

## XBRL – a global financial reporting standard

**I**t is a business function specification standard that allows members of the financial community and their technology, business and compliance professionals to create a structured, electronic (digital) version of business information based on the use and flexibility of the eXtensible Mark-up Language (XML) and provides a standards-based method to prepare, publish in a variety of formats, reliably extract and automatically exchange financial statements of publicly held companies and

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enhance business reporting across the globe. It is based on an extensible mark up language and takes advantage of its ability to create self-describing data. XBRL allows

ogy, a standard for the electronic exchange of data between businesses and on the Internet, which has been in the industry for many years. XML provides a means to communicate information and data in a form that both IT platforms and users will be able to understand and use for their own purposes. XML is a common transport language that allows disparate organisations and systems to communicate more quickly, easily and accurately. Under XML, identifying tags are applied to items of data so that they can be processed efficiently by computer software. They provide a range of information about the item, such as whether it is a monetary item, percentage or fraction.

XBRL is a cutting-edge technology open standard being developed by XBRL International, an international non-profit making consortium of approximately 300 leading organisations from segments of the financial information supply chain including the world's major accounting professional bodies, accounting firms, software developers, banks, stock exchanges, intermediaries, technology companies, financial services bodies, government regulators and tax agencies devoted to generate a truly global accounting and

XBRL - These four letters could well be the greatest innovation in accounting and look set to lead a global revolution in the transfer of financial information. The use of Internet technology has allowed businesses to communicate much more efficiently and effectively both within the company (intranet) and externally (Internet). XBRL (eXtensible Business Reporting Language) is a freely available intelligent electronic language for the electronic communication of business and financial data, which is set to revolutionise business and financial reporting around the world.



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the information they contain. XBRL is a standard designed to eliminate the constraints of incompatible formats and vocabularies and to use recent trends in technology to

labels in any language to be applied to items, as well as accounting references or other subsidiary information.

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reporting language. This initiative began in April 1998 by Charles Hoffman, an United States Certified Public Accountant and this collaborative effort has produced a variety of specifications and taxonomies to support the goal of providing a standard, XML-based language for digitising business reports in accordance with the rules of accounting in each country or with other reporting regimes such as banking regulation or performance benchmarking.

#### Enter XBRL

XBRL is more than a collection of globally agreed-upon tags to identify the meaning, context and structure of data for elements of business reporting, though. These are tags which enable automated processing of data by software that multiple IT applications can process-allowing rapid processing, analysis and communication of business information. XBRL tags each data cell and each line of content in a financial statement to provide computer-understandable context and, therefore, fast query and analysis. XBRL tags specific information with a precise contextual description, which improves

both the validity of reported data as per Generally Accepted Accounting Principles (GAAP) and investor access to that information.

XBRL is an open meta-data standard that provides a format for tagging financial information and allows users to extract, exchange, analyse and display financial information. XBRL also contains the technology required to allow correct disclosure, validation and references back to standards and policies that motivate the disclosures developed to ease electronic communication and analysis. XBRL promises to help make public companies more consistent in the way their financial data is transmitted, reported and presented to investors.

XBRL allows better analysis of business reports. Investors, analysts and regulators will be assisted by computers that can read business reports directly, without the time, cost and associated risks of people having to interpret and re-key text-based reports. Producing an XBRL report should simply be a matter of choosing what output format you want. The truth cannot be hidden in 100-plus page glossy reports, because computers ignore the gloss, do not get tired and do not forget the minute pieces of information they glean throughout the entire report, no matter how long. However, XBRL cannot control the human factor of what is being (or not being) reported. XBRL benefits comparability by helping to identify data, which is genuinely alike



and distinguishing information, which is not comparable.

XBRL is a format for exchanging information between applications. Therefore

each application will store data in whatever form is most effective for its own requirements and import and export information in XBRL format so that it can be readily imported or exported in turn by other applications. XBRL makes available financial information in 'easy to use' format and show relationships such as associating the cash position and cash flow of a company in related financial statements like associating numbers with variables and matching names with pictures. In some applications, for example, the XBRL formatted information being used may be mostly tabular numeric information, hence easily manipu-

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lated in a relational database. The same report prepared in XBRL format will be used for printing, filing and posting on a website. In other applications, the XBRL information may consist of narrative document-like structures with a lot of text, so that a native XML database may be more appropriate. There is no mandatory relationship between XBRL

and any particular database or other processing or storage architecture. XBRL will enable more than good governance, as standards-based analysis will let corporate strategists

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quickly review internal results and perform apples-to-apples comparisons with competitors. This enables clients to link business and technology more closely and provides significant cost savings and faster time to market with critical business information. It allows the global business information supply chain to rapidly create, exchange and analyse financial and business reporting information across systems and platforms. Recent examples include tax and regulatory filings, shareholder and analyst communication and risk management and compliance.

