

A Study on Disclosure of Goods and Services Tax Information Under XBRL

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Abstract

India introduced and adopted Extensible Business Reporting Language (XBRL). In which documents may be read electronically using a computer language. Thus, XBRL enables transparent financial statement filing and gives credible information to investors and regulators, permitting enhanced monitoring. Globally, XBRL has shown to be an extremely successful regulatory reporting tool. When the Goods and Services Tax Act introduction in India it resulted in subsuming the majority of indirect taxes, cess, and duties levied by the Central and State enactments. With the majority of indirect taxes being merged into one tax, every business is expected to be impacted. From an accounting perspective under the Goods and Services Tax regime, entities will have to make certain changes in their accounting systems regarding recognition, measurement, and disclosure. While the XBRL report follows GAAP and financial reporting disclosure requirements. This study attempt to study how the information on the GST component has shown under XBRL and annual report. Whether there is a difference in disclosure of GST information in the company's annual report and XBRL Instance document. The result found that GST component information was disclosed more in XBRL than in an annual report. While XBRL does not alter or add to GAAP or financial reporting disclosure standards, it does simplify them. It makes no changes to financial or business reporting methodologies or accounting standards.

KEYWORDS: GST, XBRL, Instance document, and Financial report.

1. INTRODUCTION

The implementation of Goods and Services Tax Act from 1st July 2017 under the Constitution 101(Amendment), Act 2016. This resulted in subsuming the majority of indirect taxes being merged into one tax; every business is expected to be impacted. From an accounting perspective under the goods and services tax regime, entities will have to make certain changes in their accounting systems regarding recognition, measurement, and disclosure. The processes include a chart of accounts and keeping books of accounts and records

Accounting is an ancient art. It helps in maintaining proper books of accounts and records for a particular tax transaction related to business. GST resulted in the change of accounting and computer systems that have become necessary to accommodate the new tax system. While maintaining the books of accounts for GST should be in an accordance with provisions of GST laws, also it should meet the requirement of Indian Accounting Standards. Whereas recognition of Goods and services tax input tax credit, become one of the components of current asset of the companies.

The assessment of goods and services tax is mostly based on self-assessment by taxpayers. Every taxpayer is obliged to self-assess the tax owed and file a return for each tax period for which a return is due. Section 35 of the CGST Act, 2017 and Rules 56, 57 and 58 of CGST Rules, 2017 “Accounts and Records” provide that every registered person shall keep and maintain all records at his principal place of business.

Many nations have implemented and used XBRL. In India, the emphasis was on improving transparency and functionality, and XBRL provided various benefits to stakeholders. Because XBRL is a financial reporting paradox, increasing knowledge is essential. “XBRL aims to standardize the description of business information and facilitate sharing of data across ledgers, systems, business units or even companies” (Fisher 2008). The same XBRL-based document may be filed with many regulators, and XBRL has greatly benefited businesses.

XBRL is an XML-based standard for exchanging accounting data and financial statements. It separates data into its own entity with its identification format. It is also capable of classifying big sets of data using their unique tags. As a result, this is a more natural and user-friendly method of exchanging data. XBRL is also a rapid language that guides the flow of vast amounts of data from one location to another in a matter of microseconds. This facilitates data searches, credit checks, and the preparation and analysis of financial reports.

“The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial useful for decision making.” (IASB Framework).

From an accounting perspective under the Goods and Services Tax regime, entities will have to make certain changes to their accounting systems regarding recognition, measurement, and disclosure. XBRL report is prepared as generally accepted accounting principles and financial reporting disclosure requirements of the country. It is a means of transferring financial data that makes use of computer technology.

The emphasis was placed on the reporting components rather than the accounting aspects. Harmonization was difficult due to disparities in accounting and reporting processes. Thus, it has created wide scope to find out whether there is a difference in disclosing the GST component information in the annual report and XBRL instance document of the company.

2. REVIEW OF LITERATURE

Wang (2007) The article discusses the advantages and disadvantages of XBRL in online financial reporting. The author concludes that XBRL provides a robust foundation that allows and unleashes the power of online corporate reporting. In many ways, the use of XBRL was quite likely to bring about a new age of financial report systems in our business life. Online company reporting will become a standard means for quickly communicating and storing financial data, and consumers will be able to search, save, and analyse financial data more broadly and competently than ever before.

George- (2010). The study focused on how XBRL will affect financial reporting. The author concluded that XBRL deployment is a step in the correct way toward financial reporting information openness, timeliness, and relevance.

Vasarhelyi et al.(2012). The paper's objective was to discuss how XBRL has improved the use of financial reporting, data analysis, and decision assistance. Four qualitative aspects of XBRL's usefulness in financial reporting were investigated. This work makes two contributions: it discusses qualitative qualities and their influence on financial reporting. The second future XBRL evolutionary tendency will impact financial reporting, data analysis, and decision assistance.

Yurisandiand Puspitasari-(2015). The study's objective was to see if there was an improvement in financial reporting quality following the introduction of IFRS using the qualitative technique established by NiCE. The results of 55 sample firms found that there is an increase in the degree of quality after IFRS implementation compared to before IFRS adoption.

