AN EMPIRICAL STUDY OF FINANCIAL REPORTING IN INDIA USING EXTENSIBLE BUSINESS REPORTING LANGUAGE (XBRL)

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ABSTRACT

eXtensible Business Reporting Language (XBRL) is an international benchmark for transacting business details between its related parties i.e. Analyst, Regulators, Agencies etc. XBRL is a dialect of XML (eXtensible Markup Language) which is preferred language for transferring data via internet universally. It provides a common format for business reporting under which how it is to be reported is taken into consideration.

KEYWORDS: *XBRL, TAXONOMY, Financial Reporting, RBI, IRDA.*
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Introduction

By using XBRL the financial information over internet is not treated as just a block of text instead it has its tags for each individual items which are computer readable. XBRL has its own 'dictionary' containing unique XBRL tags called TAXONOMY. It is being used by important accounting standard institutions, tax authorities, banks and credit rating agencies around the globe to standardize the accounting and scrutiny of statutory financial data. The new format not only allows us to do all the things that used to be possible but also opens up a new range of capabilities because the information is clearly defined, platform independent, testable and digital. XBRL is a global standard, created by an international, non-profit organization XBRL International Inc. (XII). XII is a conglomerate of hundred members, including government agencies, accounting concerns, software developing units, and business reporting experts. XII has all necessary specs that determine how XBRL works. Under research paper explain XBRL benefits, Idea of XBRL, how to works XBRL and analyze that XBRL helps in cost control, reduction and cost management.

Objective of Study

- To analyze that XBRL helps in cost control, reduction and cost management.
- To study that bills receivables management, debt redemption etc. can be carried out by the application of XBRL.
- To analyze that recording of Forex exchanges, foreign exchange exposure risk and losses etc. can be formatted in drill down format by using XBRL.
- To study that by using hyperlinks in XBRL formatted documents, a user can derive financial information, key financial tables and standardized financial information, including footnotes and relevant financial ratios
- To explain that automatic import of Master Data of company via Corporate Identity Number (CIN) and Director via Director Identification Number (DIN), one time creation of Product Master and Product detail is facilitated by XBRL.
- To study that XBRL has in-built validations to avoid mistakes. Besides, it provides for the creation and automatic validation of cost document for submission to MCA.
- To analyze that XBRL tag can be applied by insurers in insurance and risk management. Existence of excess-insurance, sub-insurance, coverage of risk in relation to employees and operations of an enterprise can be managed with XBRL.

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Research Methodology

Methodology signifies organised way to resolve the research problem. In this, we adopt and analyze the methods in understanding the problem along with the logic used in the process. Methodology mainly includes collection of data:

- Primary Data
- Secondary Data
- **Primary Data** includes A questionnaire will be prepared and send to the selected companies under MCA , banks under RBI and SEBI to collect relevant data and take personal interviews of high officials of regulatory bodies.

- **Secondary Data Includes**
    - Financial statistics published in various journals, periodicals and newspapers, books and various publications will be used.
    - Published and unpublished work of research scholars will also be studied and incorporated wherever necessary.
    - Views of different experts etc.

Data Analysis

The collected data will be coded, edited and analyzed. Suitable tools will be applied and inferences will be drawn.

Review of Literature

Ms. Gauri has published an article titled 'XBRL: In India' in a Journal namely 'Global Journal of Finance and Management ', Vol. 6, No. 6, Feb. 2014, PP 517-522. XBRL India is a registered company under section 25 of Companies act 1956 for accommodating the aspects pertaining to Indian Jurisdiction of International Incorporation. Its main purpose is to facilitate and develop the use of XBRL in India as a standard for electronic business reporting. The study shows that the level of awareness regarding XBRL in India so far is satisfactory with 54% having its working knowledge, 26.92% having idea of what XBRL is, 13.46% experts and only 5.77% who don't have even slightest idea about XBRL. The findings of study indicate high level of awareness but slow adoption of this new technology.

CA Sawan Kumar has published an article titled 'XBRL: An Insight' in a Journal of 'eXtensible Business Reporting Language', October issue. This article specifies the financial statement requirement in India regarding XBRL. A few class of companies has to file their financial statements and other documents as needed u/s 220 of Companies Act 1956 with a registrar using XBRL taxonomy for FY ending on or after 31st March 2012 with e-form No 23 AC-XBRL & 23 ACA-XBRL. The documents required for XBRL conversions are: (i) Audited accounts including Balance Sheet, Profit & Loss a/c and cash flow statements (ii) Director's Report (iii) Auditor's Report (iv) Subsidiary Companies Information (v)Additional Information Required under XBRL taxonomy.

