XBRL
The new world of reporting
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Introduction

XBRL, now more than a decade old, was developed to increase the effectiveness and efficiency of the information use. XBRL is a language that leverages Internet technologies for the communication of business information coupled to the metadata (data about data) associated with the information.

Organizations increasingly share information with partners, stakeholders, and a number of regulators. Organizations also report different types of information, including monetary information, text, and statistical information. Frequently, information which is typically produced with complex computer systems is transformed into a paper format. Then, very often, the users of those printed reports re-key some of this information into their own databases.

For regulators, recent challenges have forced them to obtain detailed and timely information from the companies. But even if obtained, due to acute shortage of staff and the sheer magnitude regulators have found it difficult to measure the data in their possession. In the current environment XBRL seems to have evolved to help them out in this regard. Mandatory XBRL-formatted financial reporting has been introduced, as regulators have done, for example, in China, Italy, Japan, Singapore and the United States.

XBRL supports a wide variety of data that organizations use to build management reports, including financial reports, balanced scorecards, and sustainability reports. Also organizations can leverage XBRL for value by embedding XBRL within internal processes to enhance the effectiveness, efficiency and reliability of management reporting.

Standardization brings value to both information providers and consumers. XBRL can provide such standards for internal and external use.

XBRL, now more than a decade old, was developed to increase the effectiveness and efficiency of the information use. XBRL is a language that leverages Internet technologies for the communication of business information coupled to the metadata (data about data) associated with the information.
XBRL-concepts

The standard for the use of XBRL is freely available from the XBRL international consortium—it is not the property of any software vendor. It is not restricted to any one particular computer system or language. An increasing array of software packages and tools can generate and understand it. XBRL is not a software. XBRL International, a not-for-profit organisation, which is now made up of over 650 members, includes global companies, accounting, technology, government and financial services bodies and sets standards for reporting in XBRL.

At the heart of every XBRL implementation are one or more taxonomies providing a means to report business facts with their related definitions. Defining the meaning of terms and identifying the standards upon which they are based in a taxonomy means that every party in information chain has a common understanding of the meaning of terms.

XBRL does not define particular taxonomies. Rather, this responsibility lies with those who manage the information supply chains—banks, regulators, financial institutions, stock exchanges or a single organization that wishes to improve its own internal information supply chain. The inherent flexibility of XBRL allows for its application in most domains that can benefit from definition and description of both organized and unorganized business information. Given the flexibility with XBRL and the importance of taxonomies, the design of base taxonomies is a particularly key consideration in the design of XBRL-related solutions.

At the same time, XBRL allows for extensions to the standard taxonomy. In many internal and external reporting setups, not all the necessary reporting concepts for a specific reporting need are predefined in the standard taxonomy. The information provider would not need to change the standard taxonomy. Instead, it publishes an extension taxonomy that fits together with the standard taxonomy like pieces in a jigsaw puzzle. When the information provider publishes its XBRL report, it uses tags not just from the standard taxonomy for that information supply chain but also from the extension taxonomy. The fact that the extended taxonomy is distributed together with the XBRL report ensures that the extension is just as automatically understandable and “consumable” as the base taxonomy, because they both comply with XBRL standard.

XBRL allows information providers to transfer to consumers a wide variety of types of data, including blocks or fragments of text, numeric facts embedded in blocks of text, reports on flows of transactions, performance reports, and data tables and data cubes.

Tagging
Interactive data ‘tags’ all of the key facts in these large documents so that software can instantaneously recognise them and serve them up to the user. This tagging allows users to immediately pull out exactly the information they want, and instantly compare it to the results of, say, other companies, performance in past years, industry averages, etc. In short, the user can ‘slice and dice’ the data as per his requirements.

Taxonomy and instance document
An XBRL document comprises the taxonomy and the instance document. Taxonomy contains description and classification of business and financial terms, while the instance document is made up of the actual facts and figures. Taxonomy and Instance document together make up the XBRL documents.

Taxonomy can be referred as an electronic dictionary of the reporting concepts. Taxonomy consists of all the data definitions, the basic XBRL properties and the interrelationships amongst the concepts. It includes terms such as net income, EPS, cash, etc. Each term has specific attributes that help define it, including label and definition and potentially references.

In simple terms, a taxonomy is simply the collection of pre-defined tags which are available for companies to
“affix” to their financial data. The process of tagging will also not be cumbersome for companies as there is software available that will assist with the tagging process. An XBRL instance document is a business report in an electronic format created according to the rules of XBRL. It contains facts that are defined by the elements in the taxonomy it refers to, together with their values and an explanation of the context in which they are placed.

