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XBRL – LET'S GET IT STARTED!

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XBRL (eXtensible Business Reporting Language) is a freely available and global standard for exchanging business information. It is an XML based language used as a standards-based way to communicate and exchange business information between business systems.

INTRODUCTION

The financial reporting process in the World and especially in India is undergoing a sea change. XBRL is revolutionizing the way business information is generated, reported and analyzed. XBRL has been mandated by many regulators all over the world including Securities and Exchange Commission of the United States of America, Her Majesty's Revenue and Customs of the United Kingdom, Johannesburg Stock Exchange.

XBRL is an XML based language which allows caters to the specific needs of financial reporting by allowing information modelling and the expression of semantic meaning commonly required in business reporting. This language is gaining world- wide recognition as a revolutionary business reporting language and a global standard for reporting of financial information.

The regulators of the country have found it difficulty to monitor and seep through the huge volume of financial data of the companies. In light of the recent corporate failures XBRL has become a compelling need of the hour. XBRL is expected to not only improve transparency, but also increases the re- usability of the information.

The Ministry of Corporate Affairs has made it mandatory by issuing a circular for companies falling under a certain criteria to file their face financials in XBRL format.

WHAT IS XBRL?

Wrapping your head around XBRL can be challenging. Much of this challenge is similar to trying to teach someone about algebra or calculus if they do not understand how to count or do not understand the mathematical operators of addition, subtraction, multiplication, and division.

But is it really that tough?? The answer is No. Although it involves learning of a lot of new terms, XBRL is not Rocket science! A person will face the same level of difficulties as a college student faces when he first comes across the terms debit and credit, assets and liabilities.

Another common question, and this one's a really big one, is that- Do we really need XBRL???

The answer is yes, definitely yes. India didn't snub computers just because they involve a lot of technical stuff. So India's (Bright India) will never snub XBRL.

This article will give you an insight as to what XBRL is and why we need it.

GIST OF THE CIRCULAR:

The Ministry of Corporate Affairs has made it mandatory for the following class of companies to file their financials in XBRL format as per the General Circular No. 37/2011 dated June 7, 2011. Accordingly, the following classes of companies have to file Balance sheets and Profit and loss Account, along with Director's and Auditor's Report, in XBRLForm only from the year 2010-2011 before September 30, 2011 or if they hold meeting in September, then within 30 days from the date of adoption in the General Meeting as per section 220 of the Companies Act, 1956:

i. All companies listed in India and their Indian subsidiaries;
ii. All companies having a paid up capital of ` 5 crore and above
iii. All companies having a turnover of ` 100 crore and above.

Exemption: banking companies, insurance companies, power companies, NBFCs and overseas subsidiaries of these companies.

These Financial Statements required to be filed in XBRL format would be based upon the Taxonomy on XBRL developed for the existing Schedule VI, as per the existing Accounting Standards.

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GENERAL BENEFITS:

- XBRL allows for the creation of interactive, intelligent data. Each piece of business information has detailed descriptive and contextual information wrapped around it, so that the data becomes machine-readable and can be automatically processed and analyzed.
- XBRL allows business reporting information to be reused and repurposed. A financial or business report created once can be used to create many documents in different formats—HTML, ASCII text, Microsoft Word or Excel—with no loss of accuracy or integrity.
- XBRL adds value to every step of an organization's business information reporting. The entire reporting chain of business information—from data collection through internal reporting and external reporting—will be made more efficient and accurate and will contain more useful data.
- XBRL enhances the ability to compare information from one organization or entity to another, because XBRL lays out a common set of definitions by which all organizations tag their data.
- XBRL allows for unique reporting situations, because it can be extended by a single reporting entity by adding special elements that may be needed to best represent that company.

WHAT ARE THE BENEFITS TO A COMPANY FROM PUTTING ITS FINANCIAL STATEMENTS INTO XBRL?

XBRL increases the usability of financial statement information. The need to re-key financial data for analytical and other purposes can be eliminated. By presenting its statements in XBRL, a company can benefit investors and raise its profile. It will also meet the requirements of regulators, lenders and others consumers of financial information, who are increasingly demanding reporting in XBRL. This will improve business relations and lead to a range of benefits.

With full adoption of XBRL, companies can automate data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but the data can be checked by software for accuracy.

XBRL AROUND THE WORLD:

XBRL is growing quickly around the world with increasing participation from individual countries and international organizations. XBRL International is comprised of jurisdictions which represent countries, regions or international bodies and which focus on the progress of XBRL in their area.

A range of national and international bodies and groupings also maintain a strong interest and close liaison with XBRL. They include various organizations representing regulators, banks, stock exchanges and industry bodies.

US Securities and Exchange Commission was amongst the first regulatory authorities to implement XBRL for corporate in the year 2009 itself. Following countries have already implemented XBRL. The following countries have formed organizations for promotion and

regulation of XBRL in their respective countries:
XBRL Australia, XBRL Belgium, XBRL Canada, XBRL China, XBRL Denmark, XBRL Europe, XBRL France, XBRL Germany, XBRL India, XBRL Ireland, XBRL Italy, XBRL Japan, XBRL Korea, XBRL Luxembourg, XBRL Netherlands, XBRL Poland, XBRL Romania, XBRL South Africa, XBRL Spain, XBRL Sweden, XBRL Switzerland, XBRL United Arabic Emirates, XBRL United Kingdom, XBRL United States, etc.

IN SUMMARY, XBRL IS:

- A freely available, market driven, open, global standard for expressing and exchanging business information.
- An XML language.
- A global consortium of more than 600 members.
- A means of modeling business information in a form understandable by computer applications.

XBRL IS NOT:

- XBRL is NOT a standard chart of accounts. In fact, it is the opposite because XBRL is extensible.
- XBRL does NOT require companies to disclose additional information.
- XBRL is NOT just about financial or regulatory reporting.

Many people tend to try and dumb down the definition of what XBRL is in order to explain it. This occurs for two reasons. First, they think it makes it easier to explain XBRL, but the common result is a poor communication of what XBRL truly is. Second, the person trying to explain XBRL may not truly understand XBRL themselves.

THE BEST DEFINITION OF XBRL IS:

XBRL (eXtensible Business Reporting Language) is an open standard which supports information modeling and the expression of semantic meaning commonly required in business reporting.

XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. It is an open standard, free of license fees, being developed by a non-profit making international consortium.

XBRL is going to revolutionize the world and so every company should be ready to be a part of this change.

XBRL is a revolutionary technology, a chance for Indian companies to race at par with the world. Everybody has heard, "Make hay while the Sun shines," well, XBRL is here, what we make out of it depends only on us. ■