

XBRL (Extensible Business Reporting Language): An Online Solution to Financial Reporting

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Abstract

This study elaborates not only the importance and application but also process and prospects of XBRL (Extensible Business Reporting Language) in financial reporting system. The fundamental objective of online financial reporting is to provide users with the timely delivery of useful information. However, the current reporting system is sustained by a multitude of data formats including the popularly used Portable Document Format (PDF) and Hypertext Markup Language (HTML). Financial information stored in flat file format is not designed to electronically streamline user analysis and human processing activities which are subject to error and misrepresentation of data.

Thus, the central problem of current reporting system is the fact that users must manually compile and analyze data, thereby inhibiting the usefulness of the information. XBRL based on XML (eXtensible Markup Language) is specifically designed for online business reporting. XML was originally developed to improve upon the inherent limitations of HTML by including tags on data elements to communicate electronically.

Keywords: XBRL, XML, IFRS, HTML, Tags, Usage.

Introduction

In the age of tech-savvy environment, XBRL is emerging as a new and convenient option to provide an effective solution for the preparation, presentation and exchange of International Financial Reporting Standards. XBRL (eXtensible Business Reporting Language) is Standard format for reporting financial data. It is an internationally agreed open specification that uses XML to structure financial information for automated electronic processing. XBRL can be applied to a wide range of business and financial reporting contexts including income statements and balance sheets, internal accounting reports, regulatory agency reports and reports provided to investors, financial analysts and financial markets.

XBRL is being adopted by major accounting standards bodies, regulators, tax authorities, banks and credit organizations around the world to streamline the reporting and analysis of statutory financial statements and other business financial information. In April 1998, Charles Hoffman, a CPA investigates how XML could be used for electronic reporting of financial information. Further in July

1998, AICPA was alerted. A prototype Charlie Hoffman informs the AICPA High Tech Task Force about the potential of using XML in financial reporting. Then in September of same year, product description was crafted. The AICPA decides to fund a project to create set of financial statements in XML. Afterwards the prototype was completed by Charlie Hoffman, Mark Jewett (Erutech) and Jeffery Ricker (XML Solutions).

In 2002, an organisation named XBRL International was formulated as a not-for-profit consortium of approximately 650 companies and agencies worldwide working together to build the XBRL language and promote and support its adoption. In January 2011 XBRL International admitted India as full member. XBRL India is a company registered under Section 25 of Companies Act, 1956 incorporated for managing the affairs of Indian Jurisdiction of XBRL International. Similar to bar code, XBRL data can automatically identify each data information such as value, type, currency, date, sources etc. Instead of treating financial information as a static text, XBRL tags are defined and maintained in taxonomies. Taxonomies are basis for tagging financial information in XBRL.

Technical Terms in XBRL

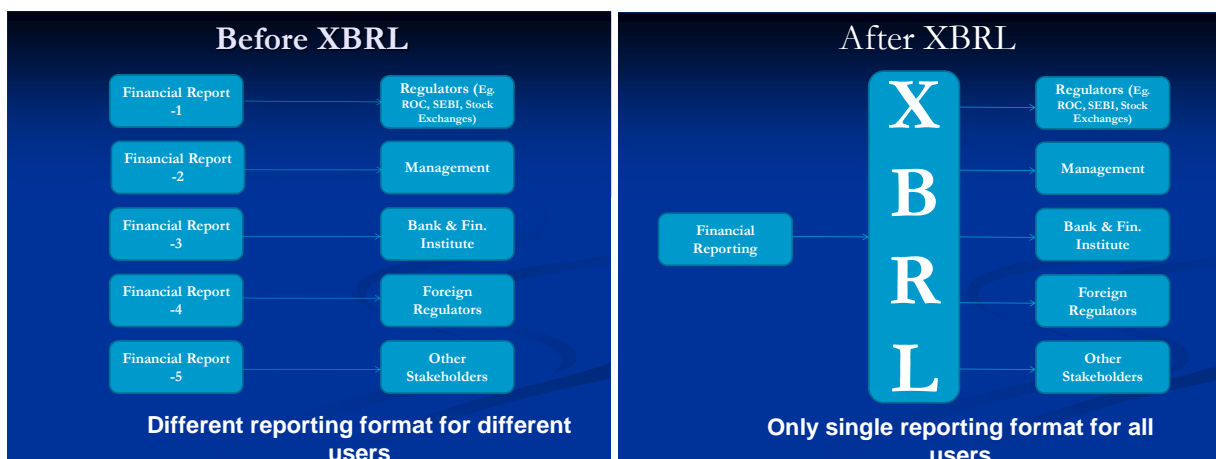
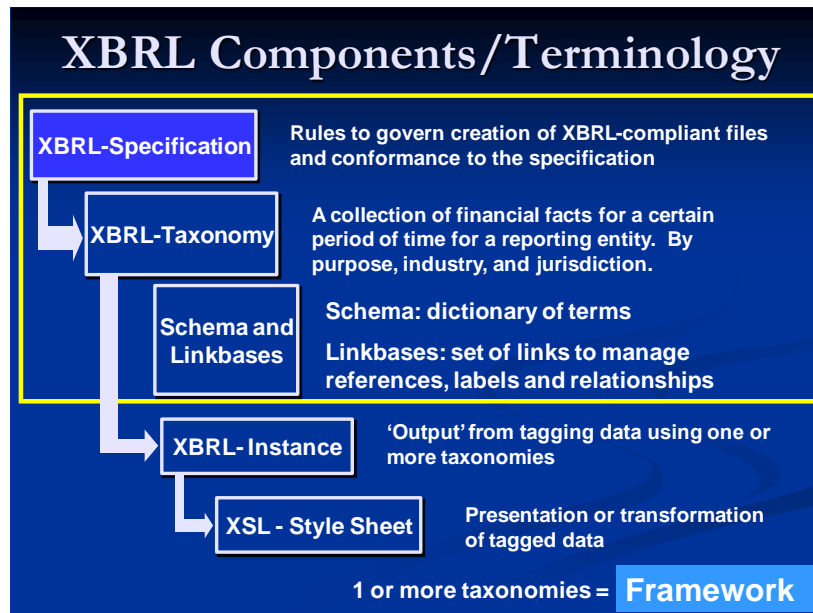
Taxonomy: Taxonomy is collection of Tags. It is a type of dictionary for financial reporting. These taxonomies define the specific tags for individual line items of financial statement. The taxonomy files together with the relationships files define the concepts (elements) and relationships that form the basis of the taxonomy. Different core taxonomies exist for IN-GAAP, IFRS, US-GAAP, RBI etc.

