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XBRL - The Harbinger of Transparency in Financial Reporting

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The International Accounting Standards Committee is trying to facilitate the use of extensible business reporting language for IFRS reporting. Basic aspects of XBRL are explained in this article.

XBRL (Extensible Business Reporting Language) is a novel way of electronic communication of business and financial data which is revolutionizing business reporting around the world and is of immense utility to the capital markets and the investing community. XBRL is an international market-driven reporting format that “tags” data so a computer will be able to identify, read and use it in other programs and analyses. It provides major benefits in the preparation, analysis and communication of business information. XBRL is a cutting-edge technology standard that enables faster and more cost-efficient electronic exchange of information.

XBRL is a computer language based upon XML (extensible Markup Language). XBRL is a relatively new language that is used to report aggregated data such as financial statements on the internet. As with its parent language, XML, XBRL allows tremendous flexibility in the amount and type of data that is presented. It has a generic standard that can interpret user defined data tags. According to the XBRL Consortium, XBRL is “a language for the electronic communication of business and financial data that is revolutionizing business reporting around the world.”

XBRL has been likened to a bar code for financial statements. An electronically readable tag (bar code) is put on each financial statement element, which provides additional context. Staying with the analogy, if we look at the bar code on an item in the grocery store, the code would contain a series of bars with little relevance to us. However, with the proper tool to read the code, it would tell us the product, the size, the cost, the vendor and the expiration date. XBRL operates in a similar fashion. The electronic tag assigned to each financial statement element contains further information or context regarding that element.

If, for example, we apply the tag for gross margin to the gross margin line on our income statement, a tool that can read XBRL would tell us the line item is gross margin, how it is

defined, what the balance is, what currency it is in, how accurate it is, what period it covers, and for what company. The electronic tags that are applied are standardized and are contained in taxonomies (essentially the dictionaries used by XBRL that define the specific tags for individual items of data) that have been developed and are maintained on the XBRL Web site. The tags are applied using a tagging tool that retrieves the tags from the standard taxonomies and applies them to whatever format our financial statements are created in, such as Microsoft Word or Excel.

XBRL doesn't change the accounting standards or methods used for financial and business reporting, but it puts reported information into an instantly reusable computer-readable format. Computer applications will automatically find comprehensive, granular data the instant it is posted online and flow it into analytical models for deep, automated analysis. XBRL is predicted to have a profound impact on any person or organization that creates or uses business information. Unlike XML, XBRL has established taxonomies. This means that they have predefined tags that allow all users of a common industry or common area to understand its meaning and provide data that is uniform and comparable. XBRL was initially developed by Charlie Hoffman, a member of the American Institute of Certified Public Accountants in 1999. The XBRL Consortium was later set up to manage the development and enhancement of the XBRL specification. The current version **XBRL 2.1** was released in December 2003.

XBRL or “interactive data” is an open information format standard that enables automated, global sharing of business information as contained in company ledgers, income statements, cash flow, balance sheets, mutual fund risk and returns, as well as textual information included within footnotes and other requirements of business reporting. XBRL may be instrumental in addressing investor trust issues. Investors will be able to easily look at their company's current statements

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from the comfort of their own home computer without having to wait for the year end statements to come in the mail, often months after the reported period has ended.

The benefit to users of financial statement information is that they can now electronically retrieve data in a matter of seconds with the additional context that is provided by the tags and with greater assurance of accuracy given the standardized context of the tags. Although standardized, the expandability of the taxonomies allows company-specific and unique information to be captured and reported accurately. Because XBRL uses standardized XML technology, it can be read by multiple, diverse software systems.

APPLICATIONS AND DOMAINS THAT CAN USE XBRL

- Business reporting to all types of regulators, including tax and financial authorities, central banks and governments.
- Filing of loan reports and applications; credit risk assessments.
- Exchange of information between government departments or between institutions, such as central banks.
- Authoritative accounting literature - providing a standard way of describing accounting documents provided by authoritative bodies.
- A wide range of other financial and statistical data which needs to be stored exchanged and analyzed.

