XBRL (eXtensible Business Reporting Language) - The Tool of Corporate Web Reporting : An Upcoming Concept

Amit Kumar Jain
Assistant Professor, D.A.V. College, Jalandhar City, India

Abstract

XBRL (eXtensible Business Reporting Language) is an Internet-based business reporting language that is rapidly becoming an international standard for financial reporting. XBRL (eXtensible Business Reporting Language) is a freely available, market-driven, open, and global standard for exchanging business information. XBRL tags data so that documents can be instantly created or retrieved in a variety of formats. XBRL holds the promise of improving the efficiency of producing, disseminating, and using a company's financial (and non-financial) information. XBRL can yield cost savings, greater efficiency, improved accuracy and reliability to both suppliers and users of financial data. Against this background the present paper throws light on important issues of XBRL. This is a conceptual paper.

KEYWORDS : XBRL, reporting language, accuracy, reliability

INTRODUCTION:
XBRL (eXtensible Business Reporting Language) is an Internet-based business reporting language that is rapidly becoming an international standard for financial reporting. XBRL tags data so that documents can be instantly created or retrieved in a variety of formats. XBRL holds the promise of improving the efficiency of producing, disseminating, and using a company's financial (and non-financial) information. XBRL can yield cost savings, greater efficiency, improved accuracy and reliability to both suppliers and users of financial data.
In December 2008, the SEC (Securities and Exchange Commission) approved final rules which require companies to submit financial statements in XBRL format. Previously, the SEC established a voluntary filing program for XBRL reporting in March 2005.

The Internet has significantly extended the amount of information available in digital format, therefore making information more accessible and usable. Sharing and exchanging information via internet ischanging the world we live in. These changes has not only improved global economy but also created new opportunities and new challenges for business. Businesses are using digital technology to improve the efficiency and effectiveness of their operating processes. The application of html (hyper text mark up language) has made it very efficient for users to search for information on the web, and has been a major impetus behind e-commerce. Similarly, XML (eXtensible Markup Language) has enabled the possibilities to develop business applications that are users friendly and platform independent, and has also contributed to the increasing importance of e-commerce.

OBJECTIVES OF THE STUDY:
The main objectives of the present study are as follows:

1. To understand the concept of extensible Business Reporting Language-XBRL
2. To study the XBRL Documents with regard to financial reporting.
3 .To understand the methods of implementing XBRL
4.To identify the benefits and problems associated with XBRL reporting.
5. To give suggestions with regard to XBRL reporting.

RESEARCH METHODOLOGY
The data relevant for the study has been collected from secondary sources. It is been extracted from among different published sources such as journals, magazines, research articles and web sites .

CONCEPT OF XBRL
XBRL International (2009) defines XBRL as "A language for the electronic communication of business and financial data which is revolutionizing 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 .
Savage defines XBRL as a "royalty-free, open specification for software that uses XML data tags to describe business and financial information for public and private companies and other organizations." This definition describes the technical background of XBRL, which is XML. Moreover it states that it can be used to describe financial `information, by using data tags. Another important fact, expressed by this definition is that XBRL is an open and free standard, which means that no license fees have to be paid by its users.

REVIEW OF LITERATURE
Matthew Bovee et al. (2001). "Assessing the 07/31/2000 XBRL Taxonomy for Digital Financial Reports of Commercial and Industrial firms".

The study determined how well the '07/31/2000' version of the XBRL taxonomy for financial reporting by commercial and industrial firms under U.S.GAAP suites current financial reporting practices of public companies. The study also classified difference between the '07/31/2000'
XBRL taxonomy and observed reporting practices. Further, the study also discussed the potential effect of the taxonomy on accounting information quality, as indicated in statement of financial accounting concepts. The findings of the study showed that commercial and industrial firm's taxonomy has a good fit overall, and a better fit for few industries than for others. The study suggested that there is a need for efforts to develop industry specific taxonomies.

Virendra K et al (2002). "eXtensible Business Reporting Language (XBRL)-The Digital Language of Business: An Indian Perspective".

This paper is theoretical in nature. It speaks about how XBRL can be useful for India. The study investigated some of the major issues in delivery of business information through the web using the digital language of business called the XBRL. The findings

showed that XBRL is attempting to provide a language (digital) to the (electronic) accounting statements so that they are able to exchange information. Further, XBRL enables financial reports to converse across all software and technologies.

Rajendra P Srivastava (2009). "XBRL (Extensible Business Reporting Language): A Research Perspective"
The paper talks from research point of view. The main objective of the paper was to provide an overview of the current status of the research in the XBRL arena. Further it explored the opportunities for future re-search with special attention to the value of XBRL formatted financial statements, transparency and corporate governance and assurance on XBRL instance documents furnished with SEC along with the traditional filings.

