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XBRL - Way Forward

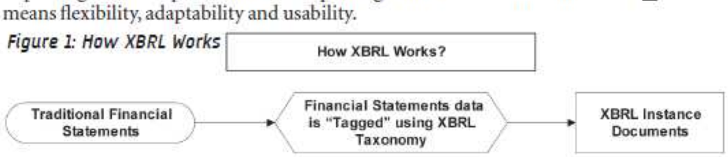
Background:

Today's regulators are not challenged by technology, but by enormity of data. For MCA, it is more than sixty e-forms, hundreds of data fields, eight lakh fifty thousand companies and crores of pages of PDF attachments. The dictum is transparency. The complexity with respect to processing and analysis of e-data before different regulators viz. SEBI, RBI, MCA, IT Department are monstrous. Internationally, XBRL has proved to be an effective solution.

What is XBRL?

Tamil is local language, Hindi is the national language and English is an international language. XBRL is the newest <u>B</u>usiness <u>R</u>eporting <u>L</u>anguage. The spotlight is on Business Reporting. It encompasses financial reporting. The "X" in XBRL stands for "e<u>X</u>tensible" means flexibility, adaptability and usability.

Figure 1: How XBRL Works



Any entity can use XBRL to encode its business information such as financial statements, annual reports, tax returns and so forth. XBRL (an XML based language) in no way requires a company to change how, what, or when to report financial information. It basically provides a standard mechanism for computers to understand and compare financial data. XBRL also does not change or add to IND-AS & SEBI financial reporting disclosure requirements; it is strictly a method of transmitting financial information in a way that leverages computer technology.

The idea behind XBRL is simple. Instead of treating financial information as a block of text - as in a standard internet page or a printed document - it provides an identifying label (tag) for each individual line item of data. This is computer readable. XBRL increases the re-usability of financial statement information. Eventually the need to re-key financial data for analytical and other purposes should be virtually eliminated. This has the potential to reduce manual errors, and give companies the ability to proof and control their own data. As more tools are developed and some are under development to take advantage of XBRL format information, and regulators embrace and support this new standard, financial/business information will be ready and available for next phase of web services.

Despite all this XBRL is *not* a substitute for the financial accounting systems, controls, procedures, and related managerial oversight required to prepare GAAP compliant financial statements.

XBRL International and XBRL India

XBRL is an open, royalty-free software specification developed by XBRL International. XBRL International is made up of over 140 global companies, including the world's leading accounting, technology, government and financial services bodies. XBRL is and will remain an open specification based on XML that is being incorporated into numerous accounting and analytical software tools and applications.

XBRL-India (an ICAI initiative) is a Company registered under Section 25 of Companies Act, 1956, incorporated for managing the affairs of Indian Jurisdiction of XBRL International. XBRL International is comprised of Jurisdictions which represent countries, region or international bodies and focus of XBRL in their area. XBRL Indian Jurisdiction is an established Jurisdiction of XBRL International.

Figure 2: Success of XBRL depends

9 Steps in XBRL e-filing

STEPS	PROCEDURE
Step 1	To get Educated - A wealth of resources are available at www.xbrl.org/in/
Step 2	To learn about the various software tools and programs (on how to use it) that are presently available (or proposed to be made available) in building instance documents. http://www.xbrl.org/tools/
Step 3	To decide which period will be the first XBRL filing. To determine who will be involved and whether the users have all the skills within the organization. To involve finance department/service provider in the process and to keep the auditor informed as the plan progress.
Step 4	To build the team. Selecting the tools. Each filer is responsible for ensuring their financial statements are accurately and completely tagged. Either create the instance documents yourself or work with a service provider to create the tagged version of the financial statements. Select a tagging tool that meets the entity's needs. Identify and educate internal team (finance, audit, compliance officer, investor relations).
Step 5	Gather the materials (Financial Statements and related documents). Make sure to have the filing reports, past filings (in MS Word, Excel, PDF, Text or on paper), software, taxonomies (nomenclature), and comparable statements.

Step 6	**Create XBRL documents using the tools.** Tag your data using the software tools you have chosen. As a rule of thumb, when converting the printed form of the business report or financial statement into the XBRL tagged version, an individual with appropriate tools, familiarity with the industry and prior experience tagging in XBRL will be able to complete the tagging job in 2 hours per page. Extensive customization (creating "extensions") of the taxonomy will increase this estimate. Updating an existing XBRL document in subsequent periods takes considerably less time. The time estimate will also depend on the complexity of the financial statement. The more detailed the content, the longer it takes. If you're creating a set of XBRL-enabled financials for the first time and without prior experience, this estimate can increase.
Step 7	**Most Important:** Validation of XBRL documents is both a technical concept and a content review. To decide who will perform the technical review. To ensure that XBRL submissions to the MCA/ other regulators conform to the e-filing/taxonomy requirements. To involve finance department/service provider in the process and to keep the auditor informed as the plan progress.
Step 8	Submit the documents to MCA/Other Regulators. Add the XBRL documents as an attachment to the traditional e-filing portal and submit to the MCA/ Other Regulators database.
Step 9	**Document your process** (most significant, since it will help others you/others in the process for next period). Thorough documentation will allow the user to capitalize on his experience so that each successive filing becomes easier to prepare. This will also help the user to integrate the preparation of the XBRL filing, making it a part of their normal filing processes.

