

CHARTERED ACCOUNTANTS PRACTICE JOURNAL

AN EXCLUSIVE FORTNIGHTLY JOURNAL FOR CHARTERED
ACCOUNTANTS, CORPORATE & LEGAL PROFESSIONALS

Highlights of this issue:

- Notification - Income-tax (Seventh Amendment) Rules, 2010 — No. 49/2010, dated 09.07.2010
- Computation of Arm Length Price, adjustments, if any made, should be restricted only to International Transactions and not to the entire turnover of the Assessee Company — *DCIT v. Starlite (ITAT Mumbai)*
- Achuthan Committee on Takeover Regulations submits report to SEBI — *Press Release No. 164/2010, dated 19.07.2010*
- International Taxation and Role of Chartered Accountants — An article by *CA Dr. A.L. Saini*

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- In order to claim deduction under Section 36(1)(vii), one of the conditions that is required to be satisfied as laid down under Section 36(2)(i) is that the debt claimed to be deductible as bad or part thereof has been taken into account in computing the income of the Assessee of the relevant previous year or of any earlier previous year — *DCIT v. Shreyas S. Morakhia (ITAT-Mumbai)*
- Notification - Exemption of notified taxable services relating to transmission and distribution of electricity — No. 45/2010, dated 20.07.2010
- Finance Minister on GST and DTC

Also useful for Company Secretaries, Cost Accountants, Tax Consultants, Advocates, Tax Officials and Business Professionals



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An Understanding of XBRL

Rajesh Kumar Saini*

One of the biggest challenges today is a manually intensive, error prone and inefficient environment for producing, analysing and reporting budgetary, financial and performance information. XBRL exchanges today's manual, time-consuming, error-prone credit risk assessment process for a more streamlined, automated process that significantly lowers risk and adds value. In this environment, lenders can redesign their credit management processes to be more predictive, more comprehensive, more current—more effective.

Introduction: XBRL stands for eXtensible Business Reporting Language. It is one of a family of "XML" languages which is becoming a standard means of communicating information between businesses and on the internet.

XBRL is a language for the electronic communication of business and financial data which is revolutionising 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.

What is XBRL? The concept behind XBRL is simple: Enable various systems and software to exchange business information using common, standardised, universal terminology. The purpose is to bring consistency to the names by which data items are known by all software located anywhere in the corporate reporting supply chain. Companies can do this incrementally, by introducing an XBRL data source as an alternative to information identifiers they are currently using, and then making one business application 'smart' at a time. Through such deployment across the supply chain, XBRL will facilitate information sharing instantly and directly, within organisations and between companies and all of their different stakeholders, without regard to which particular system or software does the sending or receiving.

The capability of disparate software products to share information exists to some degree with present technologies, however using XBRL:

- facilitates direct system-to-system information sharing between borrowers and lenders on a much broader scale;
- reduces error rates as information moves from sources to lender analytical software;
- enables more information to be included in credit analysis and monitoring at no added cost;

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- strengthens a creditor's ability to identify and anticipate deteriorating loans; and
- provides enhanced information gathering and analytical capacity.

Many software makers already include XBRL in updated versions of their products, and many others plan to do so with upcoming releases. The accessibility of XBRL through different types of software already in use will facilitate deployment at both borrower and creditor organisations and help to improve the quality and timeliness of information sharing between these organisations. This evolution in the nature of business communication over the Internet is not limited to credit decision making, of course; it includes business information exchange of all types for all decisions—by managers, investors, business partners, regulators and other stakeholders.

The XBRL standard is part of a broader set of universal standards the software industry has adopted to minimise incompatibilities among disparate products and to facilitate commerce via the Internet—from buying, selling and providing goods and services to improving the collaborative abilities of business partners. The software industry has realised its way forward collaborate on standards, compete on implementation—and the resulting change in the Internet environment sets the terms for nearly all Internet communication, including business information.

The idea behind XBRL, eXtensible Business Reporting Language, 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 tag for each individual item of data. This is computer readable. For example, company net profit has its own unique tag.

The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computers can treat XBRL data “intelligently”: they can recognise the information in an XBRL document, select it, analyse it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information.

XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. Data can be transformed into XBRL by suitable mapping tools or it can be generated in XBRL by appropriate software.

What is XBRL Taxonomy? XBRL Taxonomies are the dictionaries which the language uses. These are the categorisation schemes which define the specific tags for individual items of data (such as “net profit”). National jurisdictions have different accounting regulations, so each may have its own **taxonomy for financial reporting**. Many different organisations, including regulators, specific industries or even companies, may also require taxonomies to cover their own business reporting needs. A special taxonomy

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has also been designed to support collation of data and internal reporting within organisations. This is the **GL** taxonomy.

Differences between HTML, XML and XBRL: The difference between the various computer languages are explained as:

HTML: HTML (Hypertext Markup Language) is a standard way of marking up a document so it can be published on the World Wide Web and viewed in a browser. It provides a set of pre-defined tags describe on how content appears in a browser. For example, it describes the font and colour of text. It gives little information on meaning or context. XML (Extensible Markup Language) uses tags to identify the meaning, context and structure of data.

XML: XML is a standard language which is maintained by the World Wide Web Consortium (W3C). XML does not replace HTML; it is a complementary format that is platform independent, allowing XML data to be rendered on any device such as a computer, cell phone, PDA or tablet device. It enables rich, structured data to be delivered in a standard, consistent way. Whereas HTML offers a fixed, pre-defined number of tags, XML neither defines nor limits tags. Instead, XML provides a framework for defining tags (i.e. taxonomy) and the relationship between them (i.e. schema).

