XBRL ~ *'Reporting Language of Modern Era'*

GENESIS OF XBRL

The genesis of XBRL (codenamed XML-based Financial Reporting Markup Language (XFRML) initially) lies in the year 1998. It was in April 1998 that Charles Hoffman, a Certified Public Accountant (CPA), investigated the use of eXtensible Markup Language (XML, http://www.W3C.org.) for the electronic reporting of financial information in the USA, reportedly for the first time.

XBRL is an international standard business language developed by XBRL International Inc. XBRL International Inc. is 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. It is composed of huge number of members including various Government Agencies, Accounting Firm, Software companies etc. XBRL is the acronym for eXtensible Business Reporting Language.

UNDERSTANDING XBRL THROUGH THE CONCEPT OF 5 W'S

5 W's

What

Why

When

Where

Whom

Shall be applicable for Financial Statements closing on or after 31.03.2011 but however MCA yet to introduce filing platform.

Developed by "XBRL International Inc." and in India introduced for Mutual Fund reporting, IT filing, MCA 21 annual filing etc.

New Business Reporting Language which originated from "XML"

Common Business Reporting Language which is easy to prepare, analyse and communicate the Business Information

- All listed companies and their Indian subsidiaries,
- All companies with paid capital of Rs. 5 Crore and above
- All companies with turnover of Rs. 100 Crore or above

[These Companies are permitted to file their financial statements without additional fee upto 30th November, 2011 or within 60 days of their due date whichever is later][Circular No.57/ 2011 dt 28.07.2011]

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VISION OF XBRL WITH MCA 21

eXtensible Business Reporting Language (XBRL) is a mode of electronic communication of business and financial data to provide a common gateway for smooth management and control over the financial data, information and various other benefits.

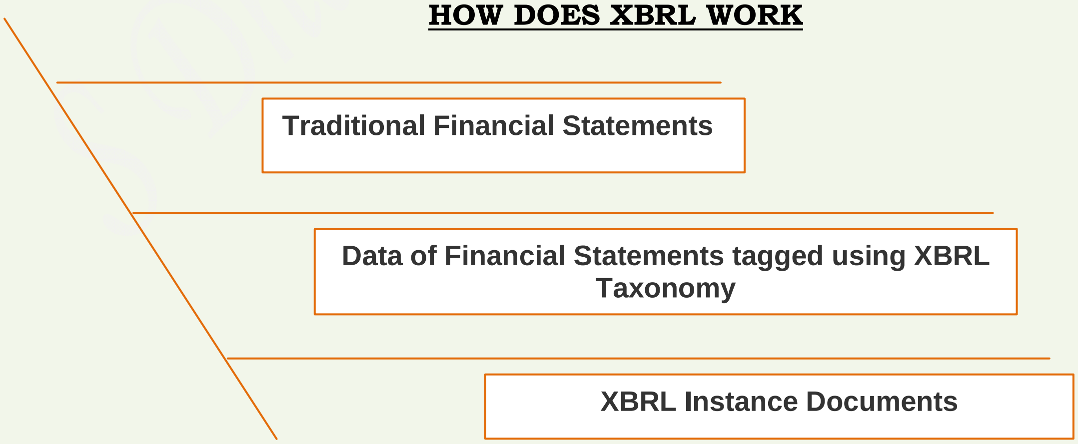
BENEFITS OF XBRL

- It is easy to prepare documents in XBRL.
- It is easy to make analysis and
- Very easy way of communication of business information by the corporate.
- Efficient cost management.
- Accuracy and reliability of data.
- As it covers huge area the data collected through XBRL shall enhance the Ministry's capability in formulation of policies and other regulatory functions which is an added advantage towards the corporate.

MINISTRY OF CORPORATE AFFAIRS AND eXtensible Business Reporting Language (XBRL):

Various seminars, Workshops, One day programs, training programs, conferences, etc have been organised by ICAI, ICSI, Ministry of Corporate Affairs etc., in order to create awareness about the XBRL in Indian Scenario. In order to gather the specific details and data sector wise, it is proposed to allow for extensions in the taxonomy from FY 2011-12 onwards.. If required, the taxonomies shall be updated and maintained with applicability of revised Schedule VI from 01.04.2011.

HOW DOES XBRL WORK



Any form of Business organisation can use the XBRL for reporting their business data such as Financial Statements, Annual Reports, Income Tax Returns etc. This new business reporting language gives a high standard mechanism for computers to know and compare financial data. XBRL does not change any format of presentation of documents but it is a different method of submission of documents. i.e. PDF is way of attachment which is followed at present instead now the companies are required to file their Balance Sheets and Profit and Loss Account in eXtensible Business Reporting Language (XBRL) format reporting with the Ministry of Corporate Affairs.

