"Deferred Tax Accounting Disclosure Practices under XBRL"

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Abstract

Ultimate success of accounting is not only to provide financial performance it also lays upon presentation of information. The disclosure of presentation impulse on the reliability and validity of information provided to the stakeholders. Over a period, uniformity in reporting and harmonization with Global Accounting language is a need of an hour. XBRL is considered as the gateway of communication in the era of digital business. Inaddition to the history of financial reporting XBRL assists financial data producers and users in reallocating resources away from time-consuming manual procedures such as data comparison, assembly, and re-entry.. For many years, India had seen the benefits and drawbacks of human-readable financial report formats such as MS Word, MS Excel, PDF, and HTML. While, XBRL helps to read financial report by both humans and machines both the parties are benefited from the format in a variety of ways.

In the year 2011 Ministry of Corporate Affairs mandates on the adoption of XBRL by the companies operating in India, according to the Indian Accounting Standards for electronic business reporting. Ministry of Corporate Affairs believes that XBRL, a language developed to encode financial statements, will lead to more efficient processing and increased comparability. At Present XBRL India primarily creates and maintains Taxonomies under Ministry of Corporate Affairs. Prior studies in India focused on the level of XBRL awareness among various stakeholders, the effect of reporting language from either the point of view of the CFO and their perspective of XBRL integration, implying changes or developments in human resources, business systems and processes and significant potentials for transformation in the field of information technology.

KEYWORDS: Deferred Tax Assets, Deferred Tax Liabilities, Disclosure,Taxonomy, XBRL.

Introduction

Accounting is a factor is used in a business system to establish a good option applied by the firm in order to achieve its goals. Business enterprise operations are transacted, accounted and necessitates the information to act as a primary component of creating a financial statement that reflects the companies performance over a specific time period. The advancement of technology is applied everywhere right from human to artificial body i.e. companiesare included in the financial reporting relating to accounting. Technological advancements have now become a responsibility that a corporation must follow. To remain competitive in business, because almost every aspect of human life has been digitized dominated by the application of technology XML was initially utilized as the language's format. The

internet is thought not to facilitate the needs of financial statements on the internet this paved a way to adoption of XML.

Ultimate success of accounting is not only to provide financial performance it also lays upon presentation of information. The disclosure of presentation impulse on the reliability and validity of information provided to the stakeholders. Over a period, uniformity in reporting and harmonization with Global Accounting language is a need of an hour. XBRL is considered as the gateway of communication in the era of digital business. The eXtensible Business Reporting Language (XBRL) is a non-profit alliance of worldwide organizations and enterprises that developed an open, royalty-free software specification. Global enterprises, accounting firms, technology firms, government organizations, and financial services firms are among the nearly 650 members of XBRL. XBRL is and will continue to be an open specification built on XML that is used in a wide range of accounting and analytical software tools and applications.

XBRL enables financial data producers and users to reallocate resources away from time-consuming manual procedures including data comparison, assembling and re-entry.For many years, India had seen the benefits and drawbacks of human-readable financial report formats such as MS Word, MS Excel, PDF, and HTML. While, XBRL helps to read financial report by both humans and machines both the parties are benefited from the format in a variety of ways, XBRL assist users in viewing an XBRL document. Stakeholders can dig down to the associated taxonomies. Some software includes the ability to perform additional analysis on the provided data. XBRL viewer data can be transferred to Excel or other databases. The XBRL file reader tool is a straightforward standalone application that allows you to examine every small element in an XBRL instance document.

In the year 2011 Ministry of Corporate Affairs mandates on the adoption of XBRL by the companies operating in India, according to the Indian Accounting Standards for electronic business reporting. Ministry of Corporate Affairs believes that XBRL a language developed to encode financial statements will lead to more efficient processing and increased comparability. At Present XBRL India primarily creates and maintains Taxonomies under Ministry of Corporate Affairs. MCA 21 provides information for a single company at a time, and data is saved in scanned PDF format, which cannot be combined. XBRL allows users to obtain information from a variety of companies which can then be consolidated analyzed and retrieved all at once. This will be extremely beneficial to stakeholders as it would make financial reporting easier in turn, acquire information of several companies reports instantly.XBRL allows users of financial data to divert resources away from time-consuming manual operations such as data comparison, assembling and re-entry.Adoption of digital formats minimizes analytical efforts since technologies that can easily validate and edit data are available.

