance document before uploading. There shall also be a facility to view and search the taxonomy.

Step 3 – Use the tool to validate the instance document:

Once the tool has been downloaded, the next step is to validate the instance document. The following validations shall be performed by the tool-

- Validating that the instance document is as per the latest and correct version of taxonomy prescribed by MCA
- All mandatory elements have been entered
- Other validations as per taxonomy

Step 4: Perform pre-scrutiny of the validated instance document through the tool:

Once the instance document is successfully validated from the tool, the next step is to pre-scrutinise the validated instance document with the help of the same tool. For pre-scrutinizing the instance document, a working internet connection shall be required. In the Pre-scrutiny, the server side validations (i.e. validations which are to be validated from the MCA21 system) shall be performed.

Also, there shall be a feature provided in the tool to verify the appearance of the generated XBRL instance document using the built in Viewer. It is imperative that the company should use this feature to verify the accuracy of the instance document.

Step 5: Attach instance document to the Form 23AC and Form 23ACA:

There shall be a separate set of Form 23AC and Form 23ACA available on the MCA portal for filing in XBRL form. First fill up the Form 23AC and Form 23ACA. Thereafter, attach the validated and pre-scrutinised instance document for Balance sheet to Form 23AC. Similarly, the instance document for Profit and Loss account is to be attached to Form 23ACA. Separate instance documents need to be attached w.r.t. Standalone financial statements and consolidated financial statements.

Step 6: Submitting the Form 23ACA and Form 23ACA on the MCA portal:

After the forms are filled, you are required to perform pre-scrutiny of the form, sign the form and then upload the same as per the normal eForm filing process. It shall be validated that the attached instance documents are validated and pre-scrutinised from the XBRL validation tool.

CONCLUSION

XBRL is revolutionary but has to become a de facto industry standard with a critical mass using its technology before the financial services sector can experience the full benefits. Enthusiasm and momentum are clearly building. Leading organisations including Microsoft, Reuters and Morgan Stanley, have begun to use XBRL in the preparation and publication of their financial statements. Systems and software suppliers are beginning to release XBRL-enabled tools and regulatory authorities such as APRA are requesting XBRL based filings.

Management should be assessing whether there are business areas or processes that might benefit from introducing XBRL enabled tools, or whether using XBRL to enhance its own external reporting arrangements could be turned into competitive advantage. Although XBRL is a relatively new technology, its application is broad ranging and the financial services industry, as a key user and producer of financial information, is likely to benefit more than most other sectors from the development and implementation of XBRL-enabled processes.

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