

Use of IND-As XBRL Taxonomy for Digital Reporting

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Abstract

XBRL Taxonomy, a digital dictionary of accounting standards, is a distinct component of eXtensible Business Reporting Language (XBRL). It has evolved as an electronic input medium for automated reporting and analysis. Since 2017, the Ministry of Corporate Affairs (MCA) has mandated the use of IND AS XBRL taxonomy for digital reporting in India. Firstly, the present study focuses on the framework of IND AS XBRL taxonomy. Secondly, the study considers the annual report of HCL Technologies based on Ind AS XBRL Taxonomy to examine its use for digital reporting. The results of the study provide an understanding of IND AS XBRL taxonomy. The study concluded by highlighting that the IND AS XBRL Taxonomy has increased the scope of disclosures in digital reporting and replaced traditional paper-based reporting.

KEYWORDS:XBRL, XBRL Instance document, IND AS XBRL Taxonomy, Digital Reporting.

INTRODUCTION

A paradigm shift in the regulatory and financial reporting standards accompanied by various innovations in information technology has increased the need for information requirements in corporate reports. An increase in the scope of reporting and the advancement of the digital environment has seen the emergence of digital reporting literature. “Digitalising corporate reporting is how accounting data are atomised and structured in ways that facilitate automated reporting, extraction, and analysis”. (Locke et al., 2018). “The way information is presented (such as reporting format) is seen as a technology that can assist decision-makers in processing large quantities of data and performing the decision task more efficiently and effectively”. (Libby and Lewis, 1982; Rohrmann, 1986; Maine’s, 1995). With digital corporate reporting, information is assigned or ‘tagged’ with contextual meaning to enable computers to have some ‘understanding’ of what is being reported. The technology used to assign contextual meaning is XBRL (eXtensible Business Reporting Language).

XBRL In India

eXtensible Business Reporting Language (XBRL), originally known as eXtensible Financial Reporting Mark-up Language (XFRML), emerged as a declarative language for digital reporting in 1998 by Charles Hoffman. “XBRL is a language for the electronic communication of business and financial data which is revolutionising 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”. (XBRL International 2009a).

In India, the scope of financial reporting was minimal till 1990. Since 1991, the wave of globalization, the incidence of accounting-based scams, and the enforcement of the Information technology Act of 2000 have increased the business and financial disclosure requirements. As a response to this, in December 2008, the Institute of Chartered Accountants of India (ICAI) established the Indian XBRL Jurisdiction, i.e., XBRL India. Subsequently, in 2011, the Ministry of Corporate Affairs (MCA) initiated the phase-by-phase adoption of XBRL for digital reporting in India.

IND AS XBRL Taxonomy and Digital Reporting

An XBRL document comprises two components, namely the XBRL Taxonomy and the XBRL instance document. XBRL Taxonomies are the digital dictionary of financial concepts structured hierarchically to represent the information in a standardized format. “A taxonomy is an essential part of the corporate information infrastructure that enables preparers to produce digital corporate reports based on accounting standards and users to interpret reported accounting numbers in the manner intended by preparers”. (IFRSF, 2015; Locke et al., 2018). XBRL Instance documents are machine-readable business reports as per the rules of XBRL in an electronic format.

In 2011, ICAI developed the first XBRL taxonomy in India, Commercial and Industrial taxonomy 2011(C & I Taxonomy). It was prepared based on Indian GAAP and various regulatory requirements for reporting financial information. Subsequently, in 2017 as an impact of the convergence of Indian GAAP with IFRS, C & I taxonomy was replaced by INDAS XBRL Taxonomy.

IND AS XBRL Taxonomy is based on the IFRS converged Indian Accounting Standards and various regulatory requirements. It is developed by regulators, accounting standard setters, government agencies, and other groups. Ind AS XBRL Taxonomy intends to meet the specific requirements of the stakeholders in India. Since 2017, the Ministry of Corporate Affairs (MCA) has mandated that all companies following Ind AS should use Ind AS XBRL taxonomy for digital reporting. It ensures the digitalisation of the information in a more meaningful way by tagging with suitable XBRL tags, complying with all the regulatory requirements, and disseminating the timely information to the end-users.

LITERATURE REVIEW

Singh, (2014) The purpose of this paper is to evaluate the impact of this new type of business reporting on our current finance and accounting system. Computers and Internet have been rapidly developed and applied to every part of our daily life. Online Business Reporting System is another example of this evolution which is just happening in our financial world. The traditional Financial Reporting System has been severed for over 70 years. Now, this system is bound to experience a significant change with the development of XBRL. Furthermore, this paper will explore the wide benefits of XBRL, its impact on our financial system, and give an estimated best

adopting time and methods to firms from current knowledge. In general, the researcher expected a massive but progressive change in financial life of all the investors and the accounting profession due to this evolution.