Prior studies in India focused on the level of awareness of XBRL among various stakeholdersthe impact of reporting language from the perspective of the CFO their perception on implementation of XBRLindicating the changes or developments tend to be among the human resources, business processes and operations. As well as significant prospects for transformation in the field of information technology. The purpose of this study is to compare the level of disclosure of Deferred Tax

Assets/Deferred Tax Liabilities in digital format with the company's annual report.

LiteratureReview

Ali Khalaf G et.al. (2021). in their article addresses the role of the language of extended business reports in delivering information and data that assists Stakeholders in decision-making in a way that improves transparency in business and comparability between organizations. It is based on delivering an integrated management services model comprehensive operational control and increasing the quality of financial reporting on financial activities. It is also expected that the implementation of XBRL will give credible financial information about companies to stakeholders and recipients of financial statements. XBRL can assist in the creation of a type of data comparison more quickly and at a reduced cost. Furthermore, XBRL makes reporting easier for both internal and external users. As a result, XBRL is capable of meeting beneficiary's expectations regardless of the sort of data they need.

Steve Y et.al. (2016). examined a fundamental qualitative feature of accounting data that aids the financial statement comparison. Different reporting formats and accounting taxonomy standards produce inconsistencies in reporting systems. Indirectly influence comparability The United States has taken steps to increase information comparability. The Securities and Exchange Commission requires the use of the eXtensible Markup Language (XML) & Business Reporting Language (XBRL) a system that facilitates search to reduce the reduce the costs of information searching and increase the efficiency of information processing Using the SEC's mandated XBRL adoption the study reveals an consistent improvement in comparability after XBRL adoption, giving empirical evidence of XBRL's favorable influence on improving financial statement structural comparability.

Marcus K et.al.(2016). in their article provided an conceptual scope and benefit in adoption of XBRL and the outcome to different stakeholders. Regulators cannot always predict how regulations will be applied in financial reporting practice, particularly when managers have reporting discretion. Financial analysts were among the projected benefactors when the SEC required XBRL, or eXtensible Business Reporting Language. While there is evidence that XBRL has assisted analysts in general, corporations have discretion in designating XBRL features as company-specific extensions.

Amelia A and Brad S (2010). the article examined result based on Delphi study about the influence of XBRL. The Delphi technique was used to investigate the prospective consequences of XBRL [eXtensible Business Reporting Language] on financial reporting. According to the Delphi group, XBRL will have a substantial impact on enterprises, financial reporting, financial report users, and audits. One of the most likely effects of XBRL is increased accessibility of financial reporting. Better regulatory compliance increased accessibility to financial reports the advantages of continuous reporting and improved investment and corporate decision making.

Vineet C and Shubham G (2015). in their article they discussed the advantages of XBRL structure to firm data by providing rich descriptions and contextual information for deeper analysis. It improves financial reporting efficiency as well as financial data quality, timeliness, and dependability. Many Indian businesses remain

unwilling to use it. Using a technical acceptance paradigm, the current study investigated financial professionals' perspectives of XBRL's adoption as a reporting technique. While adopting XBRL boosts productivity, it also involves a significant amount of mental labour, according to the data. These findings can be utilized to build the empirical and theoretical groundwork for accelerating the adoption of XBRL in India.

The review highlighted the creditability of financial information through XBRL. It speaks about reducing the expenses of information searching while increasing the efficiency of information processing. The empirical and theoretical groundwork for inclusion of XBRL deployment in India and around the globe.

ResearchObjective

To compare the level of disclosure of Deferred Tax Assets/Deferred Tax Liabilities in the digital format with the annual report of the company.

Hypothesis of the study

H_0: The level of disclosure in terms of words in XBRL format is not more than physical annual report

H_1: The level of disclosure in terms of words in XBRL format is more than physical annual report

H_0: The level of disclosure in terms of tables in digital format is not more than annual report disclosure

H_1: The level of disclosure in terms of tables in digital format is not more than annual report disclosure

ResearchMethodology

a) Population

According to companies Act, 2013 all the companies listed in the stock exchanges in India mandates to file financial reporting under XBRL format. The current study considers Information Technology Companies listed in National Stock Exchange as the population.

b) Sample

Based on convenience sampling Information Technologies has been chosen for the study. Under IT companies Infosys Technologies is selected as sample for the current research paper.

c) Research Instrument

A reliable and valid research instrument has been constructed to collect data using content analysis method. Research Instrument considers the financial items and amount of information disclosed in both the formats. Under Content analysis method 10 questions framed are based on information disclosed in both the formats. And these are tested based on difference in number of words and tables.

d) Source of Data & Analysis

The data is collected through secondary source it includes the annual report of the company and XBRL report of company available under Ministry of Corporate Affairs website for the year 2020-2021. Journals, books and websites are the source of information on XBRL and financial reporting. The data was analyzed by calculating descriptive statistics and hypothesis was tested using paired sample t-test using statistical software i.e.SPSS. To seek for significant differences in the disclosure between the digital format and annual report the paired sample t-test was utilized.