Tag: Identifying information that describes a unit of data in an instance document and encloses it in angle brackets (<> and). All facts in an instance document are enclosed by tags that identify the element of the fact.

Elements: A human-readable description of a reporting concept. User point of view is an unchangeable attribute of the element.

Label: Human-readable name for an element; each element has a standard label that corresponds to the element name and is unique across the taxonomy.

Instance Document: XML file that contains business reporting information and represents a collection of financial facts and report-specific information using tags from one or more XBRL taxonomies.



Validation: Process of checking instance documents and taxonomies correctly meets the rules of the XBRL specification.

Steps for conversion in XBRL:

- 1st Step – Download taxonomy and Tagging Software
- 2nd Step – Tagging/Mapping; Open Excel file you wish to tag. Mapping means put XBRL taxonomies against Financial Statements line items.
- 3rd Step – Validation of the document.

Objectives of research

- The objective of the research is to study whether XBRL is a solution to IFRS.
- In order to elaborate the process of conversion of financial statements into XBRL.
- To study the future prospects of XBRL in India.

Review of Literature

XBRL stands for extensible Business Reporting Language and it is an extension of the extensible Markup Language (XML), which in turn is an evolution of the Hyper Text Markup Language (HTML). XBRL is a royalty-free, open

standard that enables more rapid and efficient processing of information within and across companies¹ and therefore can be used to accommodate electronically prepared financial statements and reports globally⁹. XBRL does not generate accounting standards but promotes their usability: an organization can utilize it in order to define financial information and generate financial reports in various formats. Technically, the main corpus of XBRL is XBRL taxonomy. A financial reporting taxonomy acts like a dictionary of accounts with specified relations between them. For instance, in an accounting taxonomy, cash is being classified as a subset of current assets and in turn, current assets are classified as a subset of total assets.

Additionally, the taxonomy can be extended with more elements, thanks to the extensibility of the language¹⁰. After the taxonomy has been designed and reviewed, it can be mapped to an instance document. Then, the instance report easily becomes a financial report presented in a variety of formats. Standardization in XBRL can assimilate information from many organizations and can promote effectiveness, as it is a language that allows the electronic exchange of business reports and eliminates the difficulties

of current financial reporting¹¹. Finally, XBRL is considered to be a useful global development among accountants, investors, regulators and organizations and is already adopted by many entities such as accounting offices, financial institutions, governmental organizations and software vendors.

Research Methodology

The data in research is an integral part of building blocks of the research. Various sources of data that provide information on XBRL and IFRS have been used. The data used in the study was the secondary data which is collected from websites of MCA, RBI, ICAI, ICSI.

Conclusion

It was due to recent manipulations and scams in big corporate houses that MCA has made it compulsory that all financial information would be presented in XBRL formats. XBRL is an emerging innovation technology based on XML that promises to change the way that financial information is exchanged and presented via internet. XBRL provides great advantages for both users and companies globally as it is an open-source reporting system. It has served a better solution to the problem of IFRS.

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