BENEFICIARIES OF XBRL

- Governments
- Security analysts
- Large Multinationals
- Smaller Companies
- Individual investors
- Auditors

EXTRAORDINARY ADVANTAGES

XBRL serves as a Rosetta stone that allows information to be easily transferred between any internal or external system. Interactive data provides extraordinary benefits for users including :

- Numerical accuracy, as XBRL can both calculate and verify;
- Much faster, real-time preparation of reports;
- More efficient, accurate, and relevant searches;
- Platform independence, which enhances data interchange;
- Far fewer inconsistencies in terminology and data formatting, substantially reducing manual intervention;
- Information that is entered once but can be delivered in

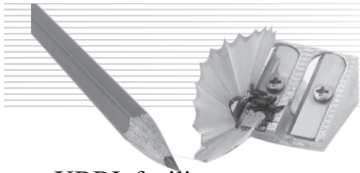
many formats, such as a printed financial statement, an HTML document for a website, or a filing for the OSEC's EDGAR system;

- Less expensive and more accurate analysis;
- Free availability and no royalties, both obvious advantages to Enterprise Resource Planning (ERP) and Extract, Transform, and Load (ETL) solutions;
- Time and cost savings from fixing manual audit trails, improving data quality, reducing "spreadsheet sprawl" that introduce error, and avoiding data that is difficult to extract from native applications.
- Reduced preparation time.
- Broader information availability.
- Adaptability to changing reporting requirements.
- Enhanced analytical capabilities.
- Increased transparency.

BENEFITS OF USING XBRL

Perhaps the most important benefit of XBRL is the elimination of data re-keying. With XBRL, a single piece of information never needs to be retyped as it flows through the organization and to external audiences, like regulators and auditors. Data re-entry is not only a slow, tiresome, unproductive, and unfulfilling task for staff. It also results in a surprisingly high number of errors that significantly impair data integrity. It provides major benefits for those who prepare, analyze and communicate business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. XBRL removes error-prone manual steps from the process of transmitting financial and business reporting information between all XBRL-enabled applications.

- By using XBRL, companies and other producers of financial data and business reports can automate the processes of data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply, and efficiently if the sources of information have been upgraded to using XBRL.
- For members who serve in financial management, auditing, and information technology roles, XBRL will streamline the preparation of business and financial reports for internal and external decision making. XBRL will significantly improve the ability of members in financial management to more precisely direct and publish financial information to investors, regulators, analysts, lenders, and other key stakeholders.
- In addition to reporting, the possible future uses for XBRL include reporting to lenders, and other regulating bodies.



- XBRL facilitates convergence of accounting standards by the ability to align financial concepts among public taxonomies.
- XBRL facilitates principle-based accounting because it reduces the need to worry about where the item is reported, but only that it is.
- XBRL drives transparency and improves the efficiency of capital markets by helping analysts and other users of financial and business information find relevant facts.
- XBRL improves the efficiency of the capital markets by reducing the cost associated with covering a company and making the market more accessible to small and mid-cap companies.
- XBRL better enables to protect the public interest by improving investor access to the capital markets and increasing analyst coverage of both small and large companies through a reduction in the cost associated with covering a company.
- XBRL can provide benefits for both public and private companies, including:
 - Access to original company data
 - Reduction of data re-entry errors
 - Reusable data
 - More timely information and
 - Reduction in cost, time and errors in financial statement preparation

GLOBAL STANDARDS APPLIED IN XBRL

XBRL Taxonomies

These are the categorization schemes which define the specific tags for individual items of data (such as “net profit”). National jurisdictions have different accounting regulations, so each may have its own taxonomy for financial reporting. A special taxonomy has also been designed to support collation of data and internal reporting within organizations. This is the GL (Global Ledger) taxonomy. Ordinary users of XBRL may be largely or totally unaware of the technical infrastructure which underpins the language. However, software companies, such as accountancy software providers, need to take account of XBRL and its features when producing their products.

XBRL International

XBRL International is a not-for-profit consortium of approximately 550 companies and agencies worldwide working together to build the XBRL language and promote and support its adoption. The consortium members meet periodically at international conferences, conduct committee work regularly via conference calls, and communicate in email and phone

calls throughout the week. The XBRL International Steering Committee governs XBRL International. The Steering Committee has the same authority and powers as the Board of Directors at most other companies. This includes responsibility for setting technical, financial and operational strategy within the organization.

XBRL GL

XBRL introduces GL, a standardized global ledger to simplify worldwide accounting for companies of all sizes. There is more to the eXtensible business reporting language (XBRL) than financial statements. Although XBRL’s ability to revolutionize financial reporting regularly makes headlines, a vitally important, but lesser known, capability of XBRL is to help move data into and out of accounting systems. This write-up software is called XBRL GL, the standardized Global Ledger. XBRL GL is a global agreement that specifies how to set up files, master files, transaction files and history files typically found in accounting systems payables, receivables, job costing, payroll, fixed assets, inventory and general ledger modules in both small and large systems. XBRL GL can improve data quality when reporting to banks, investors and the government. XBRL GL provides many potential benefits today.