According to Tan and Shon (2009), currently, there are about 125 firms which have voluntarily submitted over 540 filings to the SEC in XBRL format since the inception of VFP program. Tan and Shon (2009) analyze the VFP filings and demonstrate that the VFP firms tend to be more profitable firms with varying degrees of growth potential compared to a matched sample of non-XBRL filing firms. Furthermore, they find that subsequent to filing for the first time in XBRL, VFP firms experience an increase in analyst following and trading activity in their stocks. This is an interesting result; it re-enforces the notion that XBRL increases transparency and promotes efficient consumption of financial data.
Hodge et al. (2004) performed an experiment with 96 second-year MBA students as surrogates for nonprofessional financial statement users to
Investigate whether using an XBRL-enhanced search engine helps nonprofessional financial statement users acquire and integrate related financial information when making an investment decision. In particular, they investigate the search capability of XBRL-formatted financial information in the context of recognition versus disclosure of stock option compensation.

XBRL AS A TOOL FOR BUSINESS AND FINANCIAL REPORTING:

XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. XBRL eXtensible Business Reporting Language. It is already being put to practical use in a number of countries and implementations are growing rapidly around the world.
XBRL is an open, royalty-free software specification developed through a process of collaboration between accountants technologists from all over the world. Together, they formed XBRL International which is now made up of over 650 members, includes global companies, accounting, technology, Government and financial services bodies. XBRL is and will remain specification based on XML that is being incorporated into many accounting and analytical software tools and applications. The philosophy behind XBRL is to create a world-wide standard for the preparation and dissemination of financial statements that can be read automatically by computers. The aim is to avoid the repeated re-keying, re-formatting and translation of financial data from one format to another. Hitherto, each provider of financial information has chosen its own format to present the data to users. For example, the Economic Times publishes financial data of companies in a way that is different from the way that ICICI-Direct, an online brokerage does. Further, there are also differences between the formats used by companies in the way they prepare their financial

statements. Each user of this information would have to re-key this data into its own database in order

to be able to use it. XBRL is a financial reporting language used for electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information apart from cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. XBRL stands for eXtensible Business Reporting.

XBRL DOCUMENTS FOR FINANCIAL REPORTING:

There are mainly two types of XBRL Documents – Taxonomy and Instance Document. Taxonomy can be referred as an electronic dictionary of the reporting concepts. Taxonomy consists of all the data definitions, XBRL properties and the interrelationships amongst the concepts. It includes terms such as net income, EPS, cash, etc. Each specific attributes that help define it, including label and definition and potentially references. Taxonomy contains description and classification of business and financial terms, while the instance document is made up of the actual facts and figures. Taxonomy and Instance document together make up the XBRL documents. There are 3187 elements in Taxonomy issued by MCA while US GAAP Taxonomy contains more than 18000 elements. Taxonomies may represent hundreds even thousands of individual business reporting concepts, mathematical and definitional relationships among them, along with in multiple languages, references to authoritative literature, and information about how to display each concept. Taxonomies are based on the regulatory requirements and standards which are to be followed by the company depending on the requirements of every country; there can be country-specific taxonomies. An instance document is a business report in an electronic format created according to the rules of XBRL. It contains facts defined by the elements in the taxonomy it refers to, together with their values and an explanation of the context in which XBRL Instances contain the reported data with their values and "contexts". Instance document must be linked to at least one which defines the contexts, labels or references. Thus, in order to concluded the usage and explain the XBRL technology which leads to more information exchanges that effectively automated by use. This one standard approach leads to the best interest of the company or more so for the business interests globally that warrant the accuracy of all the financial data for the end users and early collaborative decisions companies or those whose interest is involved for acquisition/rights etc. APPLICABILITY OF XBRL IN INDIA AND ITS UTILITY:As per a circular issued by the Ministry of Corporate Affairs (MCA) certain class of companies are mandated to file balance sheets and profit and loss account for the year 2010-11 onwards by using XBRL taxonomy. As per the circular, the following class of companies has to file the Financial Statements in XBRL Form only from the year 2010-2011:

1. All companies listed in India and their subsidiaries;

2 . All companies having a paid up capital of Rs. 5 crore and above or

3.All companies having a Turnover of Rs. 100 crore and above,excluding banking companies, insurance companies, Non-Banking Financial Companies.

UTILITY OF XBRL:

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 allows them to focus on the analysis of data and decision making, rather on the collection of data.

Companies will also be able to eliminate the effort required to prepare financial statements in different formats for different agencies. Banks and financial institutions will be able to save costs by cutting down on the time taken to process information and to track financial performance of their customer .XBRL offers major benefits at

all stages of business reporting and analysis. The benefits are seen in automation, cost saving, more reliable and more accurate handling of data, improved analysis and in better quality

of information and decision enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software validate and process XBRL information. XBRL is a flexible language, which is intended to support all current aspects of reporting different countries and industries.