Vishal Dhona has published an article titled 'SEBI to go XBRL mode for the purpose of reporting by listed companies and financial institutions' in a Journal of Vinod Kothari & Co. RBI has introduced XBRL through scheduled banks and MCA has made it mandatory for the certain group of enterprises to report their financial statements through XBRL. Following them SEBI has notified vide notification June 19th 2012 that it is also preparing a XBRL format for filing and dissemination, for this it has created a platform named SUPER-D for listed companies, mutual funds and its registered intermediaries. For the execution of this thought, it also has formed a Technical Advisory Committee known as X-TAC, to have an in depth study of all its aspects and issues pertaining to it.

Charles Hoffman haspublished an article titled 'What is XBRL' on May 2008. This paper is created by 'Charles Hoffman' who is credited as the "Father of XBRL". It explains the financial reporting platform which allows for the expression of information relating to financial reporting electronically. This paper is aimed at explaining the Syntax, Semantics, Meta Data, Business Rules, Unused Data, Structure of presentation of XBRL. Xbrl is a means to end; not an end in itself. It provides data portability. It extends the use of Excel which is still unused or users unaware of.

Niels Müller-Wickop, Martin Schultz and Markus Nüttgens has published an article titled 'XBRL: Impacts, Issues and Future Research Directions'. This paper / article basically deals with the impact of XBRL on reporting and its issues related with it. Significance of XBRL has been studied in 4

aspects i.e. Quality, Development, Efficiency, Flexibility. There are pros and cons for everything, so does XBRL has. If it has positive impact on reporting, there are few issues too which are related with XBRL. The issues too are studied in 3 aspects i.e. Quality, Adoption Efforts, Uncertainty.

HM Revenues &Customs haspublished an article titled 'XBRL- when to tag, how to tag, what to tag'. This paper /article is aimed at explaining what is XBRL taxonomy and iXBRL (Inline XBRL). The internationally recognized form of XBRL is known as iXBRL. It allows the computer readable tags to be linked to an e-file which can be checked by user on screen or in a printed form. If the user is currently using software such as Word or Excel to make financial statements no change is required in the process. We can also outsource our XBRL tags and then return them in iXBRL format.

Dr. Sumit Garg & Ritika Aggarwal has published an article titled 'An Insight Into XBRL: Indian Perspective' in a Journal namely 'Global 'International Journal of Research in Commerce & Management', Volume NO. 3 (2012), Issue no. 8 (August). XBRL is destined to become the usual practice for recording, collecting and channelizing business financial data. It is usable globally and in numerous languages for various business objectives. It will help in reducing costs, increases efficiency and streamlining processes in companies, governments and other organizations. XBRL enables companies to save time and money to manually prepare and avoiding manual tasks like entering financial data into computer databases. It helps to eliminate the possibility of errors that can creep in when manual processes like entering data repeatedly are required. It helps in scrutiny of data and decision making, rather on the collection of data. The use of XBRL does not means forced standardization of financial reporting and the language is a flexible tool to accumulate all current aspects of reporting in varied countries and industries and can meet specific business needs, even at the local level. One more thing is that XBRL has no strings attached regarding what information one party will give to another. Going forward, XBRL is likely to emerge as the mandatory global standard for financial reporting.

Financial Reporting

Financial reporting is the process of producing the reports called statements that discloses an organization's financial status to management, investors, government etc.

Financial Reporting Includes

- The external financial statements (Balance Sheet, Income Statement, Cash Flow statement & Statement of Stockholders Equity).
- The notes to financial statements.
- Press release and conference calls regarding quarterly earnings and related information.
- Quarterly and annual report to shareholder.
- Financial information's posted on corporation's website.
- Financial reports to governmental agencies including quarterly and annual reports to SEC.
- Prospects pertaining to issuance of common stock and other securities.

eXtensible Business Reporting Language (XBRL)

eXtensible Business Reporting Language (XBRL) is an international standard way for trading business data between its related parties i.e. Analyst, Regulators, Agencies etc. XBRL is a dialect of XML (eXtensible Markup Language) which is preferred language for transmitting data via internet universally. It provides a common format for business reporting under which how it is to be reported is taken into consideration. By using XBRL the financial information over internet is not treated as just a block of text instead it has its tags for each individual item which are computer readable. XBRL has its own 'dictionary' containing unique XBRL tags called TAXONOMY. It is being used by important accounting standard institutions, tax authorities, banks and credit rating agencies around the globe to standardize the accounting and scrutiny of statutory financial data. The new format not only allows us to do all the things that used to be possible but also opens up a new range of capabilities because the information is clearly defined, platform independent, testable and digital.