The main motive of XBRL is nothing but to bring a common reporting of financial information as a block of text - as in a standard internet page or a printed document - XBRL provides an identifying label (tag) for each individual item of data. XBRL is readable in Computers with a nature of re-usability of financial statement information. XBRL helps to reduce a manual error which provides the corporate the ability to proof and control the company's own data in secure and efficient way. There are many a number of tools which are available in the market which are familiar and developed but some are getting developed to get advantage of XBRL format information, and regulators embrace and support. This new standard of financial/business information will be ready and available for next phase of web services.

The rich and powerful structure of XBRL allows very efficient handling of business data by computer software. It supports all the standard tasks involved in compiling, storing and using business data. Such information can be converted into XBRL by suitable mapping processes or generated in XBRL by software. It can then be searched, selected, exchanged or analysed by computer, or published for ordinary viewing.

XBRL INTERNATIONAL LEVEL AND INDIAN LEVEL - A PEEK

XBRL is open software which is free from royalty and specifically developed for hassle free Communication transmission by the XII. XII is constituted with member companies which cover more than 140 global including leading financial services, accounting, technology and government bodies. XBRL is an accounting analytical software tool and application which is based on XML.

It is because of the initiative of the Institute of Chartered Accountants of India the XBRL has been introduced form this year which is registered under section 25 of Companies Act, 1956 and manages the whole affairs of Indian Jurisdiction of the XBRL International Inc. XBRL International Inc comprises Jurisdictions which represent region, countries, or international bodies and focus of XBRL in their area of business. XBRL Indian Jurisdiction is an established Jurisdiction of XBRL International Inc.

PROCEDURE INVOLVED IN XBRL E-FILING

Procedure of E-filing:-

1 To understand net worth of resources are available at www.xbrl.org/in/

2 To get trained in various software tools and programs (on how to use it) which are presently existing (or proposed to obtain) in building instance documents. http://www.xbrl.org/tools/.

3 To decide the first period for Filing report in XBRL and determine who will be involved and whether the users possess the required skills within the organization. To involve finance department/service provider in the process and to keep the auditor informed as the plan progress.

4 To build a group and select the suitable tool. 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).

5 Gather the materials such as Financial Statements and related documents and make sure in filing reports, past filings (in MS Word, Excel, PDF, Text or on paper), software, taxonomies (nomenclature), and comparable statements.

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

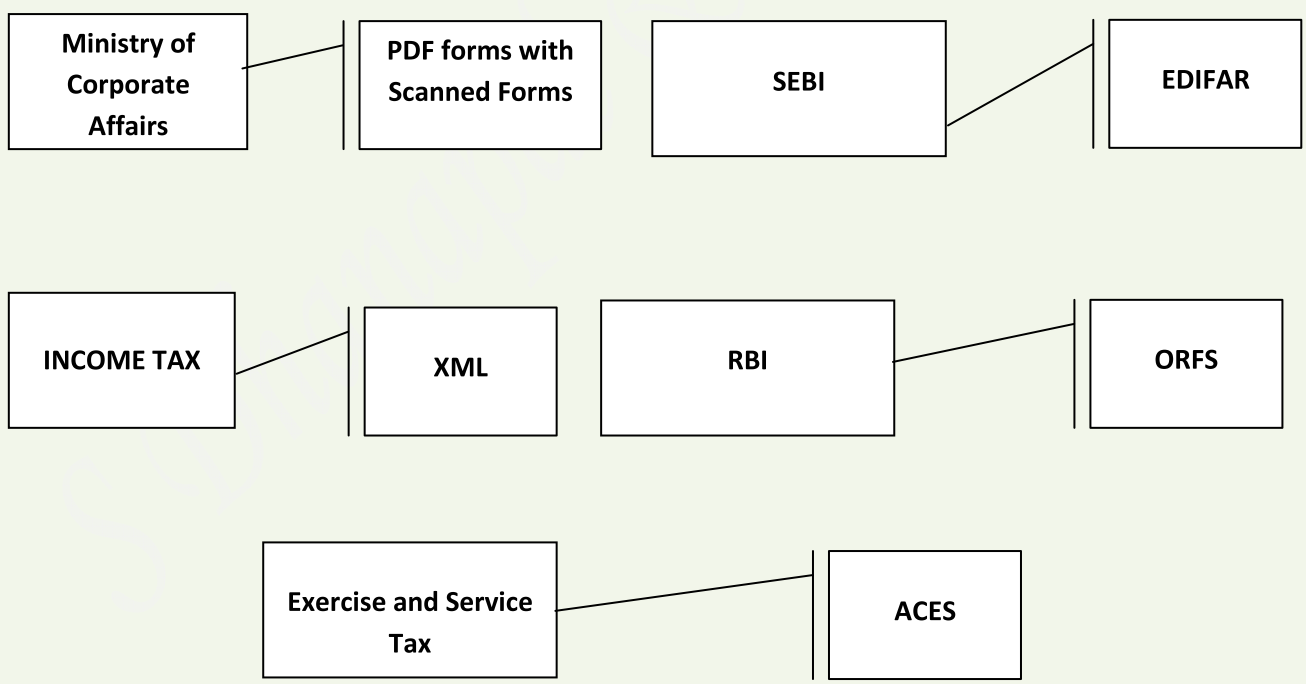
the content, the longer it takes. If you're creating a set of XBRL-enabled financials for the first time and without prior experience, this estimate can increase.

