A Study XBRL – An Excellent Tool of Financial Reporting Language

IDRISH ALLAD
Assistant Professor
Smt. T. J. Patel Commerce College, Nadiad.

Abstract:
In today's competitive world, there is need for a new business reporting language which is fulfilled by the XBRL. It acts as a common language for financial reporting electrically. This article presents the history and meaning of XBRL. It also discusses XBRL terminologies, benefits of XBRL, implementation process of XBRL and potential area of research.

Keywords: *Element, Entity, GAAP, Mark-up Language, Schema Location, Taxonomy, Type, Period, Unit, XBRL, XML*

1. Introduction

In today's competitive world , there is need for a new business reporting language which fulfilled by the XBRL. It acts as a common language for financial reporting electronically. XBRL is one of the latest electronic accounting languages that has been creating sensation among the corporates, regulators and investors. It is an eXtensible Markup Language (XML) - based standard for the preparation, analysis and exchange of financial information. It offers several benefits over conventional financial reporting methods. XBRL is developed because it solves the problem of data transfer among the different applications both internally and externally.

2. History of XBRL

Charles Hoffman is credited as being the **'Father of XBRL'.** Charles a member of the American Institute of Certified Public Accountants (AICPA) developed the idea of XBRL to AICPA. The history of XBRL can be dated back to April, 1998 when Charles investigated XML for reporting financial information electrically. He briefed the AICPA Hi-tech Task Force on XML in Sept; 1998. Warne Harding presented the result of Hi-tech Task Force to the AICPA committee. AICPA committee impressed by such presentation and agreed to fund the project wherein the financial statements would be converted to XML format. Finally, the first XBRL specification was released on July, 2000 for the commercial and industrial enterprises in USA. After that, XBRL has been updated from time to time.

3. What is XBRL?

XBRL is an XML- based computer language for the electronic transmission of business and financial data. The goal of XBRL is to standardize the automation of business intelligence (BI).

"A framework that the global business information supply chain can use to create , exchange and analyze financial reporting information including , but not limited to, regulatory filings as annual and quarterly financial statements , general ledger information and audit schedules. XBRL facilitates the automatic exchange and reliable extraction of financial information among various software applications anywhere in the world." **www.xbrl.org.**

XBRL documents are preferred because of their efficient preparation, reliable exchange, easy publication, quick analysis, smarter investments due to easily retrievable information. Thus, XBRL enables a dramatic improvement in the processing of financial reports.

4. Skilled Required for Development of XBRL Specification

For writing and updating the XBRL specification, basic information in XML (eXtensible Mark-up Language) technologies and knowledge of how business reports are prepared and how they can be used in the wider community are very much essential.

5. XBRL Terminologies

- Instance document :- An instance document is an XML document that has XBRL elements. The financial statements of a company or any part thereof, expressed in XBRL are example of the instance document.
- Schema :- A system of representing a data model that defines the data's elements and attributes and the relationship among elements.
- Mark-up Language :- A Mark-up language is a collection of codes that are used to show the structure and format of an electronic document.
- Taxonomy: - Taxonomy defines a set of data elements and their relationship in a given business reporting area like IAS, US GAAP.

6. Characteristics of Items & Groups

There are several characteristics that can be employed to describe both an "Item" and a "Group" of items. The following is a list of such characteristics.

- Entity :- It is used to recognize the business organization reporting the financial information in XBRL.
- Unit :- Unit presents the unit used for the financial fact such as "Indian Rupees" for account balances.
- Schema location :- It represents the URL address of the taxonomy document.
- Element: -It is used to identify an item or group of items if there is a necessity.
- Type :- It explains a financial fact in taxonomy and is expressed in terms of the name attribute in a taxonomy document.
- For example, "current Assets" is a financial fact which is expressed as current assets belong to the assets type.
- Period:- It indicates the time span for which the financial data is presented. In case of a Balance-Sheet it indicates a date and for Income Statement it indicates the duration of time.
- Scale Factor :- It shows the multiplying factor to the numbers reported in the document.

For example, "Scale Factor = 8" implies that numbers in the Balance-Sheet is be multiplied by 10,00,00000.
HREF stands for hypertext reference and XML language refers the language used in the taxonomy.

- Precision :- It represents the number of decimal places carried in a calculation. If the precision is '8', it indicates that the calculation would be shown up to eight decimal places.

7. Advantages of XBRL

XBRL acts as a well-organized and dependable means of communicating financial information without any change in the existing accounting standards or requiring a company to disclose any additional information beyond that in its current financial statement.

XBRL provides following extraordinary benefits.

