



XBRL- The New Financial Reporting Language: a Concept

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ABSTRACT

XBRL (eXtensible Business Reporting Language) is an Internet-based business reporting language that is rapidly becoming an international standard for financial reporting. XBRL tags data so that documents can be instantly created or retrieved in a variety of formats. XBRL holds the promise of improving the efficiency of producing, disseminating, and using a company's financial (and non-financial) information. XBRL can yield cost savings, greater efficiency, improved accuracy and reliability to both suppliers and users of financial data. Against this background the present paper throws light on important issues of XBRL. This is a conceptual paper.

KEYWORDS : XBRL, reporting language, accuracy, reliability

INTRODUCTION:

XBRL (eXtensible Business Reporting Language) is an Internet-based business reporting language that is rapidly becoming an international standard for financial reporting. XBRL tags data so that documents can be instantly created or retrieved in a variety of formats. XBRL holds the promise of improving the efficiency of producing, disseminating, and using a company's financial (and non-financial) information. XBRL can yield cost savings, greater efficiency, improved accuracy and reliability to both suppliers and users of financial data.

In December 2008, the SEC (Securities and Exchange Commission) approved final rules which require companies to submit financial statements in XBRL format. Previously, the SEC established a voluntary filing program for XBRL reporting in March 2005.

The Internet has significantly extended the amount of information available in digital format, therefore making information more accessible and usable. Sharing and exchanging information via internet is changing the world we live in. These changes have not only improved global economy but also created new opportunities and new challenges for business. Businesses are using digital technology to improve the efficiency and effectiveness of their operating processes. The application of html (hyper text mark up language) has made it very efficient for users to search for information on the web, and has been a major impetus behind e-commerce. Similarly, XML (eXtensible Markup Language) has enabled the possibilities to develop business applications that are users friendly and platform independent, and has also contributed to the increasing importance of e-commerce.

OBJECTIVES OF THE STUDY:

The main objectives of the present study are as follows:

1. To understand the concept of extensible Business Reporting Language- XBRL .
2. To identify the benefits and problems associated with XBRL reporting.
3. To give suggestions with regard to XBRL reporting.

RESEARCH METHODOLOGY

The data relevant for the study has been collected from secondary sources. It is been extracted from among different published sources such as journals, magazines, research articles.

CONCEPT OF XBRL

XBRL International (2009) defines XBRL as "A language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data

Savage defines XBRL as a "royalty-free, open specification for software that uses XML data tags to describe business and financial information for public and private companies and other organizations." This definition describes the technical background of XBRL, which is XML. Moreover it states that it can be used to describe financial 'information, by

using data tags. Another important fact, expressed by this definition is that XBRL is an open and free standard, which means that no license fees have to be paid by its users.

REVIEW OF LITERATURE

Matthew Bovee et al. (2001). "Assessing the 07/31/2000 XBRL Taxonomy for Digital Financial Reports of Commercial and Industrial firms".

The study determined how well the '07/31/2000' version of the XBRL taxonomy for financial reporting by commercial and industrial firms under U.S.GAAP suites current financial reporting practices of public companies. The study also classified difference between the '07/31/2000' XBRL taxonomy and observed reporting practices. Further, the study also discussed the potential effect of the taxonomy on accounting information quality, as indicated in statement of financial accounting concepts. The findings of the study showed that commercial and industrial firm's taxonomy has a good fit overall, and a better fit for few industries than for others. The study suggested that there is a need for efforts to develop industry specific taxonomies.

Virendra K et al (2002). "eXtensible Business Reporting Language (XBRL)-The Digital Language of Business: An Indian Perspective".

This paper is theoretical in nature. It speaks about how XBRL can be useful for India. The study investigated some of the major issues in delivery of business information through the web using the digital language of business called the XBRL. The findings showed that XBRL is attempting to provide a language (digital) to the (electronic) accounting statements so that they are able to exchange information. Further, XBRL enables financial reports to converse across all software and technologies.

Rajendra P Srivastava (2009). "XBRL (Extensible Business Reporting Language): A Research Perspective"

The paper talks from research point of view. The main objective of the paper was to provide an overview of the current status of the research in the XBRL arena. Further it explored the opportunities for future research with special attention to the value of XBRL formatted financial statements, transparency and corporate governance and assurance on XBRL instance documents furnished with SEC along with the traditional filings.