**XBRL GL**

XBRL GL is used to bind its own internal systems together as they lead up to the generation of the XBRL data for the organization’s own internal reporting and external compliance reporting. XBRL GL enables the transfer of data from a chart of accounts, subjournals (e.g., Accounts payable, fixed assets, payroll, Accounts receivable, etc.), journal entries or other historical transactions data across internal systems. It allows for the introduction of advanced internal controls on top of XBRL GL data sets. XBRL GL also can be used as a link between transactional data and financial reporting concepts included in other taxonomies. XBRL GL is not just a file format for moving information between disparate systems, but is also a standardized way to refer to the data in disparate enterprise resource planning (ERP) database. It can provide a single way to reference all of an organization’s key metrics and data with a single vocabulary.

A key role of XBRL GL is reconciliation of related data and reports. Organizations often have to provide various reports and then reconciliations between them. For example, as accounting standards converge, reconciliation may be necessary between local GAAPs and IFRSs. It may be necessary to reconcile GAAP and tax reports, tracking both permanent and timing differences. Similarly, XBRL GL can be used as a foundation for improving the speed, reliability, and effectiveness of the final stages of the financial reporting process.

**Strategies for addressing XBRL within the organisation**

Many of the pieces necessary to roll out XBRL implementations have been put in place over the last few years since its development. These include XBRL software solutions, integration of XBRL into accounting and database software, specialist XBRL services, and experience with the building of taxonomies. As a result, the breadth and depth of XBRL implementations around the world has grown significantly. XBRL is used not only in financial reporting but has been used by bank regulators to determine the level of capital adequacy and solvency of financial institutions. Early evidence from XBRL projects demonstrate the potential impact of the standard: significant reduction in the reporting burden on organizations, increased data quality, elimination of duplicated data, increased speed of processing, creation of streamlined reporting processes, and reductions in the cost of reporting.

The major issue for organizations is deciding how to integrate XBRL within their own environment. The use of XBRL may result from a strategic decision to adopt it within the organization, or it may also result from a requirement of an information intermediary or regulator. Organizations may also decide to leverage the mandated use of XBRL and either simultaneously embed XBRL within their internal processes or do so in a phased manner. There are multiple factors to consider in this decision-making process:

- What is the reporting domain? How central is the reporting domain to the key processes of the organization?

Early evidence from XBRL projects demonstrate the potential impact of the standard: significant reduction in the reporting burden on organizations, increased data quality, elimination of duplicated data, increased speed of processing, creation of streamlined reporting processes, and reductions in the cost of reporting.
• When the XBRL implementation involves a regulator or otherwise, is an “open” or “closed” approach followed?
• Does the regulator or intermediary prohibit or strictly limit the range of extensions which can be made to the base taxonomy?
• Where can XBRL fit within the organization’s own information supply chain?
• What resources or knowledge about the use of XBRL exist within the organization or are readily available from external sources?

Organizations can adopt several methods for XBRL implementation, including:

**Method 1: Conversion:** At the most basic level of adoption, organizations may see XBRL purely as a compliance exercise and a cost burden. An organization takes information from various sources within the organization and then copies or keys this information into an XBRL tool. There is no process change in this approach, merely a conversion of the results of the existing processes to a different format—including the existing inefficiencies.

**Method 2: Outsourced:** A second alternative is to use a third-party company to generate the XBRL by interfacing with the financials or financial reporting tool. The organization may use the power of XBRL to layer internal metrics and definitions within an extension to the taxonomy required by the external parties. The process must be robust and repeatable. The mapping of internal metrics to the taxonomy is critical and should involve both management and the outsourced provider. As a result, the risk of communicating invalid or incorrect information is minimized.

**Method 3: Integrated:** There are two more robust and reliable options to ensure that the information coming in to the BI warehouse aligns with the internal taxonomy. XBRL GL may be used as the transport medium to move performance and compliance information from the subsidiary to the head office. An alternative option, which may apply in some cases, is to reengineer the internal processes and accounting information systems within the organization. This will provide the greatest benefit in the longer run, but such a radical/ immediate solution may not always possible.

**Internal Control and Audit trail**
Regardless of which implementation strategy an organization selects, controls across three major areas are necessary to manage risk:

• Selecting, maintaining, and testing taxonomies and extension taxonomies
• Accurately mapping and tagging data elements to XBRL reports
• Enforcing change management procedures for XBRL processes

**Selecting an appropriate taxonomy** is one of the most important tasks in an XBRL implementation because the taxonomy is the basis for tagging data in an XBRL document. Organizations must take the time to review and understand the taxonomies. Taxonomies are updated from time to time and controls should be put in place to ensure usage of the most appropriate version.

