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Extensible Business Reporting Language Activities: A Critical Analysis

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ABSTRACT

“XBRL” stands for extensible Business Reporting Language. XBRL is a language for electronic communication of business and financial data, which is set to revolutionise 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. It enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. It greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information.

XBRL is an electronic representational standard for information and it starts where GAAP ends. In other words, principles outlining how accounting information is measured are not what XBRL is about. Having said that, XBRL taxonomy, has the ability to link each accounting concept to the authoritative accounting literature.

Companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investors, analysts, financial institutions and regulators, can receive, find, compare and analyse data much more rapidly and efficiently if it is in XBRL format. It can handle data in different languages and accounting standards. XBRL can be flexibly adapted to meet different requirements and uses.

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Introduction

“XBRL” stands for extensible Business Reporting Language. XBRL is a language for electronic communication of business and financial data, which is set to revolutionise 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 enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computer can treat XBRL data “intelligently” and can recognize the information in a XBRL document, select it, analyse it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information.

Companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investors, analysts, financial institutions and regulators, can receive, find, compare and analyse data much more rapidly and efficiently if it is in XBRL format.

XBRL can handle data in different languages and accounting standards. XBRL can be flexibly adapted to meet different requirements and uses.

Advantages of XBRL

The use of XBRL offers major benefits to preparers and consumers of business and financial information by enabling this data to be exchanged and processed automatically by software. It offers substantial gains in efficiency, speed, cost saving and the breadth and quality of analysis. XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. The benefits include, but are not limited to automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision-making. Those who stand to benefit from XBRL include all who collect business data, including government agencies, stock exchanges, economic agencies, regulators, financial information companies, etc., and even those who produce or use it, including accountants, auditors, CFOs, investors, financial analysts, creditors, etc. This list is endless. The major benefits of XBRL include, but are not limited to the following:

(a) Automated Data Processing:

XBRL identification tags reduce and eliminate the need for employees to manually input data into software applications like Excel or Oracle for transfer to electronic tools such as a website or a blog. Because computer software can read the identification tags easily there is no need to manually compare entered data. Data entry keying mistakes are quickly analysed and highlighted automatically using XBRL.

(b) Regulated Financial Reporting

XBRL can provide investors and other government agencies with increased data integrity and uniformity. It can also allow for increased transparency of public owned companies' financial records for view by investors. Over time this may help regulators to notice the widening of gaps, for e.g., in profits and losses, etc.

(c) Cost Savings:

Currently all companies file their annual reports with regulators using formats like the Portable Document Format (PDF) which has its inherent limitations, which include, text fields that do not facilitate compiling and auditing of data. Also, the costs are higher to send, receive, store, validate and audit the financial records in this format. XBRL is expected to reduce these issues and costs significantly. Additionally, the tool is being developed by an international non-profit association consisting of the stakeholders who are in the 'business' of generating, transmitting, compiling and analyzing financial data. Hence, the benefit of 'experience in the field' always helps.

(d) Multi-Language Capability:

XBRL can read and understand data sent between various computers using different languages. The taxonomies and tags associated with the system are designed to be read by computers and not humans which allows for speedier multi-language data reads. Software and mapping tools allow businesses to transfer existing information into XBRL quickly and efficiently. Auditors around the world can devote more of their time to reviewing data received from another country rather than focusing on validating the accuracy of the information. XBRL can also read and understand data sent using multiple accounting standards. Thus, this is one of the more important advantages of the language. The time spent on verifying the accuracy of data being transmitted by another system can be substantially reduced as the same is ensured by the structure in which the data is included in the XBRL documents.

(e) Time Savings:

One of the largest benefits to be realized from using XBRL is time savings. For example, in the past it might take an hour to locate a specific piece string of data using an older tool; using XBRL it will take less than a second to locate the data. Because the system allows for automated machine-to-machine communication, accountants, data entry clerks, stock exchanges and auditors can receive and begin to review and study blocks of data at significantly high speeds. The time reduction will allow for increased focus on analysis of important issues and trends which may be developing and which may be an important

monitoring issue which the regulators need to resolve. The documents generated by this new language will help do just that.

(f) Data Analysis:

Business can use software to automatically validate data electronically received through XBRL. The software can also analyse the data and spot high level problems that auditors and accountants can examine much deeper than they previously did. The deeper, more thorough analysis will equip business leaders with greater confidence to make financial decisions that impact their companies, the stock market and the global community. Additionally, banks and other financial institutions can analyse loan applications as well as a borrower's financial records more quickly and more accurately which may increase the approval of good loans and significantly lower the acceptance of loans to high risk borrowers.

What XBRL is And What it is Not

While understanding XBRL and its impact, it is a useful to know what the standard is and more importantly what it is not. Here are a few things that are not XBRL.

(a) It is about 'measurement' of accounting concepts:

XBRL is an electronic representational standard for information and it starts where GAAP ends. In other words, principles outlining how accounting information is measured are not what XBRL is about. Having said that, XBRL taxonomy (the electronic data dictionary that is the central piece of the standard), has the ability to link each accounting concept to the authoritative accounting literature. For example, the IFRS XBRL taxonomy is a faithful representation of the bound volume. Moreover, XBRL, if implemented at the global ledger level, has the intrinsic capacity to transform information from one GAAP to another with the use of business rules.

