XBRL -ROLE & RESPONSIBILTY OF MANAGEMENT AND PROFESSIONALS

Dear All,

As all know, MCA has mandated for certain classes of companies for filing of their financial statements only in XBRL Form from the year 2010-2011 and in coming years applicability of filing financial statements in XBRL forms will be extended to other class of companies as well.

Companies to whom XBRL was applicable have accepted the new initiative of MCA by filing their financial statements in XBRL, either by doing XBRL conversion in-house or outsourcing to a third party service provider.

Now time has come for us to analyse the current situation in detail to know where we stand and what to do next to make the new initiative of MCA a big success in coming years.

MISCONCEPTION ABOUT XBRL PROCESS

Many people have a misconception that XBRL process is similar to converting a Word document into PDF file or filing Income tax return and that XBRL data generated using software is as accurate as the information in annual report and there is no potential risk involved in XBRL conversion process.

This is an inappropriate analogy, because the process of generating XBRL data involves judgment and there is potential for intentional or unintentional errors that could result in inaccurate, incomplete, and / or misleading information. This is a problem because it is the XBRL data that will ultimately be used by all. Therefore, completeness, accuracy or consistency of the XBRL data is of paramount importance.

MISCONCEPTION ABOUT MCA XBRL VALIDATION TOOL

Many people have a misconception that once XBRL instance documents pass validation and prescrutiny of MCA validation tool, it is perfect for filing. However we have to understand the reality that MCA validation tool checks only Minimum/mandatory requirements of MCA which is only a small portion of actual requirements.

MCA validation tool has no provision to check appropriateness of information captured, completeness and reporting different data instead of actually reported in annual reports etc. Even if we don't capture any of the contents in notes to accounts, cash flow statement etc. we can create XBRL documents ready for MCA filing.

MISCONCEPTION ABOUT TIME & COST REQUIRED FOR XBRL CONVERSION SERVICE.
Many people believe that XBRL conversion can be done within hours or in a day. However a reasonable sized company will take about 20-30 working hours of effort, at the least depending upon the complexity of financial statements irrespective of the software and expertise, if quality is the ultimate aim. However there are service providers who are ringing up saying 'we can do it in a working day and/or for Rs. 3000 PER COMPANY…I keep wondering how and why…

The misconception of professionals and managements about XBRL resulted in some major issues which should be taken care of in future so that XBRL achieves its real goal and benefits. Some of the issues faced in first year are given below

- Noncompliance of MCA XBRL business rules relating to the information required to be included in XBRL data and the extent of such information. e.g. (a) capturing of auditors report , directors report and notes to accounts in detail instead of capturing it as a whole(i.e. block tagging) (b) not capturing related party transactions in detail in addition to block tagging
- Incompleteness of financial information of companies in XBRL format. This was the result of not capturing at all, of some of the critical information given in annual report.
- Inaccuracy of financial data by classifying a concept completely wrong e.g. classifying stock differential as other operating revenue, other expenses etc.

REASON FOR ABOVE ISSUES
- XBRL conversion process is handled completely by people without sound accounting knowledge.
- Non verification of XBRL documents by the management of the company before filing with MCA.
- Unawareness of professionals and managements regarding XBRL concepts and XBRL business rules of MCA.
- Lack of training programs on XBRL.
- Use of Software not having all the features necessary for making XBRL instances with required quality

STEPS TO BE TAKEN TO IMPROVE THE QUALITY OF XBRL FILING

- **BY MANANGEMENT**
  - **WHEN CONVERSION IS DONE INHOUSE**
    - Selection of appropriate software having all the requisite features
    - Identifying right staff having sound accounting knowledge for XBRL conversion process
    - Review of XBRL converted financial statements by accounts/finance manager to ensure accuracy and completeness of annual report in XBRL format as well
    - Understanding of MCA XBRL business rules (the same can be achieved by engaging professionals having sound knowledge on XBRL conversion and business rules for certification of XBRL documents for MCA filing.
  - **WHEN XBRL CONVERSION IS OUTSOURCED**
    - Identifying right service provider by looking at the following aspects :
      - Accounting expertise of the team engaged in XBRL conversion process.
      - Will they have a relationship manager who can explain what is done, to the management /auditor of the company?
      - Will they deliver XBRL files for verification by the management well before due date?
      - Will they interact with you about the tag selection and will you be allowed to make some changes?
      - Will they provide support service for solving all the queries/doubts of the management until management is satisfied?