XBRL is a global standard, created by an international, non-profit organization XBRL International Inc. (XII). XII is a conglomerate of hundred members, including government agencies, accounting concerns, software developing units, and business reporting experts. XII has all necessary specs that determine how XBRL works.

Idea behind XBRL

"Rather than using financial reporting information as a block of text like in a standard internet page or printed document. It provides an identified tag for every item of data. This is computer readable."

XBRL in India

It was first adopted by Ministry of Corporate affairs of India for filing financial and costing information with Central Government. XBRL was launched in India in late 2007.

Members of XBRL India

- ICAI   Regulators & Stock exchange
- ICSI   Universities & Educational Institutes
- IRIS   Corporate having Net Worth equal or less than

100 cores under "Organization".

Companies covered under XBRL

- All companies listed in India and their holdings, including overseas partners.
- All companies having a paid up capital of Rs. 5 Crore & above or a turnover of Rs. 100 crore or above.

Regulators involved in adoption of XBRL

- Ministry of Corporate Affairs of India(MCA)
- Reserve Bank of India(RBI)
- Securities Exchange Board of India(SEBI)
- Insurance Regulatory and Development Authority of India (IRDA)

MCA

In the First year, the pivotal idea was on a certain class of companies who would have to prepare their financial statements in XBRL format from Financial Year 2010-11. Covered 2500 companies in first phase. In second year, major changes in the reporting format which substantially affected the use of XBRL.

Companies which were Covered under Phase I

- All companies listed with any Stock Exchange(s) in India and their Indian subsidiaries;
- All companies having paid up capital of Rupees five crore or above
- All companies having turnover of Rupees one hundred crore or above.

Banking, Insurance, Power Sector and NBFC companies were kept out of the jurisdiction of the Rules. All the above mentioned companies were mandatorily needed to prepare their accounts in XBRL for the year 2011-12 within the prescribed time.

Companies covered under Phase II

- All companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or
- All companies having paid up capital of Rupees five crore and above; or
- All companies having turnover of Rupees one hundred crore and above; or
- All companies who were required to file their financial statements for FY 2010-11, using XBRL mode.

Exempted Companies

The companies which were exempted in phase 1 have now also been kept exempted from filing of accounts in XBRL.

RBI

The classical methods of returns submission is based on traditional modes of communication such as hard copies delivery using postal service and PDF files via e-mails. All these methods have their own demerits. Hence, the Online Return Filing System (ORFS) was created to avoid such continuous hassles. The RBI realised a need for sorting out the procedure of online return filing using best technical solution. Thus RBI adopted eXtensible Business Reporting Language (XBRL), which attempts the standardisation of business reporting, especially financial reporting. While ORFS does not possess a standard in filing returns, XBRL follows global standards in filing all returns. The idea is to build taxonomy

for overall financial segment without discriminating on the basis of individual financial sectors. RBI has implemented XBRL based filings for banking sector using INFINET. Implementation was done in phases in 2008. Phase I covering a considerable size of domestic banks (seven return) was introduced. The implementation of phase II was initiated in 2012 to induct 42 returns out of 225 various returns for banks and non banks entities.

SEBI

XBRL technology based platform named SUPER-D will be utilized for reporting by listed companies and other SEBI registered companies. The Mutual Fund sector in India has $120 billion in assets management with 44 fund houses displaying more than 3,000 schemes. SEBI has moved towards a continuous disclosure regime. IRIS developed an e-reporting application for SEBI that simplified the procedure for collection of reports. IRIS also created India's pioneer MFs XBRL taxonomy as part of this project. IRIS also developed an XBRL report creation tool for mutual funds to generate reports for submissions with SEBI.

List of Mutual Funds

- Kotak Mahindra AMC Ltd
- HDFC AMC Ltd.
- Tata Asset Management ltd.
- Sundaram AMC Ltd.
- SBI Funds Management Private Ltd.
- LIC Mutual Fund AMC Ltd.
- IDFC AMC Ltd.
- Edleweiss Asset Management Ltd.
- DSP Block Rock Investment Managers Pvt. Ltd.
- ICICI Prudential AMC Ltd.

