



## THE EMERGING WAY OF FINANCIAL REPORTING: A STUDY ON XBRL

**Mrs. Harshitha Mallik**

Assistant Professor, Department of Commerce Teresian College Siddhartha Layout Mysore 570011

**ABSTRACT** The new information technologies use for improving error prone, manually intensive, and inefficient environments for financial reporting. The internet use, forms of digital reporting, most of the people having knowledge of PDF and HTML documents, very few practitioners know anything about XBRL. The purpose of this study was to explore the role and benefits of XBRL (eXtensible Business Reporting Language), a technological innovation that transform records in financial statements into interactive and actionable information through internet technology for corporate managers and financial professionals and find out the levels of awareness of XBRL in Mysore district in auditors. Using questionnaire study on 21 auditors as representative of financial reporting preparers of various organisation in Mysore district, this study examines the perception of financial reporting preparers on a financial reporting mechanism via XBRL. The findings in this study shed lights to regulators on the needs to provide more awareness and knowledge to preparers before XBRL could come into full adoption.

**KEYWORDS :** HTML, XBRL, Financial Reporting, XML

### 1. INTRODUCTION

XBRL is technology that tags pieces of financial data, with the aim of making the analysis and retrieval of data easier, quicker and more cost-effective. It is based on the same principle as HTML, but it is more to use in the adoption sphere. XBRL is a derivative of XML (eXtensible Mark-Up Language) which is used to express Financial Business Reporting content. XBRL is an e-language and a royalty free open specification. It is developed by XBRL International inc., a NPO Consortium of 500 leading companies and agencies from around the world. XBRL

provide the automatic exchange and reliable extraction of around the world. XBRL provide the automatic exchange and reliable extraction of business information from diverse software applications. In the literature, eXtensible Business Reporting Language (XBRL) is defined as a standard “for simplifying the exchange of financial statements, performance reports, and other business information between software programs” (Hannon, 2005). XBRL has been named “a digital language of the business” by the people involved in its development and adoption (Hoffman & Strand, 2001). XBRL is the result of the evaluation of protocols with its origin in HTML and XML.

### 2. OBJECTIVE OF THE STUDY

- To study awareness of XBRL among auditors
- To study compatibility of XBRL with domestic entity

### 3. HYPOTHESES OF THE STUDY

The emerging way of financial reporting via XBRL is not satisfactory

### 4. SCOPE OF THE STUDY

The scope of study extends to the Mysore district. The selection of Mysore district has been done with a conscious effort. The district has seven taluks. For the purpose of in depth study only compatibility of XBRL with domestic entity and awareness of XBRL among auditors are taken as sample.

### 5. RESEARCH DESIGN

#### 5.1 Sample

Auditors who are attached with various domestic entities are selected as the sample for the study. Such sample is chosen due to the experience and knowledge in the preparation of financial statement and therefore they would likely be among the first to be expose to new technologies that could improve decision making and financial reporting.

#### 5.2 Questionnaire design

A questionnaire is developed for the purpose of this study. The purpose of the questionnaire is to obtain response on the questions related to preparer's perception of compatibility expectation on XBRL. The questionnaire is divided into three sections. Section A requests the respondents to complete their demographic profile. The respondents are requested to provide their demographic profile such as age, gender,

member of professional body, educational background and work experience.

Section B requests the respondents to provide their awareness on XBRL. Six questions were developed in this section which include familiarity on XBRL, plans to gain more knowledge on XBRL, organisation's plans to adopt XBRL in near future, understanding on XBRL, attendance in XBRL course or training and the type of XBRL course or training attended if any. The respondents are requested to complete the questions in this section based on multiple choice responses.

In the last section, Section C requests the respondents to provide their opinion on their usage expectation upon using XBRL. Seven questions were developed in this section. The questions include whether XBRL is compatible with the organisation's current accounting systems, existing system infrastructure, difficulties in implementing XBRL due to inconsistent taxonomy, incur high cost of XBRL software development, limited software tools and support to integrate XBRL, problem of instability of XBRL specification and complexity of XBRL implementation. The respondents are requested to complete this section on 5-point scale of '1' as strongly disagree and '5' as strongly agree.

### 6. RESULTS

#### 6.1 Respondent profile

Responses have received from 21 auditors, providing a response rate 63 percent. From the respondents' profile, it would appear that XBRL should be relevant to many of the respondents. Most of the respondents are in the position where financial information was of importance to the preparers of financial reports. Furthermore, 50 percent of the respondents were employed in listed companies as practicing auditors and 13.46 percent employed in listed companies and 23.08 percent respondents were employed in unlisted companies, which annual turnover less than Rs50 million. It is summarized that for these companies, financial reporting would generally be a large burden due to large volumes of transactions and various different reporting needs. XBRL, as technology which aims to ease the burden of financial reporting should therefore be of interest to them.