XBRL GL for Large Companies

Using XBRL GL, large firms can easily merge disparate financial systems, rather than using proprietary and manual methods. This creates a useful environment in which standardized data extraction and analysis tools can help internal and external auditors evaluate and support the control environment more efficiently. Using these standards, large companies can reduce the costs of rework and can be more agile and flexible.

XBRL GL for Smaller Businesses

Because the market encourages accounting software developers to embed XBRL GL as a standard import/export and Web services format, smaller companies will gain from improved communication with service providers and better access to their own data. This will help them better allocate resources so they can spend a lot less time simply preparing their financials and more time analyzing their performance and planning strategically.

XBRL and IFRS

With estimates that International Financial Reporting Standards (IFRS) could become more pervasive or even required as early as 2011, another “universal language” eXtensible Business Reporting Language is gaining greater currency. Translation capabilities (IFRS are now translated into over 50 languages) of the mostly principles based IFRS and the automatic translation features of XBRL help to localize financial reporting

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and push their use down to the lowest level of implementation. The combination of IFRS and XBRL caters to people who use technology to organize financial information and those who use accounting standards and concepts for business. XBRL and IFRS serve to simplify financial reporting and they both represent a great achievement. The speed and the size of the adopting organizations are phenomenal. There is obviously an excellent discipline in standards setting within the XBRL consortium, since the achievement in making XBRL is extraordinary. IFRS and XBRL support and reinforce each other. XBRL supports all languages and provides automatic translation and can be used to facilitate IFRS deployment. There are different approaches to implementation. In The Netherlands and Denmark it is government driven. In Spain it is driven by the regulator Bank of Spain. In some countries it is driven by accountants. Whatever the model, it is worthwhile to use each others experiences.

IFRS TAXONOMY

The IFRS Taxonomy 2009 is a complete translation of International Financial Reporting Standards as of 1 January 2009 into **XBRL** (eXtensible Business Reporting Language), a language that is used to communicate information between businesses. International Accounting Standards Committee Foundation (IASC) is trying to facilitate the use of XBRL for IFRS reporting. Having issued a draft 2009 IFRS Taxonomy as well as a Taxonomy Manager, IFRS tool and XBRL viewer for IFRS the IASC foundation is beginning to enable XBRL use for IFRS reporting.

THE INDIAN EXPERIENCE

More than 100 countries have embraced XBRL and the list includes China, Korea, Japan, the US and most recently, India. Seeing the rising importance of XBRL as an effective means of communicating financial information and the plethora of benefits it has to offer, the Institute of Chartered Accountants of India (ICAI), the apex accounting body of the country, constituted the XBRL Group in the year 2007 for undertaking the development and promotion of XBRL in India. The Institute is spearheading the XBRL initiative in the country and is the provisional jurisdiction of XBRL in India. In its endeavor of providing best to its members the Institute has recently launched XBRL India website in the International Conference held in July 2009. The ICAI, India jurisdiction has developed the taxonomy for general purpose financial statements for commercial and industrial sector. The exposure draft of the taxonomy has already been issued and it will be sent for accreditation by XBRL, International shortly. Taxonomy for banks is under preparation and exposure draft is expected to be issued shortly. The Institute of Chartered Accountants of India

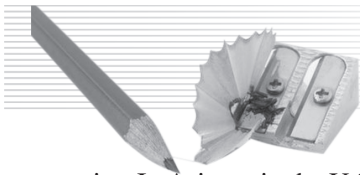
has taken the leadership to form an XBRL jurisdiction in India. India, a late adopter, is slowly but surely moving in the same direction, XBRL implementation is happening at BSE, NSE, SEBI, RBI and MCA, with each of them working to their own schedule. RBI, SEBI and the two stock exchanges (BSE and NSE) are championing the adoption of XBRL in India, with the ICAI providing leadership. As a first step towards full fledged adoption of XBRL in India, the Institute of Chartered Accountants of India has recently approved the taxonomy for manufacturing and services companies. All Indian companies with ADRs outstanding have to file with the Securities Exchange Commission (SEC) of the USA in XBRL starting next year. In fact, Infosys has been part of the voluntary compliance program of the SEC for the last 3 years and Mohandas Pai is a recent addition to the board of XBRL International.