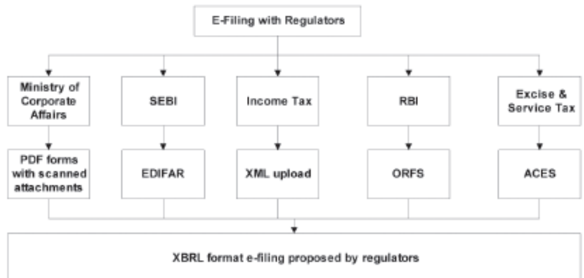


Figure 3: E-filing before and after XBRL implementation by regulators

Taxonomy, Extended Taxonomy, Tagging & Instance Documents:

Taxonomy is an electronic dictionary of the reporting concepts. It's a rule book (*the latest MCA website has listed out 3076 IN-GAAP elements http://mca21.gov.in/Ministry/pdf/Final_taxonomy.zip*) as well as a year book (will be updated annually as regulations are updated). It is a classification listing, a catalogue, nomenclature or categorization of elements of financial/business statements. Taxonomies may represent hundreds or even thousands of individual business reporting concepts, mathematical and definitional relationships among them, along with text labels in multiple languages, references to authoritative literature, and information about how to display each concept to a user. Banks, Insurance, NBFC, etc., will be subjected to distinctive taxonomies.

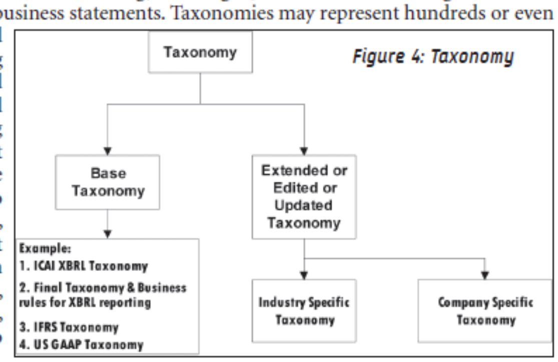


Figure 4: Taxonomy

Taxonomies are based on the regulatory requirements and standards which are to be followed by the companies. Accordingly, depending on the requirements of every country, there will be country-specific taxonomies. Public taxonomies such as the MCA's *Final Taxonomy and Business rules for XBRL reporting* cannot always meet the precise needs of every individual financial report. For this reason, XBRL is designed to be eXtensible, allowing preparers to create an extension taxonomy (customised) that adds to the public taxonomy.

Creating Extension Taxonomy is done differently using other software products. Taxonomy is extended to accommodate items/relationship specific to the owner of the information. Taxonomy extension therefore can be:

a. Modification in the existing relationships

b. Addition of new elements in the taxonomy and/or

c. Combination both a & b

"**Tagging**" is a symbolic term for assigning coded identifiers to information. The most fundamental steps in developing an XBRL report are *tagging* data and applying a style sheet to the tagged data to convert XBRL files into a document that looks similar to the paper reports users of financial statements have been accustomed to. The tagging process is governed by the XBRL Specification (taxonomy), a detailed description of how to go about complying with the XBRL language. Not all information in business reports needs to be tagged. While mapping the items of a Financial System with

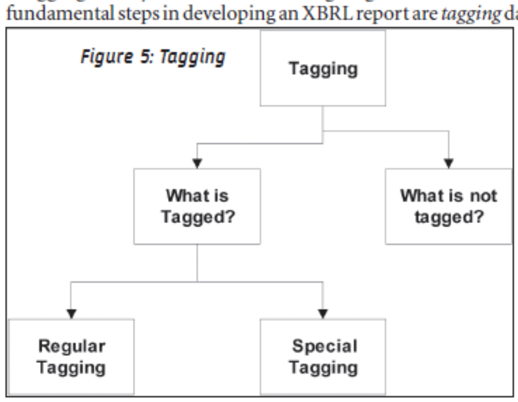


Figure 5: Tagging

a Base Taxonomy, some items may remain unmapped. In such cases, new items need to be inserted in the base taxonomy. Regular Tagging is for Base taxonomy, special tagging is for extension (inserted / updated / edited) taxonomy. Only those that are specified in taxonomy/extension taxonomy need to be tagged. The left overs are not tagged or not linked for XBRL e-fling.

A fully tagged datum would be described in ways sufficient to retain its identity and be read correctly by a user's application software.

In other words, the user's application would be able to interact directly with the reported data. The tags (ticket, label, mark, card) are read by the computer, by programmers, and by other parties who need or want to see the tags. Users typically get what they need from readable printouts and the interfaces created by their software applications.