Results &Discussion

Table1: The Resultsof disclosure between the XBRL Digital Format andPhyscial Annual Report of Infosys Technologies Limited - 2020-2021.

Sl.No	ITEMS	Information Disclosed in XBRL format		Information Disclosed in the Annual report		Difference	
		Number of Words	Number of Tables	Number of Words	Number of Tables	Net Words	Net Tables
1	Information on Deferred Tax Assets and Deferred Tax Liabilities	100	8	50	4	50	4
2	Description on Deferred tax relating items are credited directly to equity	100	2	50	1	50	1
3	Breakdown of Deferred tax assets/Deferred tax liabilities	50	4	0	1	50	3
4	Represents deferred income tax assets/liability before set-off	50	1	0	0	50	1
5	Information on reconciling items of overseas taxes and Branch profit tax	130	4	100	2	30	2
6	Description Tax effect of foreign tax rates	150	2	100	1	50	1
7	Other tax effects for reconciliation between accounting profit and tax expense (income)	20	1	10	0	10	1
8	Information of Accounting	20	4	10	2	10	2

	profit					
9	Description of temporary differences	100	6	50	2	50	4
10.	Qualitative disclosure of deferred tax in the notes and additional disclosure	500	2	400	1	100	1
	Mean	**122**	**3.4**	**77**	**1.4**	45	2
	Standard Deviation	**139.9**	**2.3**	**119.4**	**1.2**	25.5	1.2

(**Source: XBRL Instance document and Annual Report 2020-21**)

Table:2 Results of Two Sample 't' Test

	Mean	SD	Paired Difference		T	df	P-value
			Mean	SD			
Annual Report	77	119.45	45	25.5	5.56	9	0.000*
XBRL Instance Document	122	139.99					

*P-value is significant at 5%

Table:3 Results of Two Sample 't' Test

	Mean	SD	Paired Difference		T	df	P-value
			Mean	SD			
Annual Report	1.4	1.174	2	1.25	5.01	9	0.001*
XBRL Instance Document	3.4	2.270					

*P-value is significant at 5%

Table 1 represents the net difference in the information disclosed in digital format in comparison to the information reported in the annual report of the Infosys Technologies. Study examined the difference based on 10 questions according to the information available in both the formats.

The mean of the difference with respect to information disclosed in terms of words is 45. while, the difference in the tables is 2.Estimating the distribution of the information under XBRL in comparison with the traditional financial reporting. The standard deviation of the mean difference is 25.495 and 1.247 respectively of information disclosed in XBRL format and annual report. The standard deviation of the mean difference represents the difference in words and differences in tables are not normally distributed. Representing there is a difference in the financial reporting of information in digital format over traditional reporting.

Table 2 and Table 3represent the results based on paired sample t-test; the result rejects the null hypothesis and accepts the alternate hypothesis.

In the **Table 2** P-value of Net difference in the information disclosed in words is 0.000 which is less than the significance level of 0.05 hence; the null hypothesis is rejected. This states the amount of information disclosed is higher in digital format (i.e., under XBRL) than the information disclosed under financial statements of annual report of the company.

In the**Table 3,** the P-value of Net difference in the information disclosed in tables is 0.001 which is less than the significance level of 0.05. Hence, the null hypothesis is rejected and alternate hypothesis is accepted. The result states the degree of disclosure of information is higher in XBRL format than information disclosed under annual report of the company.

Findings of the study

- Information on deferred tax assets and deferred tax liabilities disclosed under financial statements of annual reports provides an overview. While; XBRL provides the detailed disclosure on the type of temporary difference treated as Deferred Tax Assets/ Deferred Tax Liabilities. In respect to Quantitative information disclosed under tables are some specific and structured description.

- Certain deferred tax liabilities are charged to equity stating there could be benefit from such temporary differences. In case of annual reports of the company did not disclose the information over such utilization of credit in the present year which had been charged to equity in the previous year. Under XBRL format the deferred tax charged to equity of Rs.50 crores in the year 2020 was utilized in the year 2021 was clearly presented. The tables in the financial statements and notes in the annual report didn't provide any information on such disclosure.