7 Most Important: Validation of XBRL documents is both 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.

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.

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.

<u>E-filing with the Regulators – Where XBRL Format of e-Filing is proposed</u>



TAXONOMY, EXTENDED TAXONOMY, TAGGING & INSTANCE DOCUMENTS:

Electronic dictionary of the reporting concepts is Taxonomy. It's a book of rule (*which is available in MCA website has listed out 3076 IN-GAAP elements* http://mca21.gov.in/Ministry/pdf/Final_taxonomy.zip) along with a year book (which will be updated annually as and when the regulations are updated). It is a classification of 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.

TYPES OF TAXONOMIES

1. Basic Taxonomy – Example: ICAI XBRL Taxonomy, Final Taxonomy & Business Rules for XBRL Reporting, IFRS Taxonomy, US GAAP Taxonomy etc.,

2. Extended / Edited / Updated Taxonomies:-

- ***Industry Specific Taxonomy***
- ***Company Specific Taxonomy***

These taxonomies are basically binding over the regulatory needs and principles which should be followed by all companies. In that accord, taxonomies are country specific toward what type of taxonomy the company is basically in need, such are *country specific taxonomies.* There are some public taxonomy like as the MCA's *Final Taxonomy and Business rules for XBRL reporting* which always cannot meet the basic needs of every financial report. Keeping such in mind the XBRL has been designed to be eXtensible, which allows the person who prepares to create an extension taxonomy (customised) that adds to the public taxonomy.

Creating Extension Taxonomy can be done by using other software products. Taxonomy is extended to hold items/relationship specific to the person who is the owner of such information. Taxonomy extension can be as follows:

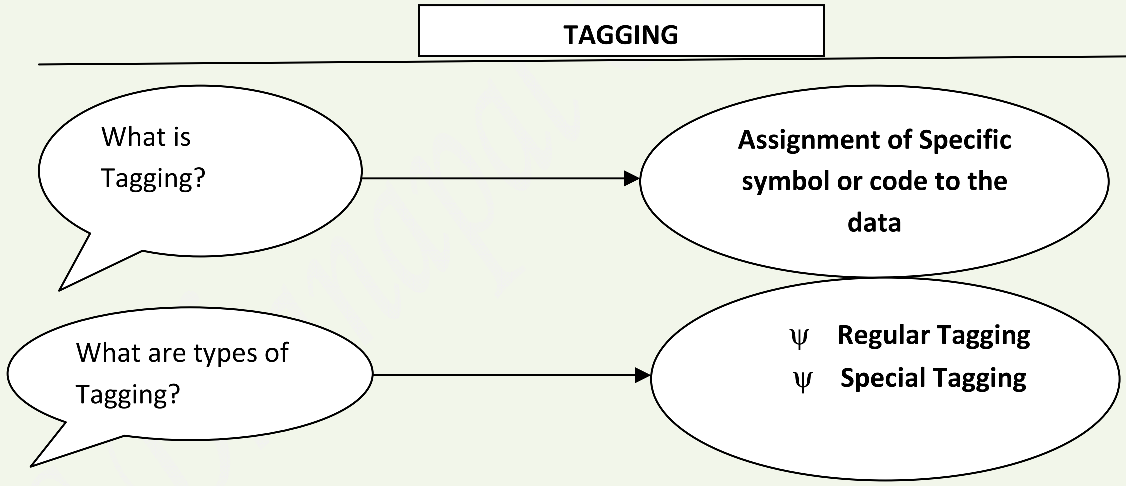
a) Existing relationships modification

b) Add new components towards the Taxonomy and/or

c) Combination both mentioned above.