Erlane K Ghan, Fawzi Laswad, Stuart Tooley, (2009) This study examines users' perceptions of three digital reporting formats: PDF, HTML and XBRL. Using public accounting practitioners as participants, this study examines users' perceptions of different reporting formats used in disseminating financial information. The results indicate that users' perceptions of usefulness among the digital reporting formats differ significantly. However, perceptions of ease of use are similar across the three digital reporting formats.

Charles Hoffman, María Mora Rodríguez, (2013) The paper is intended to help the business professionals understand the issues related to digitizing financial reports and maximize the potential contribution the accounting profession can make to the achievement of successful and appropriate digital financial reporting. The study is descriptive and states that any expression of digital financial reports must be in a form that business people understand because they are the ones who create these reports and verify that they are a sensible, logical, faithful, true and fair representation of the reporting entity's financial information. The study concluded that the XBRL taxonomies have been the most serious effort thus far to formalize the business rules in XBRL implementations. The XBRL technical syntax interoperability is very good, but the semantics is still a challenge. To face this, effective communication between accounting professionals and IT professionals is the key.

SCOPE OF THE STUDY

The study attempts to gather information on the sources and framework of IND AS XBRL TAXONOMY 2018. The study aims to understand the use of Ind AS XBRL taxonomy for digital reporting and considers the Statement of Profit and Loss Account of HCL Technologies for the year ended 2020- 21 in two different reporting formats. They are the XBRL Instance document (based on Ind AS XBRL Taxonomy 2018) and the Physical document of the annual report (based on Ind AS).

RESEARCH QUESTIONS

The study intends to answer the following research questions:

RQ 1: What is the framework of Ind AS XBRL taxonomy?

RQ 2: Is there any association between the disclosures in the Statement of Profit and Loss Account and the Reporting format of HCL technologies Annual Report 2020-21?

RESEARCH OBJECTIVES

The objectives of the study are:

- a. To understand the framework of Ind-AS XBRL taxonomy.
- b. To examine the association between the disclosures in the Statement of Profit and Loss Account and the Reporting format of HCL technologies Annual Report 2020-21.

RESEARCH METHODOLOGY

Sources of data

Secondary data is collected from the websites of XBRL Inc., the Ministry of Corporate Affairs (MCA), and the Institute of Chartered Accountants of India (ICAI). Ind AS XBRL taxonomy is collected from the XBRL taxonomy registry. XBRL Instance document of HCL Technologies for 2020-21 is collected from the MCA website. The Physical document of the Annual report of HCL Technologies for the year 2020-21 is collected from the company website of HCL Technologies.

Methodology

The methodology in the study is both descriptive and empirical. Graphs have been made use of to understand the framework of Ind AS XBRL Taxonomy. It provides a better understanding of the same for the reader. To examine the use of Ind AS XBRL taxonomy for digital reporting, the XBRL Instance document, based on IND AS XBRL taxonomy and the physical Annual report of HCL Tech is collected. Then the number of disclosures made in the Statement of profit and loss account 2020-21 of HCL technologies in both the reporting formats is recorded using the content analysis method. ‘0’ is assigned for non-disclosures, and ‘1’ is assigned for disclosures. For the analysis, descriptive statistics and chi-square tests were run using frequency data (Malhotra, 2006).

Research Hypothesis

The hypothesis for the study is:

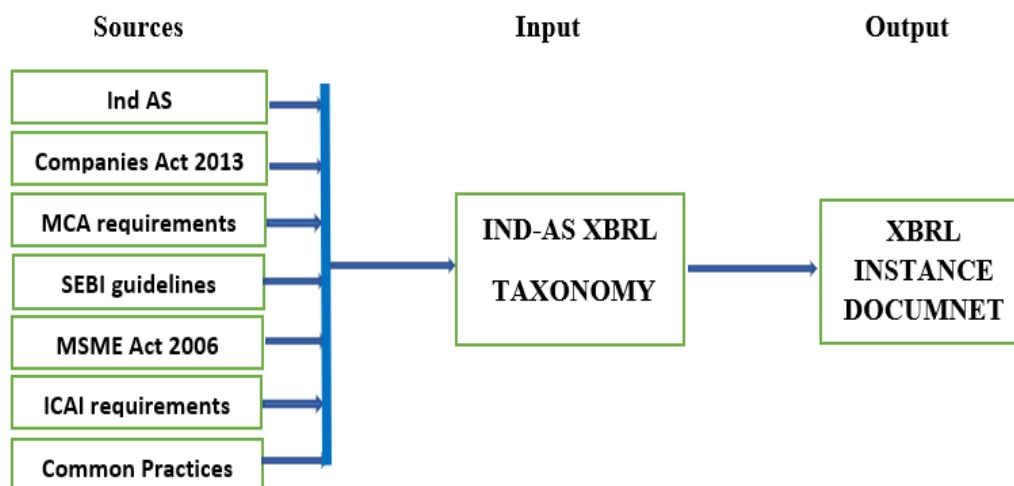
H₀: There is no significant association between the disclosures in the Statement of Profit and Loss Account and the Reporting format of HCL tech. Annual Report 2020-21.