- Under the annual report of the company the tables and words doesn't disclose the deferred tax assets/deferred tax liabilities separately. They are shown collectively under single table and general description of deferred tax assets/liabilities is provided. In case of XBRL deferred tax assets/deferred tax liabilities are shown separately in the tables and description of utilization is described.

- Offsetting of deferred tax assets/deferred tax liabilities discloses the information about the taxation charged on temporary difference is of same taxable authority and its treatment in the financial reporting. Before off-set of deferred tax assets/deferred tax liabilities discloses the net temporary differences charged in the current period. This treatment helps to verify the utilization of deferred tax assets/deferred tax liabilities on credits, carry forwards and losses.

- The reconciling items of overseas taxes and Branch profit tax are properly described in words under footnotes and in tables in both the formats. But the description is more specify in regards to the current and previous period.

- In case Description of Tax effect of foreign tax rates are disclosed under foot notes of annual report of the company providing a information in words about the foreign taxes in the current or previous period and the foreign tax rate applicable. While, the digitalized format of reporting shows the net impact on deferred tax assets/deferred tax liabilities in both table and words. Description

on the company income from foreign branches and utilization of such temporary difference according to Ind AS 12.

- The digitalized formats of financial reporting provide additional disclosure on other tax effects of reconciliation between accounting profit and tax expense/income. Before calculating the deferred tax the actual accounting profit is calculated on the basis of effective rate of income tax and the tax expense of the company for the currentperiod is determined in both the formats. The amount of information is high in XBRL both in terms of tables and words.

- Tables and words provide the Information of Accounting profit in both the formats. On comparison the XBRL format provides a detailed view of reporting information under 4 tables and 20 words. As the annual reports disclosed information under 2 tables and 10 words in the footnotes of notes to financial statements. The information provided under both the formats doesn't show much difference in disclosing the information.

- Tables and words provide the description of temporary differences in both the formats. On comparison the XBRL format provides holistic view of reporting information under 6 tables and 100 words. As the annual reports disclosed information under 2 tables and 50 words in the footnotes of notes to financial statements.

- Description of Qualitative disclosure of deferred tax in the notes and additional disclosure in form tables and words are quite similar in both digital and xbrl format. The number of tables and words provided under additional disclosure are very similar. XBRL emphasizes condensive information through its digitalized financial reporting. On comparison the XBRL format provides discloses qualitative aspects under 2 tables and 500 words.

  Based on basic mathematical measure, Considering in terms of number of pages the information disclosed on deferred tax under XBRL 14 pages and 3 pages under financial statements of annual report of the Infosys Technologies Company.Mathematically, the amount of disclosure is high in the digitalized format suggest the XBRL format has more creditability and transparency on financial reporting of the company.

Conclusion

The present research provides the degree of information is higher in case of XBRL than traditional financial reporting. The standardized financial statements will also assist the management company in data processing that has occurred and determining an accounting plan to the related decisions to be applied in the future period. Companies use XBRL to manage their operations and compulsion of the government. Authorized the process of presenting the financial statements in order to build a work plan with multiple possibilities is a key initiative of the digital format. The implementation of an XBRL system also benefits a firm since XBRL financial reports are more easily accessible by stakeholders and make the information exchange process more transparent, allowing stakeholders to make decisions at a lower cost and in a shorter period of time.

XBRL implementation provides detailed information based on the taxonomy applied providing an extension to stakeholder's information.XBRL will improve their efficacy and quality of work including the technological difficulties and lengthy process of

matching financial data with a specific set of taxonomies make the system less appealing to embrace. It is also critical to keep up phase with current taxonomy.The use of XBRL tags will be simplified. The regulatory body compels the use of XBRL in filings its use and improves the base of digital financial reporting. This study majorly contributes on providing detailed information to both internal and external stakeholder. This also relates to the usage of XBRL in accounting, business reporting and regulation in the future. The XBRL format even ensures the existence of value for the elements is correctly represented against the values in turn. It helps in reducing the error in accounting for income tax for the company.

The current study is also dependent on specific assumptions which limit the scope of the investigation. Constraint of time and small sample size are the basic assumption that they effectively represent one individual company. The study was limited in its disclosure requirements of deferred tax assets/deferred tax liabilities of findings. Further scope of research is worth mentioning that while XBRL has demonstrated the ability to produce digitized versions of financial statements, it is still unable to capture information displayed in many other sections of financial statements and annual reports. Particularly relevant information can be found in the annual reports notes to accounting and management discussion and analysis sections. The research can be carried on level of transparency in financial reporting among the companies under the same industry.

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