Nurul Hoda and Nargish Bano (2017). In their research paper have discussed the different types of business transactions related to Goods and Services Tax and its accounting treatment in the books of accounts. The focus was on accounting for the different elements involved in GST-related transactions. The comparison was made between the ledger account to be maintained in an earlier tax system and under the goods and service tax regime.

K. P. Shashidharan (2017). The author explained the Transition to GST involved changes in financial accounting and reporting. Research article focussed on some areas where financial accounting and reporting need to change transition to the GST framework. In addition, he explained the impacts on the taxation structure but also on the entire business's financial processes, accounting, and financial reporting.

S Ramesh and K Arun Kumar (2020). An attempt has been made in their book to simplify comprehension of the numerous GST compliances. It addressed all facets of accounting finalisation in one location. Its goal was to provide general direction to all stakeholders and assist them in addressing concerns about their compliance with the finalisation of accounts.

3. RESEARCH OBJECTIVE

1. To study the disclosure of financial information about Goods Services Tax component Information under XBRL
2. To analyse the difference in disclosure of financial information of GST in the Annual report and XBRL instance document of the company.

4. RESEARCH METHODOLOGY

Population

The study's population was the companies listed in the stock exchange of India.

Sample

A convenient sampling technique was used to select the sample company for the study. It was selected based on the disclosure of the GST component in its financial

statement and the XBRL instance document of the company. The sample company was Reliance Industries Limited.

Period of study

Goods and Services Tax Act was introduced in India on 1st July 2017 under the Constitution 101(Amendment), Act 2016. Data was collected from the company's annual report for the 2020 financial period.

GST related accounts in the annual report and XBRL instance document of the company

GST mainly consists of CGST, SGST and IGST. GST Payable is an expense shown in Profit & Loss accounts. However, the extent of input tax credit (ITC) receivable in respect of GST was shown as a current asset. During the verification of the balances of current assets in the balance sheet, the input tax credit ledgers as per books must be mapped with the GST credit ledgers. Input tax credit ledgers shown in financial statements should generally coincide with GST credit ledgers according to the portal.

Whereas XBRL instance document of the company is prepared as per GAAP and financial reporting disclosure requirements. Changes in disclosure policy will reflect the same in the XBRL instance document. The goal of XBRL is to standardise the description of business data.

5. DATA COLLECTION AND ANALYSIS

The content analysis method was used to collect the data

The present study includes secondary data in which the Financial Statement and XBRL instance document of the selected company was taken into consideration.

6. RESULTS AND DISCUSSION

Table 01: Disclosure of GST component information in financial statement and XBRL instance document of the company.

Element	XBRL Instance Document	Annual Report	Difference
Profit and Loss accounts No of Line Items	08	04	04
Balance sheet No of Line Items	05	03	02
Notes to accounts No of words	11	07	04
Total	23	14	09
Mean	8.00	4.66	
Standard Deviation	3.00	2.08	
Standard Error mean	1.73	1.20	

Table 1 represents the result of the disclosure of goods and services component information in the physical annual reports and the XBRL instance document of the company. The mean value in XBRL is 8.00 and in the annual report 4.66. Thus, the GST information disclosed in the XBRL instance document is more than the information disclosed in the annual report. The additional information is the result of a detailed explanation of the GST information. In the XBRL instance

document the element in profit and loss a/c, balance sheet, and notes to accounts were explained in detail while in an annual report the summarized information was given.

6.1 Testing of Hypothesis

A Two-Sample T-test was used to test the disclosure of GST information in XBRL and annual reports. For this study, the following hypothesis has been formulated.

H₀: Disclosure of financial information (Textual & Numeric) on GST is equal in the XBRL instance document and annual report.

H₁: Disclosure of financial information (Textual & Numeric) on GST is more in the XBRL instance document than annual report.

Table 02: Result of Two sample T-test on disclosure of GST information in XBRL and annual report

Sample	Mean	N	Std. Deviation	Mean Difference	Std. Error Mean	t-Value	df	Sig. (2tailed)
XBRL Instance Document	8.00	3	3.00	3.33	1.15	5.00	2	0.039*
Annual Report	4.66	3	2.08					

*p-value is significant at 0.05 level

Table 2 shows the results of a two-sample t-test on GST information disclosure in XBRL and the annual report. P-value is found to be significant at 5% level of significance. Therefore, the level of disclosure of GST related information in the XBRL Instance document is more than annual report of the company. So H₁ is accepted at 5% level of significance.

7. CONCLUSION

From an accounting perspective, the introduction of GST resulted in making certain changes to their accounting systems regarding recognition, measurement, and disclosure. GST input tax credit receivable becomes the component of the current asset. GST payable is part of profit and loss a/c. In the financial statement and XBRL report the Input tax credit due from the government for a period of 12 months is treated as the current assets of the company, and if exceeds more than 12 months it's considered as non-current assets of the company.

There is a difference in the disclosure of GST component information in the Annual report and XBRL instance document of the company. XBRL instance document consists of more information than in an annual report. "XML is a markup language and it defines the rules for encoding documents. XBRL does not change the methods used for financial and business reporting or change the accounting standards" (Kernan 2008). XBRL is prepared based on taxonomy, which is as per the Companies Act and Accounting Standards.

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