XBRL: XBRL is an XML-based schema that focuses specifically on the requirements of business reporting. XBRL builds upon XML, allowing accountants and regulatory bodies to identify items that are unique to the business reporting environment. The XBRL schema defines how to create XBRL documents and XBRL taxonomies, providing users with a set of business information tags that allows users to identify business information in a consistent way. XBRL is also extensible in that users are able to create their own XBRL taxonomies that define and describe tags unique to a given environment.

Benefits of XBRL: The unprecedented information sharing capabilities XBRL makes possible have profound ramifications for the credit information supply chain. Many, most or even all of the manual steps that increase costs—and risk—are reduced or eliminated and new capabilities are added that offer credit departments greater assessment and exposure-management capacities:

(1) Reduced Costs: By reducing reliance on manual, labour-intensive tasks, XBRL can lower the amount of time, money and resources dedicate to gathering and consolidating information before the credit assessment process can even begin. At the same time, money and resources can be redeployed to more value added activities—especially analysis. The days of preparing information for analysis by searching through hundreds of pages of financial information, rekeying data from hard copy or faxes, waiting for information consolidators to make information in financial reports useable are over. The days of discovering, downloading and analysing information in all manner of business reports literally in seconds have begun.

(2) Greater Accuracy: By minimising the physical information-consolidation process, XBRL can drive down transcription errors as data moves from one system to another. Despite all precautions, the efficacy of any analysis today, no matter how sophisticated, depends on whether individuals found all appropriate and necessary information in financial reports and correctly placed that information in the analytical program. Small, nearly untraceable manual errors are a constant threat to sound risk management. Once systems are XBRL enabled, all of the relevant information from a request will be delivered directly to an analytical program. This greatly reduces the risk of the risk assessment process itself.

(3) More Continuity: Once information is published in XBRL, it can be accessed over and over by authorised users for multiple purposes. Each time any piece of information is used, it comes directly from the original source. If changes occur at the source, as with a borrower or benchmarking source updating all or specific portions of their information, then "downstream" consumers, such as analyses and reports, can automatically be updated. Information is thus consistent across all analyses and reports, whether it is within a credit department, throughout an enterprise or across a supply chain.

(4) Tighter Compliance Monitoring: Creditors depend on client financial statements and other disclosures to assess whether borrowers are in violation of covenant ratios. Since XBRL lowers the cost of analysis, compliance assessments can be performed more frequently. Identifying problems at earlier stages means mitigating actions can be taken to limit losses. Additionally, XBRL facilitates communication of covenant compliance information between borrower and lender and other syndicated creditors, exponentially improving such processes from the way they are performed today.

(5) Higher Data Reliability: XBRL can leverage new validation and authentication technology, making it easier for a reporting company's management to trace the origin of information right to the publishing source within the company. As a result, management's assertions have a greater degree of certainty even at higher and higher information consolidation levels—right up to comprehensive public reports. So, the quality of information delivered through a borrower's XBRL enabled systems to credit departments and other third parties will be far higher than today. Moreover, new digital signature specifications, which XBRL can utilise, provide creditors with much greater certainty that the information they are receiving is, in fact, the same information that company management certified and auditors assured. While companies themselves may not be culpable for misinformation, there is no expedient way today for creditors to determine an information source's legitimacy.

(6) Enhanced Analysis: XBRL mitigates the limitations that today's manual processes place on the number of inputs that can be included in credit assessments. Easier access to specific information in XBRL enabled company reports and quicker extraction mean that more information can be included in each credit analysis without adding incremental costs. Consider: If a

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creditor now uses 70 data elements for credit risk evaluation, largely or entirely because that's all the information attainable cost effectively, then by expanding the scope and depth of available information at no incremental cost, XBRL can enable creditors to consume, say, 1,000 data elements for the credit decision more easily, more quickly and for the same price, producing better risk assessments.

Uses of XBRL:

XBRL can be applied to a very wide range of business and financial data. Among other things, it can handle:

- Company internal and external financial reporting.
- Business reporting to all types of regulators, including tax and financial authorities, central banks and governments.
- Filing of loan reports and applications; credit risk assessments.
- Exchange of information between government departments or between other institutions, such as central banks.
- Authoritative accounting literature - providing a standard way of describing accounting documents provided by authoritative bodies.
- A wide range of other financial and statistical data which needs to be stored, exchanged and analysed.
- Lower credit analysis costs dramatically.
- Increase the number of inputs from company financial reports used regularly for analysis without incurring incremental expense.
- Increase the access and frequency of information provided by borrowers at the enterprise and asset ledger levels.
- Decrease error rates by reducing or eliminating manual tasks.
- Reduce the time spent on data consolidation and increase the time spent on financial analysis.
- Incorporate data from statistical models, rating agencies, market sources and other third parties easily and quickly.
- Facilitate more timely, consistent and comprehensive credit analysis and covenant compliance monitoring.
- Improve accuracy and consistency of lenders' credit, regulatory and other reports, as appropriate.
- Enhance the speed and ease of reporting credit evaluation results to management and customers.
- Consolidate information for regulatory, management and all other reports in moments.
- Populate third-party data stores that the lending community can use to create and maintain valuable industry-wide benchmarks for enhanced statistical analysis.

Example: A simple example of XBRL is given below:

(1) `<Assets id="Assets" decimals="0" contextRef="Current_AsOf" unitRef="GBP">20000</Assets>`

In the example above, the meaning of line is Current Assets 20,000 GBP
Conclusion : XBRL is not only a software language for technology professionals. It is much more than that and it is for us accountants to exploit and reap its benefits. There was an era when e-mail was used by a few before it became a necessity for everyone. It was not required to persuade people to use e-mail instead of snail mail, they themselves made a choice. XBRL is similarly going to be natural choice for people over other forms of financial statements.