METHODS OF IMPLEMENTING XBRL:
Organizations can adopt several methods for XBRL implementation, including:
Method 1: Conversion:
At the most basic level of adoption, organizations may see XBRL purely as a compliance exercise and a cost burden. An organization takes information from various sources within the organization and then copies or keys this information into an XBRL tool. There is no process change in this approach, merely a conversion of the results of the existing processes to a different format—including the existing inefficiencies.

Method 2: Outsourced:
A second alternative is to use a third-party company to generate the XBRL by interfacing with the financials or financial reporting tool. The organization may use the power of XBRL to layer internal metrics and definitions within an extension to the taxonomy required by the external parties. The process must be robust and repeatable. The mapping of internal metrics to the taxonomy is

critical and should involve both management and the outsourced provider. As a result, the risk of communicating invalid or incorrect information is minimized.

Method 3: Integrated:
There are two more robust and reliable options to ensure that the information coming in to the BI warehouse aligns with the internal taxonomy. XBRL GL may be used as the transport medium to move performance and compliance information from the subsidiary to the head office. An alternative option, which may apply in some cases, is to reengineer the internal processes and accounting information systems within the organization. This will provide the greatest benefit in the longer run, but such a radical/ immediate solution may not always possible.

Internal Control and Audit trail
Regardless of which implementation strategy an organization selects, controls across three major areas are necessary to manage risk:
Selecting, maintaining, and testing taxonomies and extension taxonomies
Accurately mapping and tagging data elements to XBRL reports Enforcing change management procedures for XBRL processes Selecting an appropriate taxonomy is one of the most important tasks in an XBRL implementation because the taxonomy is the basis for tagging data in an XBRL document. Organizations must take the time to review and understand the taxonomies. Taxonomies are updated from time to time and controls should be put in place to ensure usage of the most appropriate version.
Accurately mapping and tagging data elements to XBRL reports creates the normal mapping control issues. Controls should require appropriate business managers to

review and approve the completeness and accuracy of tagged data elements and watch for consistency of tagged data elements within the selected taxonomy. Generating XBRL documents is a multistep process and changes throughout the process must be appropriately managed.

Change management procedures are critical because of the iterative nature of producing financial reports. Adding a tagging step adds complexity, particularly if an organization uses an outsourced provider, because it requires several iterations of file transfer and tagging operations.

THE USE OF XBRL IN FINANCIAL REPORTING:

XBRL makes the data readable, with the help of two documents -

Taxonomy and instance document.

Using the taxonomy prescribed by the regulators, companies need their reports, and generate a valid XBRL instance document. The process of mapping means matching theconcepts as reported company to the corresponding element in the taxonomy. In addition to assigning XBRL tag from taxonomy, information like measurement, period of data, scale of reporting etc., needs to be included in the instance document.

There are a number of ways to create financial statements in XBRL:

XBRL-aware accounting software products are becoming available which will support the export of data in XBRL form. tools allow users to map charts of accounts and other structures to XBRL tags Statements can be mapped into XBRL using XBRL software tools designed for this purpose Data from accounting databases can be extracted in XBRL format. It is not strictly necessary for accounting software to use XBRL; third party products can achieve the transformation of the data to XBRL. Applications can transform data in particular formats into XBRL.

Taxonomies for Indian companies are developed based on the requirements of: Schedule VI of Companies Act, Accounting Standards, issued by ICAI,
SEBI Listing requirements
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THE FUTURE APPLICATION OF XBRL

XBRL provides an international platform for a global economy. Thus it has a great potential in future application. By applying XBRL, companies can be accessed electronically for analysis, benchmarking, reporting and financial modelling. XBRL can also be applied for cost accounting, performance measurement, financial statement analysis and decision making purposes besides financial reporting. As the world becomes more fast and complex, all the information users in the financial reporting supply chain are demanding more extensive financial and nonfinancial information for more clarity. Due to cross border transactions and cross border capital flows, a sound, transparent financial reporting system (which is internationally accepted) is needed to ensure global confidence in the capital markets. Here lies the future application of XBRL. The use of XBRL will enable the financial community to analyze financial facts and figures as well as risk in a better way. So from the capital market perspective also, XBRL has immense potentiality. Other potential XBRL applications include 'XBRL for Taxes', 'XBRL for Regulatory Filings', 'XBRL for Accounting and Business Reports' etc. So the use of XBRL will become an operational and financial reporting is a necessity and not a luxury.

CONCLUSIONS

XBRL is an open standard that facilitates the flow of business information from information providers to information consumers in a consistent and reliable manner.

XBRL is not a solution to all information transfer problems. XBRL is designed explicitly to support business reporting and as a result, it's enhanced functionality associated with XBRL is recent. This paper has emphasized the opportunities for organizations to adapt and integrate XBRL internally since this brings the most benefit and reduces the risks and impacts highlighted .Many organizations send their data to external providers of XBRL the outsourced strategy. While the outsourced scenario is one of the quicker strategies in the short term, this approach will not allow organizations to leverage the benefits of integrating it into the wider internal reporting processes and systems of the organizations.

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