#### a. Level of awareness and implementation

Table 1, Panel A show the results of the respondents' awareness and preference of XBRL. The results of that only 38 percent of the respondents are aware that the Ministry of Corporate Affairs, Government of India has planned to implement XBRL-based financial reporting. More than half of the respondents are not aware of implementation.

Panel B shows the descriptive statistics of the respondents' awareness of XBRL in their organisation. The results show more than half of the respondents are not sure whether their organisation is going to adopt XBRL (62 percent). Nineteen percent of the respondents noted that their organisation is going to adopt XBRL.

When asked on the respondents' preferred format in financial reporting in the digital environment, slightly more than half respondents prefer PDF (55 percent), followed by HTML (29 percent), and XBRL (16 percent). This result indicates that the respondents are not keen to adopt XBRL, again an alarming signal to MCA on their plans to adopt XBRL.

**Table 1: XBRL implementation awareness and preference**  
**Panel A: Awareness of XBRL implementation in Mysore**

Awareness	Frequency	Percent
Yes	08	38
No	13	62
Total	21	100

**Panel B: Awareness of XBRL implementation in organisation**

Awareness	Frequency	Percent
Yes	04	19
No	04	19
Unsure	13	62
Total	21	100

**b. Compatibility expectation of XBRL**

This section presents the respondents' mean score of the compatibility expectation of XBRL. There are 7 statements related to compatibility expectation of this technology. Table 2 presents the result based on the questionnaire in section C which requested the respondents to provide opinion for each statement using a 5-point scale of '1' as strongly disagree and '7' as strongly agree.

**Table 2: Compatibility expectation of XBRL**

No.	Statement	Mean	Standard deviation
1	XBRL is compatible with your organisation's current accounting systems	4.620	1.3251
2	XBRL is compatible with your organisation's existing system infrastructure	4.326	1.2524
3	Your organisation has difficulty in implementing XBRL due to inconsistent taxonomy	3.961	0.8217
4	Your organisation has difficulty in implementing XBRL due to inconsistent taxonomy	4.200	0.8587
5	Your organisation has limited software tools and support to integrate XBRL	4.180	0.8288
6	Your organisation has problem of instability of XBRL specification	4.220	0.88283
7	Your organisation has complexity of XBRL implementation	4.330	0.9647

The results show that all the respondents agree that XBRL are compatible to the existing system in the organisation of the financial statement preparers. Among the seven statements related to compatibility expectation, most respondents perceived that XBRL is compatible with their organisation's current accounting systems where the highest mean score of 4.620 was given. This is followed by respondents' opinion that XBRL is compatible with their organisation's existing system. Such findings provide some indications that the organisations are ready to implement XBRL since their existing accounting systems and infrastructure could be integrated with XBRL. However, such findings seems perplexing because even though the respondents perceived that XBRL is compatible to the organisation's current accounting system and infrastructure, they are not keen to adopt XBRL.

The results, however show that despite that the respondents perceived that XBRL is compatible with the organisations' existing accounting system and infrastructure, their organisation may face some complexity in the implementation phases (4.330) and also be incurring high cost in developing XBRL (4.200). The respondents' opinions were somewhat mixed on the difficulty in implementing XBRL due to inconsistent taxonomy (3.961). Such findings provide some indication that the respondents may be aware of the existence of standardised taxonomy throughout the world and are unlikely to worry about the lack of standardised taxonomy.

**7. CONCLUSION**

The findings indicated that there is lower level of awareness of XBRL in Mysore. This study also examines the financial reporting preparers' compatibility expectation of XBRL for their organisations' accounting information system and infrastructure. Although the respondents viewed that they may be facing some difficulty in implementing XBRL and it would involve a huge amount of expenditure to implement XBRL.

**REFERENCES**

1. Beattie, E. (2010), "Accountants 'disadvantaged' by XBRL deadline" Accountancy, available at: [www.accountancymagazine.com](http://www.accountancymagazine.com)
2. Chartered Institute of Management Accountants (2010), "High standards: the rise and rise of XBRL", Insight, December, available at: [www.cimaglobal.com](http://www.cimaglobal.com)
3. Dunne, T., Helliard, C., Lymer, A. and Mousa, R. (2009), "XBRL: the views of stakeholders", The Association of Chartered Certified Accounts, available at: [www.accaglobal.co/general](http://www.accaglobal.co/general)
4. Hannon, N. (2005), "XBRL Fundamental & Strategic Finance".
5. Hoffman, C., Kurt, C., & Koreto, R.J.(1990), The XML files. Journal of Accountancy 187(5).