IRDA

It is planning to implement XBRL for Life Insurance and Non-Life Insurance Companies. IRDA is developing a Business Analytics Application (BAP) project for filings all returns from the concerns in electronic format.

Applicability of XBRL

Vide General Circular No: 16/2012 dated 6th July 2012, Ministry of Corporate Affairs has decided that companies coming under the following categories will have to file their financial statements under section 220 of the Companies Act, 1956 using eXtensible Business Reporting Language (XBRL) commencing on or after 01.04.2011 in companies covered under Phase I and Phase II during its implementation.

Who uses XBRL

- Regulators of Stock Exchange
- Business Regulators
- Business Registrars
- Revenue Reporting & Tax Filing agencies
- National Statistical Agencies

How XBRL Works

XBRL is concerned with the languages based on XML, or Extensible Mark-up Language Under XML, identifying tags are applied to items of data so that they can be processed efficiently by computer software.

XBRL is a more developed version of XML used to define specially to meet the need of financial data. It enables specific identifying tags to be applied to financial data, such as 'net profit'. However, these are more than simple identifiers. They provide detailed information about the head, such as whether it is a monetary item etc. XBRL allows labels in various languages to be implemented to heads and other accounting information.

XBRL shows as to how various heads are linked to each other and shows how they are calculated. XBRL is easily accessible and thus companies can use it to meet a variety of different requirements. The structure of XBRL allows effective management of business data by computer software. It supports all activities involved in collecting and analysing business data. Such data can be changed into XBRL by mapping processes. It can then be tagged, identified, stored and scrutinized by computer, or published for general viewing. XBRL makes data readable with the help of documents:

- Taxonomy
- Instance Document

Taxonomies are used to map their report in XML tags and generate a valid XBRL document. Mapping involves means exacting the concept of report with elements of taxonomy. Taxonomy is a categorization system that can be seen as an electronic dictionary for business data. It consists of various commercial concepts and their general accounting and XBRL properties.

Steps for Preparing a XBRL Document

- Obtain audited financial statements.
- Prepare a source document.
- Mapping of source document with MCA Taxonomy.
- Validating the mapped document and error elimination.
- Approval from Board & creation of instance document.
- Validation of instance document with MCA tools and filling of ROC.

Benefits of XBRL

XBRL offers overall benefits at various stages of business reporting and scrutiny. These can be applicable in automation, cost reduction, swift and speedy handling of information with detailed accuracy to enhance decision-making. All enterprises can use XBRL to cut costs and enhance efficiency in conducting commercial transactions. Because XBRL is easily accessible, it can be tailor-made as per our needs. All members in the financial data supply chain can be benefitted irrespective of whether they are makers, transporters or utilizers of business data. **XBRL** helps creators and users of financial information to turn resources away from expensive manual procedures, time-consuming processes, and organizing data. They can focus on analyzing, by use of software which can justify and access XBRL information.

Data Collection and Reporting

By implementing **XBRL**, producers of financial information and business analysis can automate the processes of data collection. For example, information from varied company sections with different accounting systems can be collected fast, cheaply and effectively if the sources of information have been upgraded to using **XBRL**. Once data is collected in XBRL, various kinds of reports based on various subsets of the data can be prepared with slim effort. A company finance section, for example, could swiftly generate internal management reports, financial statements for publication etc. The accuracy of data can be authenticated and time is better utilized along with error free procedures.

Data Consumption and Analysis

The handling of data received through XBRL can be automated in its handlin thereby reducing costs and time involvement. Software can instantly justify the data and point out errors and gaps which can immediately be sorted. It can also help in understanding, choosing the data for re-use. Human effort can be shifted towards more value-added aspects of collection, review, reporting and decision-making. Thus, investment analysts can save time and effort and simplify comparison of information. Lenders can reduce costs and quickly up the dealings with borrowers.

Conclusion

Historically, the accounting reports have been prepared and supplied to varied user-groups using the paper media. With the emergence of Internet, it is now possible for the suppliers of financial 22 statements to use electronic media for gathering information in a cost-efficient way and communicating it in an effective way. As a technology, XBRL is attempting to provide a language (digital) to the (electronic) accounting statements so that they are able to talk. XBRL will enable financial data to discuss all software and technologies. In fact, emergence of XBRL has generated many opportunities for academic research by analyzing and recollecting accounting data. It can truly be said that XBRL has caused a mini revolution in the domain of financial reporting.

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