    - Will the service provider provide sample instance documents created by them for the initial year to help the management understand the quality of the service they provide?
    - Have they created documents for ANY other regulator or do they have people having experience on XBRL conversion process for any other regulator – it could be RBI, SEBI, HMRC, SEC .some experience somewhere is of great re-assurance.

- **BY PROFESSIONALS**
  - Acquiring knowledge about XBRL taxonomy, business rules etc.
  - Developing a team having sound accounting knowledge for carrying out XBRL conversion services for client.
  - Review of XBRL converted financial statements by a qualified professional to ensure accuracy and completeness of annual report in XBRL format as well, before delivering the XBRL documents for client verification.
  - Providing XBRL converted financial statements for verification by the management.
  - Incorporating changes suggested by clients if the same is supported by business rules or providing explanations to the satisfaction of the management if the suggested change cannot be incorporated.
  - Filing of instance documents only when the same is approved by the client for filing.

RESPONSIBILTY AND LIABILITY OF MANAGEMENT AND PROFESSIONALS CERTIFYING XBRL INSTANT DOCUMENTS.

LIABILITY CLAUSE FOR MANAGEMENT	
23AC XBRL	**23ACA XBRL**
It is confirmed that the attached XBRL document(s) are the XBRL converted copy(s) of the duly signed Balance Sheet and allother documents which are required to be annexed or attached to the Balance Sheet as required under Section 220 of the Companies Act, 1956. It is further confirmed that such document(s) have been prepared using the XBRL taxonomy as notified under Companies (Filing of documents and forms in eXtensible Business Reporting	It is confirmed that the attached XBRL document(s) are the XBRL converted copy(s) of the duly signed Profit and Loss account and all other documents which are required to be annexed or attached to the Profit and Loss account as required under Section220 of the Companies Act, 1956. It is further confirmed that such document(s) have been prepared using the XBRL taxonomy as notified under Companies (Filing of documents and forms in eXtensible Business Reporting

Language) Rules, 2011	Language) Rules, 2011

LIABILITY CLAUSE FOR PROFESSIONALS	
23AC XBRL	**23ACA XBRL**
• It is hereby certified that I have verified the above particulars (including attachment(s)) from the audited financial statements of ….(Company name) and that all required attachment(s) have been completely attached to this form. It is further certified that the attached XBRL document(s) fairly present, in all material respects, the audited financial statements of the company, in accordance with theXBRL taxonomy as notified under Companies (Filing of documents and forms in eXtensible Business Reporting Language) Rules, 2011. • It is confirmed that the attached XBRL document(s) are the XBRL converted copy(s) of the duly signed Balance Sheet and all other documents which are required to be annexed or attached to the Balance Sheet as required under Section 220 of the Companies Act, 1956.	• It is hereby certified that I have verified the above particulars (including attachment(s)) from the audited financial statements of and that all required attachment(s) have been completely attached to this form. It is further certified that the attached XBRL document(s) fairly present, in all material respects, the audited financial statements of the company, in accordance with the XBRL taxonomy as notified under Companies (Filing of documents and forms in eXtensible Business Reporting Language) Rules, 2011 • It is confirmed that the attached XBRL document(s) are the XBRL converted copy(s) of the duly signed Profit and Loss account and all other documents which are required to be annexed or attached to the Profit and Loss account as required under Section 220 of the Companies Act, 1956.

CONCLUSION

The focal point of XBRL is the evaluation of the accuracy and validity of the XBRL tags applied to the line items in the financial statement of the company. In order to perform these evaluations, the management, service providers and auditors need to have the knowledge of XBRL concepts and how financial information can be converted into XBRL without compromising quality, accuracy, completeness and materiality.