H₁: There exists a significant association between the disclosures in the Statement of Profit and Loss Account and the Reporting format of HCL tech. Annual Report 2020-21.

Data Analysis and Interpretation

1. Framework of IND AS XBRL Taxonomy

Research Model: Framework of IND AS XBRL Taxonomy



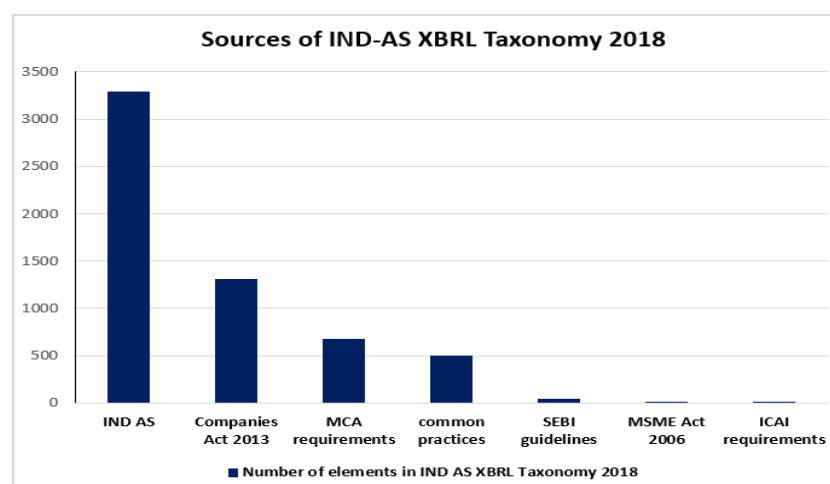
The research model explains that Ind AS XBRL taxonomy is prepared based on Ind AS regulatory requirements of the Companies Act of 2013, MSME Act of 2006, ICAI, MCA, SEBI guidelines and common practices. IND AS XBRL taxonomy is used as an input medium to digitalise the information and is disseminated through XBRL Instance Documents to the users.

Table 1: Sources of IND AS XBRL Taxonomy elements 2018

Sources	IND AS XBRL TAXONOMY 2018	
	Number of taxonomy elements	%
a) IFRS converged Indian accounting standards (IND AS)	3289	56.12%
b) Companies act 2013	1312	22.38%
c) MCA requirement	683	11.65%
d) Common Practice	503	8.58%
e) SEBI guidelines	50	0.85%
f) The Micro, small and medium enterprises development act, 2006	13	0.22%
g) ICAI	12	0.20%
Total	5862	100%

Source: XBRL Taxonomy Registry

Graph 1: Graphical representation of sources of Ind AS XBRL taxonomy elements 2018



From the graph 1, it can be concluded that IND-AS XBRL Taxonomy 2018 comprises 56.12% of elements from IND AS, 22.38% of taxonomy elements from Companies Act 2013, 11.65% of elements from MCA requirements, 8.58% of elements from common practices, 0.85% of elements from SEBI guidelines, 0.22% of elements from MSME Act 2006 and 0.20% of elements from ICAI requirements.

Interpretation:

From the analysis, we can infer that IND-AS XBRL Taxonomy is a comprehensive dictionary based on accounting standards and regulatory requirements of reporting regime. The majority, i.e., 56.12% of taxonomy elements are from IFRS converged Indian Accounting Standards (IND AS).

2. To examine the association between the disclosures in the Statement of Profit and Loss Account and the Reporting format of HCL Technologies Annual Report 2020-21.