**Accurately mapping and tagging data elements to XBRL reports** creates the normal mapping control issues. Controls should require appropriate business managers to review and approve the completeness and accuracy of tagged data elements and watch for consistency of tagged data elements within the selected taxonomy. Generating XBRL documents is a multistep process and changes throughout the process must be appropriately managed.

**Change management procedures** are critical because of the iterative nature of producing financial reports. Adding a tagging step adds complexity, particularly if an organization uses an outsourced provider, because it requires several iterations of file transfer and tagging operations.

In addition:
• Regulators (or receivers) of XBRL information may experience significant changes to existing processes and procedures of relevant monitoring, supervision, and analysis functions.
• The impact on filers (or preparers) of reports according to XBRL depends on:
  – Requirements imposed by regulators (for external reporting)
  – The approach taken for XBRL and the solutions that are applied (in both internal and external reporting cases)
The tools which we are using for the data conversion into XBRL document should have at the minimum the following salient features.

1. Simple process of creating source data using EXCEL template and uploading into or keying into the XBRL software conversion tools in an efficient method.
2. All the Mandatory Items in the Taxonomy should be included the Generic Source Tool Data Template, which is necessary for Taxonomy Validation purposes.
3. The Tool should include the Business Rules Validation Tool (Mandatory Business Rules) which are not part of generic taxonomy validation tools. Tool should include other optional business rules as well.
4. The calculation and presentation should be validated before the instance is created, which gives second layer of validation for instance created.
5. The XBRL document should be viewed in ONE viewer and should have the option of printing (aligned printing).
6. The Tool has the complete cycle included from creation, mapping, create instances, validate instances (both taxonomy and business rules), create xbrl document for filing.

**XBRL In India- Applicability**

In India, the Ministry of Corporate Affairs (MCA) has issued a circular mandating certain class of companies to file balance sheets and profit and loss account for the year 2010-11 onwards by using XBRL taxonomy. As per the circular, the following class of companies need to file the Financial Statements in XBRL Form only from the year 2010-2011:

(i) All companies listed in India and their subsidiaries;
(ii) All companies having a paid up capital of Rs 5 crore (Rs 50 million) and above or a Turnover of Rs 100 crore (Rs1 billion) or above, excluding power and banking companies, insurance companies, Non-Banking Financial Companies and overseas subsidiaries of these companies.

The circular also contains by way of an annexure, a host of valuable information about XBRL in the form of Frequently Asked Questions (FAQs) about XBRL. As per the said circular, taxonomies for Indian companies are developed based on the requirements of Schedule VI of Companies Act, Accounting Standards, SEBI Listing requirements, etc. Taxonomies for manufacturing and service sector (referred as Commercial and Industrial, or C&I) and banking sector, is acknowledged by XBRL International. These taxonomies are available at http://www.xbrl.org/in/
Benefits of XBRL
The use of XBRL offers major benefits to preparers and consumers of business and financial information by enabling this data to be exchanged and processed automatically by software. It offers substantial gains in efficiency, speed, cost saving and the breadth and quality of analysis.

The major benefits of XBRL include, but are not limited to the following:

(a) Automated Data Processing:
XBRL identification tags reduce and eliminate the need for employees to manually key data into software Applications for further data analysis

(b) Regulatory Reporting:
XBRL can provide investors and other government agencies with increased data integrity and uniformity. It can also allow for increased transparency of public owned companies’ financial records for view by ‘interested’ parties.

(c) Cost and time savings
Currently all companies file their reports with regulators using formats like the Portable Document Format (PDF) which has its inherent limitations, which include, text fields that do not identify errors and also the format does not facilitate compiling and auditing of data. Also, the costs are higher to send, receive, store, validate and audit the financial records in this format. XBRL is expected to reduce the time and hence cost.

(d) Data Review
Businesses can use software to automatically validate data electronically received through XBRL. The software can help analyse the data and identify problems that auditors and accountants can examine than they previously did.

Professional opportunities
To assist corporate and others in complying with the aforesaid reporting requirements, the companies would require professional help in the following areas:

• Preparation of XBRL documents,
• Involvement in training, implementation and testing phases of implementation,
• Ensuring compliance with regulatory requirements with the taxonomy used,
• Ensuring accuracy of data tagging, reviewing taxonomy extensions
• Road map for XBRL validation use in the years ahead
• Involved in the use of XBRL for other purposes
Conclusion

XBRL is just not for regulatory purposes but has its use as well in other fields of business.

Planning such use is critical and organizations should think ahead and use XBRL in such a manner that business information from information providers to information consumers is available in a consistent and reliable manner. At the same time, XBRL is not a solution to all information transfer problems. XBRL is designed explicitly to support business reporting and, as a result, has inherent limitations. Some of the enhanced functionality associated with XBRL is also relatively recent and its use should be matured and executed with a planned approach.
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