Assignment of Code identification towards the information is "Tagging". The most basic stages in the progress of developing an XBRL report is nothing but *tagging* of the information and to apply some style sheet towards such tagged information and convert the tagged information in XBRL format into a document which looks alike to the reports which the users are in practise in providing the financial statements. The process to tag any data is governed by the XBRL Specification (Taxonomy) which is an elaborated narration which expels how to go with compliance of XBRL. It is not mandatory to tag all the information of the business reports.

Base taxonomy has to be mapped clearly in each and every item of the Financial System; in some cases some items may be mapped. In those cases, new items have to be inserted in the base taxonomy. Regular Tagging can be done in the Base Taxonomy and Special Tagging shall be done for any extension taxonomy where there may be insertion or Updation or some edition towards the extension taxonomy. Tagging can be done only to those items which are mentioned in the Base Taxonomy / Extension Taxonomy. The items which were not tagged cannot be linked in the XBRL.



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 (label, mark, card etc.,) 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 an e-form of business report which is created with regard 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 etc.

Business / Financial information in soft format.

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Find a XBRL tool that is MCA / Regulators Taxonomy certified.

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Install and Get Trained in XBRL Instance documents creation software.

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Tagging of the Financial Information to XBRL Tool.

↓

Create Instance Documents.

↓

Upload (e-file) the Instance document with regulator.

The Ministry of Corporate Affairs, The Securities Exchange Board of India, The Reserve Bank of India and the Institute of Chartered Accountants of India are very eager in development of XBRL in India. Ministry of Corporate Affairs has come out with Various Circulars as follows:

Circular no 9/2011 dated 31st March 2011 which gives that 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. These Companies are permitted to file their financial statements without additional fee upto 30th November, 2011 or within 60 days of their due date whichever is later].

Corrigendum towards the Circular Passed on 31st March 2011 reveals that insertion made in circular 9/2011, dated 31.3.2011 Circular 9/2011 which speaks about filing of Balance Sheet and Profit & Loss Account in XBRL Mode.

As per the earlier circular, XBRL was made applicable to all listed companies and their subsidiaries and all other companies with paid capital of Rs. 5 Crore and above and turnover of Rs. 100 Crore or above.

As per the subsequent circular, XBRL was made applicable only to "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".

Finally, it was further notified with another circular in supersession to circulars 25/2011 dated 12.05.2011 and Circular 9/2011, dated 31.3.2011.

As per the current circular, XBRL is applicable to

- **All listed companies and their Indian subsidiaries,**
- **All companies with paid capital of Rs. 5 Crore and above**
- **All companies with turnover of Rs. 100 Crore or above.**

Following companies are exempted:

- **Banking Companies**
- **Insurance companies**
- **Power companies**
- **NBFCs**

XBRL taxonomy and FAQs hosted on Ministry of Corporate Affairs Portal. Filing Module to be hosted by July 2011 and the actual date will be notified shortly.

The Securities Exchange Board of India have introduced Clause 52 in the equity listing agreement, which a listed companies are required 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 Bombay Stock Exchange and National Stock Exchange in a phased manner like Ministry of Corporate Affairs.

Reserve Bank of India has created a High Level Steering Committee in the year 2007 that charters a pilot survey for studying the feasibility in adoption of an XBRL-based data reporting 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 Institute of Chartered Accountants of India has developed the taxonomy for general purpose financial statements for commercial and industrial sector and it is in public forum. The ICAI has started its initiative towards educating the members about the XBRL in Indian Scenario and its usage and all in detail.

XBRL IMPLEMENTATION OPTIONS FOR PHASE I COMPANIES (Handling in house)

Cost Associated with this approach might include:

1. Purchase of XBRL tagging software.
2. Training for use of XBRL and associated tagging software and taxonomy.
3. Creation of a team including those with accounting and technology backgrounds.

Through service providers:

Costs associated with this approach might include:

1. Purchase of XBRL software for review of prepared documents and filings.
2. Consulting / Service fees.
3. Training for understanding and review of software and taxonomy.

CONCLUSION

The support of eXtensible Business Reporting Language in business/financial reporting is certain to change in present methods of accounting and audit. The XBRL framework is a motivating combination of technology and accounting. Where the latter one 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. The members of ICAI have to evaluate the various opportunities that will present themselves in XBRL reporting and develop their own professional way of success.

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