ADVANTAGES OF XBRL TO INDIVIDUAL STAKEHOLDERS:

1. By introducing XBRL for reporting, regulators and other government authorities can take data which can be entered automatically into systems without reformatting or other translation effort.
2. Stock Exchanges can use XBRL to make their process of company data collection more competent, comprehensive, and reliable.
3. Investment analysts and advisers can benefit from much greater clarity and consistency in company financial data.
4. Financial Companies through the adoption of XBRL, can obtain company financial data in a standardized and predictable form.
5. Loan and credit management departments of banks can reach decisions more confidently and provide a quicker response to clients.
6. The development of XBRL software and its implementation all over the world has helped the community of accountants and auditors

immensely. Through the use of XBRL in companies, accountants will be able to obtain more rapid and reliable data on company financial performance.

7. XBRL offers software and IT companies a range of opportunities to diversify their business and expand their business. It enables these companies to adopt a data standard for transferring business and financial information.

PROBLEMS OF XBRL:

As every new technology have its own negative aspects, so does Extensible Business Reporting Language.

- eXtensible Business Reporting Language is too new that very few people know about it .The reason is that eXtensible Business Reporting Language has just existed for very few years. Only related accountants are guided to know XBRL taxonomies
- Extensible Business Reporting Language is still very young, its definition system is not complete yet and the taxonomies is still need to be modified.
- When adopting XBRL, organizations or financial reporting bodies need to reconstruct existing financial data system and re-input a big amount data again in XBRL format. On the other side, costs also take place when educating staffs to use this format and buying XBRL based commercial software.
- In a micro point of view, individual companies might not like to have all their financial information exposed instantly to public and tax regulators. The interest of individual company is to achieve maximum profit for their own company, which can be achieved through building perfect public image, hiding sensitive information from competitors and even use different accounting rules for internal and external financial report.
- There are un-expected social events that defect the implementation of XBRL as well. For example, the accounting departments of American companies have been tied up with the requirement of corporate scandals, as well as new stock option expensing rules. On one side, the event may have delay effect on implementation of XBRL for lack of energy in financial market.
- There are similar security issues on usage of XBRL database system. Some financial information may not necessary to be open to all public bodies. Yet, because this technology is based on internet, intelligent computer user, so called hackers, may still get access to confidential data and disclose it to harmful bodies. Another un-welcomed gust is computer virus, which can cause financial database system failure.
- Some less economical developed countries may argue that the adoption world-unified financial data taxonomy may not be beneficial or applicable to their own economy. Firstly, a small country

can lost their own financial identity of their national economical system when abandoning the old rules to this new one. Secondly, bigger financial nations may have easier access to local data of small financial nations and even take control of their business behaviors. Thirdly, Extensible Business Reporting Language may be too general for small financial own financial reporting need. Last but not least, smaller countries may not enjoy as much desired benefits of XBRL as much as larger countries. In all, the technology itself may have biases.

SUGGESTIONS:

- As Extensible Business Reporting Language (XBRL) is a new and emerging issue in Financial Reporting where only few people aware of it, awareness has to be created among all the users of financial information like conducted Conference, Seminars, Workshops etc.,
- Accounting Bodies of different Countries have to provide Training Program with regard to XBRL usage and its implementation to the entire Preparers' of Financial Statement as there is a Lack of Expertise and Preparers' using XBRL.
- As still XBRL itself is in progress with regard to Taxonomy, firstly it has to be improved effectively to meet the requirements of all the countries by bringing unique global reporting language
- Regulators Bodies and Government has to take strong step in making Mandatory application of XBRL language to its Financial Reporting to all the Companies.
- As XBRL is Internet Based financial information reporting language, Security aspects has to be maintained and considered at a great extent in order to minimize and control so called hackers and Virus which can cause financial database system failure
- In addition, More and more research work has to be conducted for further more improvement and development of XBRL.

CONCLUSION:

XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting all over the world. It provides major benefits for the preparation, analysis and communication of business information. XBRL is unique global financial reporting language which removes the diversity in reporting financial information among different countries. As less stress is given to XBRL, more and more training programs, conferences, seminars, workshops has to be conducted all over the world in order to gain awareness and practical implementation of XBRL all over the world which helps in taking the decisions more quickly and confidently. Therefore, more and more research work has to be conducted in order bring improvement and up-gradation of XBRL in order to meet the requirement of all the countries and also all the users' of financial information data.

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