Instance Documents: An XBRL instance document is a business report in an e-format created according to the relevant taxonomy. XBRL Instances contain the reported data with their values and "contexts" tagged according to particular taxonomy. Instance document must be linked to at least one taxonomy, which defines the contexts, labels or references.

First time creation of an instance document is often time and labour intensive because preparers are acclimating not only to taxonomy elements and tagging, but to the overall process involved. Before starting, preparers should assess the required level of effort, the tools available, and the roles of team members.

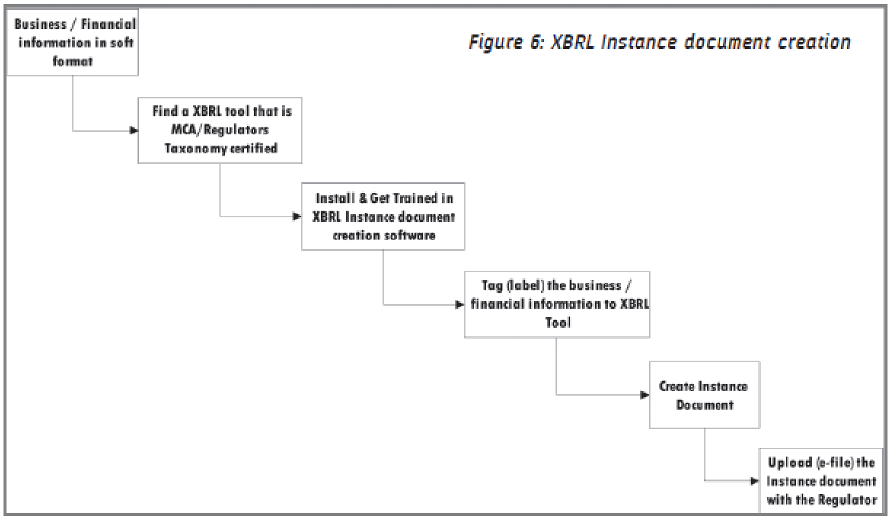


Figure 6: XBRL Instance document creation

Annual Registration Scheme Extended upto 20th June 2011

With a view to bring in more members into the ARS fold and considering that SIRC has been scheduling quite a number of big events, it has been decided to extend the facility upto 20th June 2011. The fee of ₹ 7,000/- may be sent by way of cash/ cheque drawn in favour of "SIRC of ICAI" payable at Chennai to SIRC Office on or before 20th June 2011.

XBRL in India:

The MCA, the SEBI, the RBI and the ICAI have been quite vigorous for rolling out various initiatives. MCA has issued a very recent circular no 9/2011 dated 31st March 2011 making the all companies listed in India and their subsidiaries, having paid up capital of Rs. 5 Crore and above or a turnover of Rs. 100 Crore or above Covered in Phase I class of companies which have to file their Financial Statements in XBRL e-format only from the year 2010-2011 onwards.

Emphatically Banking companies, Insurance companies, Power companies and Non Banking Financial Companies (NBFCs) and overseas subsidiaries of these companies are excluded from its mandatory application.

The SEBI has introduced Clause 52 in the equity listing agreement, requiring listed companies to file information with the exchange only through Corporate Filing and Dissemination System (CFDS) a XBRL-enabled common platform for listed companies to file such information, statements and reports as may be specified by BSE and NSE in a phased manner like MCA.

RBI formed a High Level Steering Committee in the year 2007 that chartered a pilot survey for studying the feasibility of adopting an XBRL-based data submission system. Five returns were considered for the first phase, the significant being Basel II data reporting system called RCA-II has already gone live.

The ICAI has developed the taxonomy for general purpose financial statements for commercial and industrial sector and it is in public forum. From May 2011 onwards, ICAI is spearheading towards educating our Members in XBRL in length and breadth of our country.

Conclusion: XBRL - Way forward

The espousal of XBRL in business/financial reporting is certain to change the current methods of accounting and audit. The XBRL framework is an interesting blend of technology and accounting. While the latter is an area of familiarity, the former technology element is something that our members would need to comprehend. The degree of proficiency required with regard to the technology would depend on the area of specialisation that a CA intends to focus viz. developing Taxonomies and Extension would require a significant degree of expertise in related tools. ICAI members need to evaluate the various opportunities that will present themselves in XBRL reporting and develop their own professional roadmaps.

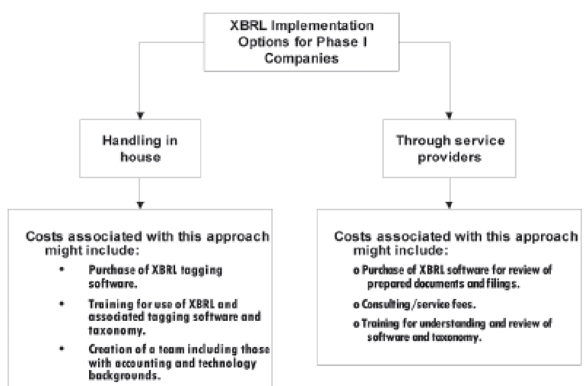


Figure 7: XBRL Implementation Options for Phase 1 Companies

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