			REPORTING FORMAT OF HCL TECH. ANNUAL REPORT 2020-21		Total
			PHYSICAL DOC.	XBRL INSTANCE DOC.	
DISCLOSURES IN THE STATEMENT OF PROFIT AND LOSS ACCOUNT 2020-21	DISCLOSURES	Count	29	79	108
		% Within TYPE OF ANNUAL REPORT	36.3%	98.8%	67.5%
	NON-DISCLOSURES	Count	51	1	52
		% Within TYPE OF ANNUAL REPORT	63.7%	1.3%	32.5%
Total		Count	80	80	160
		% Within TYPE OF ANNUAL REPORT	100.0%	100.0%	100.0%

Table 3: Chi-square test: Disclosures in Statement of Profit and loss a/c 2020-21 of HCL tech. and Reporting format of HCL Tech. Annual report

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	71.225	1	.000

*p-value is significant at 0.05 level.

From table 2, out of (80) total number of disclosures in the Statement of profit and loss account of HCL tech., the disclosure count in Physical documents is 29, this comprises 36.3% of the total number of disclosures in Physical documents. On the other hand, the number of disclosures in the Statement of profit and loss account of HCL tech in the XBRL Instance document (based on IND-AS XBRL Taxonomy 2018) is 79, this comprises 98.8% of the total number of disclosures in the XBRL instance document.

Interpretations:

Table 3 reveals that the Pearson chi-square statistic is 71.225 and the p-value = 0.000. For an alpha level of 0.05 and one degree of freedom, the critical statistic is 3.841, less than the obtained statistic of 71.225. Hence, we reject the Null hypothesis. The results exhibit a significant association between the disclosures in the Statement of profit and loss account of HCL Tech and the reporting format of the HCL Tech annual report. The results prove an increase in the number of disclosures in the Statement of profit and loss account of HCL Tech in the XBRL Instance document compared to the physical document of HCL Tech. Annual Report.

Thus, H1 is accepted at a 5% level of significance

Ind AS XBRL taxonomy provides the user with the specific tags to additionally disclose the following items in the statement of profit and loss account of HCL tech. in XBRL instance document

- Profit before exceptional items and tax
- Total profit from continuing operations
- Other comprehensive income net of tax
- Other comprehensive income before tax
- Disaggregates the OCI that will not be reclassified into P &L a/c into gains on measurement of defined benefit plans and total OCI before tax
- Disaggregates the OCI that will be reclassified into P &L a/c into gains on exchange differences on translation, gains on debt instrument through OCI, gains on cash flow hedges, reclassification adjustments on cash flow hedges, total OCI before tax, cash flow hedges and total OCI that will be reclassified into P &L a/c
- Total OCI before tax
- Disaggregates the income tax relating to OCI that will not be reclassified into P &L a/c into income tax relating to the measurement of defined benefit plans and a total of income tax relating to OCI that will not be reclassified into P &L a/c
- Disaggregates the income tax relating to OCI that will be reclassified into P &L a/c into Income tax relating to cash flow hedges of OCI and total of income tax relating to OCI that will be reclassified into P &L a/c
- Separate textual information on each of the income and expense items
- More textual information on EPS
- Separate tabulation of EPS for equity shares (member) and equity shares 1 (member).

The information on the above-listed items is not disclosed in the statement of profit & loss a/c. The information on OCI and EPS is aggregated in notes to financial statements of the Physical document of HCL Tech's annual report. Thus, it is evident that the use of Ind AS XBRL taxonomy for digital reporting ensures more disclosures in financial statements and brings transparency in reporting.

CONCLUSION

Ind AS XBRL Taxonomy for digital reporting appeared not as a chance phenomenon but distinctly in response to the need for an accounting information environment prevailing across the globe. With the increased institutional support by

ICAI, XBRL Taxonomy evolved year on year basis and developed as a standard for disseminating business and financial information. Various regulatory bodies in India like MCA, BSE, and NSE have developed their sector-specific XBRL taxonomies to accelerate the growth of digital reporting. Ind AS XBRL taxonomies provide the user with a specific taxonomy element to tag the specific information item and ensure disaggregation of information to bring transparency in reporting. The use of IND AS XBRL Taxonomy brings beneficial effects such as lowering the cost of information production and consumption, increasing the speed of information exchange, and enhancing the access and re-use of information so that the reports become more relevant to their users. All these features of IND AS XBRL Taxonomy have made it a value-added tool, thereby replacing the traditional reporting system.

SCOPE FOR FUTURE RESEARCH

Further studies can focus on the empirical analysis of benefits and issues in digital reporting using XBRL and study the stakeholders' perceptions and disclosure practices of companies using IND AS XBRL taxonomy based on primary and secondary data.

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