

XBRL: The New Business Reporting Language



Commerce

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ABSTRACT

XBRL has emerged as a widely accepted digital reporting standard which helps in effective and efficient presentation of information for users. It helps in all stages of business analysis and reporting. It provides benefits in form of automatic processing, faster accessibility of information, cost saving and flexibility in business reporting. In this paper, we will share what is XBRL, financial requirements relating to XBRL in India and the benefits attached to using this new form of financial reporting language.

Introduction

The use of internet has enormously affected all the aspects of our life. With click of a mouse any kind of information is delivered in a fraction of seconds. It surely helps in better and quick decision making. To reap the benefits of fast, easy accessible and low-cost information in business world, new form of technologies and concepts are introduced every now and then. One of such new concept is digital financial reporting and XBRL is merely a tool which will be employed for it. **XBRL** (eXtensible Business Reporting Language) is a language for the electronic transmission of business and financial data which is being used for business reporting around the world. It offers major benefits to all those who have to create, transmit, use or analyse such information.

XBRL

XBRL is an XML (Extensible Markup Language)-based markup language for electronic transmission of business and financial data. It was formed specifically to communicate information between businesses and users of financial information, such as analysts, investors and regulators. It is an open standard, free of license fees.

XBRL provides an identifying tag for each individual item of data. For example, the tag `<Asset>780</Asset>` enables a computer to understand that the item is an asset, and it has a value of 780. These XBRL tags work in a similar way to bar codes; so XBRL makes it easier to handle different items of financial information, in the same way that bar codes make it easier to handle assets or manage the supply chain. XBRL can be used to provide unique identifying tags such as profit before tax, turnover, gross profit, tangible fixed assets etc. XBRL tags can also provide a range of information relating to an item, such as whether it is a debit or credit, a monetary item, which period it relates to, in what currency it is stated and so on. Computers treat XBRL data intelligently, they recognise the information in a XBRL document, select, analyse, store, exchange it with other computers and present it automatically in a variety of ways for users.

XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. Different countries use different accounting standards. Reporting under each standard requires different definitions. The XBRL language uses different dictionaries, known as 'taxonomies', to define the specific tags used for each standard. Taxonomies differ according to reporting purposes. Consequently, a company may use one taxonomy when reporting to a stock exchange, but use a different taxonomy when reporting to a securities regulator.

The XBRL Specification is developed and published by XBRL International, Inc. (XII). XBRL International is not-for-profit consortium of agencies and companies internationally, working together to build the XBRL language standard, and support and promote XBRL's adoption.

XBRL in India

In 2007, the Institute of Chartered Accountants of India (ICAI) had taken a lead in XBRL by constituting a group comprising

of regulators viz SEBI/RBI/IRDA/MCA for undertaking the development and promotion of XBRL in India. The taxonomy for Commercial & Industrial (C&I) Companies developed by ICAI is being used by MCA (Ministry of corporate affairs) for reporting of the annual financial Statements for a certain class of companies. This taxonomy has been developed to enable companies prepare their financial statements, viz., Profit and Loss Account, Balance Sheet and Cash Flow Statement in XBRL format, based on the requirements of the Accounting Standards and Indian Company Law. With the change in the format for preparation of the financial statements viz. Revised Schedule VI, the taxonomy was also modified.

XBRL India is a Company registered under Section 25 of Companies Act, 1956, incorporated for managing the affairs of Indian Jurisdiction of XBRL International. Its main objective is to promote and encourage the adoption of XBRL in India as the standard for electronic business reporting in India. XBRL India is working closely with regulators, stock exchanges and software companies for promotion of XBRL as a Standard Business Reporting Language.

Securities and Exchange Board of India (SEBI) is also developing an XBRL filing and dissemination platform (SUPER-D Project) which can be used by Registered Intermediaries as well as by companies for filing their returns/reports with SEBI or with Stock Exchanges through SEBI.

XBRL financial requirements in India

As mandated by the MCA (Ministry of corporate affairs), the regulators of corporate entities in India, the following class of companies have to file their Balance Sheet and Profit and Loss Statement in XBRL format as per Revised Schedule VI for all Financial Periods beginning on or after 01-04-2011:

- All companies listed in India and their Indian Subsidiaries.
- All companies having a paid-up capital of Rs. 5 crore and above.
- All companies having a turnover of Rs. 100 crore and above.
- All companies which were required to file their financial statements in XBRL Format in financial year 2010-11.

However Banking Companies, Insurance Companies, Power Companies and Non Banking Financial Companies (NBFCs) are exempted from this requirement till further orders from MCA. As per the data reported by Ministry of corporate affairs, around 29,039 and 25,786 companies have filed their balance sheets as per revised XBRL norms for financial year 2010-11 and 2011-12.

Advantages of XBRL

- Computers process data automatically. Hence saves time and cost which is involved in manual re-entry. It can also help in analysing, processing and representation of the data for different users.
- As it offers greater efficiency and improved accuracy and reliability in data handling, data collection and reporting for financial statements has become better, quicker and more

reliable.

- XBRL by improving the quality of information, helps in better decision making for accountants, investment analysts ,companies and other users of data Information sharing among companies has been made easy
- XBRL increases the usability of financial statements.
- The use of XBRL requires knowledge from experts and professionals .Hence providing way for employment opportunities for many.
- Because XBRL is extensible and flexible, it can be handle data in different languages and accounting standards. It can be adapted to meet different requirements of different companies in different countries

Benefits of XBRL for different Stakeholders

- XBRL enables companies to provide information to investors and other market stakeholders, precisely, clearly and well on time.
- Real time analysis can help companies in taking better internal management decisions.
- As information provided is more clear and accurate, the

work of different regulators is also eased out.

- With the use of XBRL, reports can be prepared quickly, thus helping analyst to make decisions well on time.
- Investors and lenders can make decisions much more confidently.
- It helps accountants to prepare error-free reports .As data need to be mapped in a set format of taxonomy, all errors can be sorted at this stage.
- With the help of application software, auditors can detect errors at the time of tagging different data items.

Conclusion:

XBRL is a move towards digital financial reporting and provides for more consistent financial information which is delivered in a better, faster and cheaper way. XBRL can make the analysis, publishing, use, re-use and exchange of financial information easier and more efficient, for all the providers and users of information. It is already being used in a number of countries and implementation of XBRL is growing rapidly around the world. In India, steps have been taken to shift to this new paradigm of reporting.

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