- XBRL can do both calculation and verification. It also provides numerical accuracy.
- It provides more accurate analysis with less expensive.
- It provides more efficient, accurate and relevant searches.
- It provides real-time reports much faster.
- In terms of terminology and data formatting, the scope of inconsistency is very low which substantially reduces manual intervention.
- The information once entered is delivered in multiple formats, such as printed financial statements, a HTML document for a website or a filing for the SEC's EDGAR system.
- It is advantageous to Enterprise Resource Planning (ERP) as it is easier to Extract Transform and Load (ETL) solutions free of cost.
- It saves time and cost in fixing manual audit trials by improving data quality, reducing 'Spreadsheet Sprawl' that introduces error and avoids data which is difficult to extract from native applications.

In short, it can be said that XBRL will add value to financial information for all users, including shareholders, bankers, auditors, government and anyone who creates, uses and accesses an organization's business data. It is useful for financial analysts and traders knowing a public company's crucial figures and comparing financial statements.

8. Implementation of XBRL Process

Below a process that outlines all of the steps necessary for an initial implementation of XBRL. It provides step by step plan for those who decide to start working with XBRL.

- **Identify a Team :-** For beginning a project two functional skills are required. A proficient accountant in supporting technical accounting who has the skill to match the Generally Accepted Accounting Principles (GAAP) concepts used in the financial statements to support the element of XBRL. The other functional skill is having a good understanding of working XML to evaluate, install and test the XBRL tools.
- **Assess Scope of Reporting and Determine Taxonomy:-** The project team should take a decision on which SEC form to initiate the participation in the filing program and see that it coincides with the project timing. After deciding the form, the team must assess and determine the level of detail of tag and furnish with filed financial statements. The SEC requires filers to use the appropriate version of a standard taxonomy, supplemented with extension taxonomies as specified by the EDGAR Filer Manual.
- **Compare and Map 10-K/10-Q to Taxonomies:-** The project teams have to review the original filing item-by-item, starting with the financial statements and then work on management's discussion and analysis notes.
- **Extend the Taxonomy Accordingly:-** A software program to extend the taxonomies is required after comparing 10-K or 10-Q with the presentation taxonomy and determining the most usable needs which fit best.
- **Create an Instance Document to Validate Calculations: -** software is necessary for creating an instance document which acts as tool that shows user to associate relevant data with the specific taxonomy elements or allows to tag another file format with XBRL taxonomy elements.
- **Review and Validate Instance Document :-** Expert in XBRL software have developed instance document validation tools that are useful in conjunction with instance document to validate the XML and XBRL structure. After the completion of instance document and prior to publishing the process of validation is to be conducted.

- **Publish the Instance Documents and Taxonomy: -** In the SEC's voluntary program, instance documents are furnished along with the taxonomies and necessary files to complete a scheme.

9. Potential Areas for Research

XBRL offers several mind blowing opportunities for research. To start with, since most of the countries have some distinct features with their respective GAAP, there is a lot of scope available for academic and the professional accountants to formulate XBRL taxonomies suitable to their accounting set-up. These taxonomies could be designed for commercial and industrial organizations, non-profit organizations and several major and unique business groups. Secondly, XBRL could be adopted to digitalize the financial accounting data, what about the information conveyed through the notes to accounts and management discussion and analysis sections of the annual reports. This is really a highly challenging area for further research.

Thirdly, the software professional should be able to extract relevant XBRL encoded data from appropriate sources of the company's data base so that better risk and investment analysis could done by investors and other stakeholders. XBRL shall facilitate the processes of continuous monitoring and continuous reporting in the business organizations. This, in turn shall definitely enable the business organizations to improve the business performance and result in achievement of thee business strategic goals.

10. Conclusion

With the emergence of XBRL, it is now possible for the enterprises to use electronic media for gathering accounting information in a cost-effective way and communicating it in an efficient manner. XBRL is attempting to provide a digital format to the accounting statements, so that they are able to speak aloud what is really happening in the business. XBRL is able to cut across all the barriers in the form of software and technologies, thus enabling accounting professionals to use it effectively. Undoubtedly, one can say that XBRL has revolutionized the arena of financial reporting.

References

1. Kathlen, Boyer. George Summers, Jeffrey Kottemann, XBRL: Is it Time?
2. Lindo de Beeer, (2006). "Why XBRL?" The Accounting World, Vol. VI, April,
3. Raquel, S. Filipeek, (2007). "The Accounting World, Vol. VII, November.
4. Shireesha, M. & P. Anuradha, (2008). "XBRL, An emerging Tool for Business Applications", The Accounting World, Vol. VIII, July,
5. Vijayalakshmi, S. & Anamika Bajpai (2007). "extensible Business Reporting Language", The Accounting World, Vol. VII, January,
6. www.xbrl.org