XBRL AT THE RESERVE BANK OF INDIA

XBRL taxonomies can serve as standards in data submission, and reporting tools of XBRL can help in providing reasonably good query and analysis facilities. The regulators in a few other countries, including central banks, have started adopting XBRL-based solutions. With the objective of adopting XBRL for return submission by commercial banks, the RBI formed a High Level Steering Committee (under the chairmanship of a deputy governor) that chartered a pilot survey for studying the feasibility of adopting an XBRL-based data submission system. After considering the views of the commercial banks, the Committee decided to adopt an XBRL-based data submission system in a phased manner. Five returns were considered for the first phase, the important ones being Basel II data reporting system (officially called RCA-II) and financial statements; of these, the first one is already live and others are in the final stages of implementation. India's SEBI (Securities Exchange Board of India) mandates since 1 January 2008 the top 100 companies to make electronic filings through Corporate Filing and Dissemination System (CFDS), an XBRL-enabled filing solution by the Bombay Stock Exchange and the National Stock Exchange. After a feasibility study in 2007, the Reserve Bank of India decided to implement XBRL in bank reporting, starting with Basel II information requirements. Last year, the Institute of Chartered Accountants of India outsourced a project for creating the XBRL taxonomy for India. While this is in its development phase based on Indian GAAP, the idea is to have an IFRS-XBRL version ready for the country's convergence with IFRSs by 2011.

THE WORLD SCENARIO

While the United States and Asia focus on XBRL for use in capital markets, Europe has developed an eye-opening array of government wide and cross-border applications that can share consistently structured XBRL data for both public and private



companies. In Asia, as in the U.S., XBRL is being used by the capital market. Stock exchanges in Japan and South Korea mandate XBRL data. In 2004, China became the first country to formally adopt XBRL for financial reporting. In the near future, China XBRL expects to see extended use of XBRL for mutual funds reporting, IPO approvals, and nonofficial and internal financial reporting for smaller companies. The U.S. is taking a progressive and carefully documented approach to implementing XBRL. From a capital market perspective, the U.S. had far more technical, legal and infrastructure issues to overcome than smaller countries. However, the SEC's proposed rule for U.S. equity markets will result in the world's most extensive implementation of XBRL. All companies listed on US exchanges have two years to move to XBRL-based reporting, the investment companies have until 2009 to do so and the rating agencies have been asked to comply soon. XBRL was adopted for the entire banking industry in Spain, soon followed by the capital markets. Now the focus is on Spain's government wide approach, including XBRL reporting by municipalities and private companies. XBRL Spain is working with software vendors to XBRL-enable standard accounting applications so they can automatically generate XBRL data associated with reports.

XBRL is even being used in the poorest emerging countries. The Microfinance Information Exchange Inc. (MIX), of Latin America which acts as a clearinghouse, tracks the performance of nearly 1,000 microfinance institutions and has adopted XBRL as the core technology. The goal of improved information exchange and reporting is to encourage investment and success for microfinance projects worldwide. Conor O'Kelly, vice chairman of XBRL International, expects the next global wave of XBRL development to be in standard business reporting projects, looking at how government agencies can unify and simplify data collection. The Netherlands is leading this wave, with Australia and New Zealand close behind. There is no technical reason there should not be one central repository for all government data collection and dissemination to the public.

XBRL Conversion

XBRL is an emerging standard for filing public financial disclosure data. On December 17, 2008, the U.S. Securities and Exchange Commission (SEC) approved a final rule that will make the use of interactive data (XBRL) mandatory for all U.S. public companies over a three - year period. Public companies with a worldwide public float greater than \$5 billion must begin filing XBRL documents starting with fiscal period on or after June 15, 2009. All other accelerated filers must do so for their first fiscal period on or after June 15, 2010, and all filers must do so for their first fiscal period on or after June 15,

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2011. Mutual funds must begin tagging key information, including risks, fees and performance, by January 2011.

Conclusion

XBRL is simply structured data. Such a language does not have to be confined to IFRS or GAAP, or to any national language. XBRL is evolving everywhere, but unevenly, driven by various stakeholders such as governments, stock exchanges, banks and other industry sectors. Companies have been slow to embrace the technology (XBRL) for three principal reasons:

- A lack of knowledge or understanding of XBRL.
- Misconceptions regarding resources required, including cost and technical proficiency.
- The perception that there is little benefit to participating in the process.

Companies must come forward to know what XBRL is, what it will cost, what they have to know, and what the benefits are. XBRL can also be implemented for a reasonable price and without significant knowledge of the underlying technology.

XBRL is the future. The purpose of introduction of XBRL is not to catch errant companies. In fact, with XBRL, companies will not make errors in their reporting if they are able to implement XBRL within the organization effectively. The reality of XBRL has grown exponentially over the past years and XBRL will be either an optional or mandated form of filing in the near future. For this reason alone, companies need to become involved and get up to speed. As more government agencies implement XBRL technology, the benefits to issuers will continue to grow. □

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