It is not even that XBRL asks companies to report more information than they currently do. It just requires companies to produce this information using the XBRL data dictionary (the so called taxonomy) in a specified format so that all stakeholders can access and reuse this information in a really efficient manner.

(b) XBRL is a proprietary information standard or software:

This is as far from the truth as it can be. XBRL specifications are open source and built in a collaborative fashion with a global effort by accountants, regulators and technology specialists. Software vendors create software based on the XBRL specifications. You would need to use XBRL software to create XBRL documents (information captured in XBRL) but you are not the

prisoner of any proprietary software application. It is no substitute for the ERP or accounting software but functions as a standardized layer over this to reap multiple benefits.

(c) It is used primarily by regulators:

Undoubtedly, Act 1 of the XBRL story is about mandated external reporting. Regulators like XBRL for its versatility and the richness of the data it can produce. XBRL adoption is a significant milestone in the world of compliance but going forward there are many areas where XBRL is going to matter and most of these have to do with the decision making process within a company.

(d) Learning XBRL is tough and technology intensive:

If you want to be an XBRL professional, it helps if you are a bit technologically oriented though even here no computer programming skills are required but only an understanding of the XBRL standard in terms of the way information needs to be structured. But most of us will be users of XBRL and can completely bypass the technology surrounding the specifications. It is left to the software to build that in. accountants will play a key role in selecting the right XBRL tag or extending the taxonomy for select purposes or even defining business rules to validate or further process XBRL information. For almost all these activities accountants do not need to look under the “bonnet of the car” or know the inside software components. It just needs exposure and a fair bit of practice.

Now, lets look at what XBRL is

(a) It is tagged data:

Analogous to the ubiquitous barcode in a department store product, XBRL tags each individual piece of information. XBRL tags are specified in the meta-data (essentially information about the technically written information which is behind a web page, for example) set out in taxonomies which capture the definition of individual reporting concepts and the relationships between them. This system of using XBRL tags brings in standardization, accuracy, reusability of information across stakeholders.

(b) XBRL is about taxonomies and instance documents:

The key concept in XBRL is that information about information (the taxonomy) and the information itself (the instance document) are separate and maintained separately. Taxonomy creation at the external reporting level are done by regulators which then can be enhanced for internal purposes. External reporting taxonomies are publicly available documents. The instance document is where data needs to be captured in an XBRL format for external or internal submission. It is done through XBRL authoring software with the active participation of accountants both in the tagging and validation areas.

(c) **It is boon for external reporting:**

The benefits of using XBRL are manifold and work across the information supply chain involving companies, regulators, investors and other stakeholders.

(d) **An integration platform to aid internal reporting:**

The use of XBRL in internal reporting is to leverage a subset of the XBRL specification called XBRL GL that takes care of transactional information representation within a company and not restricted to accounting information alone. It can also deal with business information concepts falling outside the financial reporting domain.

SEBI and XBRL

SEBI is in the process of adopting XBRL for financial reporting. As a pilot project, SEBI is in the process of adopting XBRL Taxonomy for various data reporting by mutual funds.

SEBI is also simultaneously working on a project named SUPER-D (SEBI Unified Platform for Electronic Reporting and Dissemination). It is a comprehensive filing and dissemination platform for all the listed companies, Mutual Funds and intermediaries.

With this project, SEBI proposes phased implementation of filing/reporting by Mutual Funds, listed companies, financials of Asset Management Companies, Scheme and their annual reports in XBRL.

RBI and XBRL

The Reserve Bank of India-the banking regulator of the country, has already initiated XBRL filings for various regulatory reports from Banks with RBI.

MCA and XBRL

The Ministry of Corporate Affairs has made it mandatory by issuing a circular for Companies falling under a certain criteria to file their financials in XBRL format.

As per the General Circular No. 09/2011 17/70/2011-CL.V dated 31st March, 2011, and General Circular No. 25/2011, dated 12th May, 2011 it has been decided by the Ministry of Corporate Affairs to mandate certain class of companies to file Balance Sheets and Profit and Loss account for the year 2010-2011 onwards by using XBRL taxonomy. The Financial Statements required to be filed in XBRL format would be based upon the Taxonomy on XBRL developed for the existing Schedule VI, as per the existing, (non converged) Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006.

The mandate is to be implemented in phases, Under Phase 1 the following class of companies has to file the Financial Statements in XBRL Form only from the year 2010-2011:-

- (i) All companies listed in India and their subsidiaries.
- (ii) All companies having a paid up capital of Rs. 5 crore and above or a turnover of Rs. 100 crore of above, excluding banking companies, insurance companies, power companies, Non-Banking Financial Companies (NBFCs) and overseas subsidiaries of these companies.
- (iii) All unlisted companies were also given the similar exemption. It is estimated that around 20,000 companies will be covered in this phase.

Conclusion

The XBRL journey has just begun and there are exciting times ahead. Accountants and companies would benefit from looking at the whole shift into standard based reporting and embark on their individual XBRL journeys with a long term perspective. It offers substantial gains in efficiency, speed, cost saving and the breadth and quality of analysis. It can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. XBRL include all who collect business data, including government agencies, stock exchanges, economic agencies, regulators, financial information companies, etc., and even those who produce or use it, including accountants, auditors, CFOs, investors, financial analysts, creditors, etc. This list is endless.