XBRL can show how items are related to one another. It can thus represent how they are calculated. It can also identify whether they fall into particular groupings for organisational or presentational purposes. Most importantly, XBRL is easily extensible, so companies and other organisations can adapt it to meet a variety of special requirements.

The rich and powerful structure of XBRL allows very efficient handling of business

data by computer software. It supports all the standard tasks involved in compiling, storing and using business data. Such information can be converted into XBRL by suitable map-

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.



ping processes or generated in XBRL by software. It can then be searched, selected, exchanged or analysed by computer, or published for ordinary viewing.

This is computer readable. For example, Company Net Profit has its own unique tag.

The introduction of XBRL tags enables automated pro-

cessing 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 a 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 now exists in two forms — for financial reporting and for General Ledger (GL). XBRL for GL standardises the descriptions of what makes up GL transactions (for example, account number, account name, value, journal number, creation date, effective date and so on). Therefore, any GL system can import and export transaction data to any other that supports XBRL — a boon to those whose clients or subsidiaries use disparate accounting packages.

XBRL for financial reporting standardises the descriptions of the concepts disclosed in a business report for example, cash, inventory, accounts payable, tax expense, earnings per share, auditor name, and so on. This means that any system supporting XBRL can understand what an item is, how it relates to other items in the report, how much it is and in what currency, the entity reporting it, and the period or 'instant-in-time' that it relates to. It can also recognise the accounting standard or internal company policy that motivated the disclosure and/or measurement.

With broader adoption, XBRL's proponents say, truly transparent financial information will be made available in annual reports, quarterly statements and other documents... XBRL involves tagging different elements of a financial statement so they can be more readily retrieved from a public company's financial documents. These components can then be pulled into various applications and formats, without having to generate a whole new set of accounting terms.

XBRL, at least at first, will be used to digitally publish financial statements of companies that are issued to external users. An XBRL-based financial statement is a digitally enhanced version of paper-based financial statements, which include the balance sheet, income statement, statement of equity, statement of cash flows, and the notes to the financial statements as well as the accountant's report. "XBRL for Financial Statements" enables a dramatic improvement in the processing of financial reports. XBRL documents can be prepared efficiently, exchanged reliably, published more easily, analysed quickly, retrieved by investors simply, and enables smarter investments.

The impact of the full adoption of XBRL on the business-reporting world will be felt most keenly in two areas:

Real-time reporting: With companies XML-tagging all their financial and business reporting data, businesses will be able to provide that data to the marketplace (and indeed internally) on a real-time basis.

Processing of business reporting information: With reporting information provided in this digitised, 'multi-purpose' form, users will be

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able to access this information and use it instantly for their own purposes.

### Benefits

XBRL is set to become the standard way of recording, storing and transmitting business financial information to benefit accountants, auditors, chief executive officers, chief financial officers, financial analysts, information providers, investors and regulators for whom it will be a vehicle for transparency. XBRL is capable of use throughout the world, whatever the language of the country concerned, for a wide variety of business purposes. XBRL will deliver major cost savings and gains in efficiency, improving processes in companies, governments and other organisations.

XBRL solves two significant problems through efficient preparation of financial statements in many forms and reliable extraction of specific detailed information from the different forms of financial statements. It supports

all members of the financial information supply chain by utilising a standards-based method with which users can prepare, publish in a variety of formats, exchange and analyse financial statements and the information they contain.

The first problem is that preparing a financial statement for printing, for a website, and for filing today means that a company could typically enter information three times. With XBRL, information will be entered once and the same information will be 'rendered' as a printed financial statement, an HTML (Hyper Text Mark-up Language) document for a website, an Elec-

tronic Data Gathering, Analysis and Retrieval (EDGAR) filing file, a raw XML file, or a specialised reporting format such as periodic banking and other regulatory reports. Once data is gathered in XBRL, different types of reports using varying sub-sets that can be produced with minimal effort.

financial statement is prepared using XBRL, computer programs can easily extract every piece of information in that statement. Companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investors, analysts, financial institutions and regulators, can receive, find, compare and analyse data much more rapidly and efficiently if it is in XBRL format.

XBRL offers major benefits at all stages of business reporting and analysis. The benefits are seen in automation, cost

information available to support decision support, planning and control functions.

XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software, which can validate and manipulate XBRL information. As just one example, searches for particular information, which might in the past have taken hours, can be completed with XBRL in a fraction of a second. It lowers their cost of preparing and distribut-

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The second problem is that today, extracting specified detailed information from a financial statement, even an electronic financial statement like an EDGAR filing, is a manual process. If a fi-



saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision-making.

XBRL allows the platform for independent definition, exchange, and dissemination of business reporting information and can be used to express a wide range of reports and disclosures including financial statements, internal management information, regulatory returns, statistical reports, and credit filings.

XBRL will reduce costs, increase efficiency and significantly improve the quality of

ing financial statements and enhances communications to their various stakeholders.

Those who stand to benefit include all who collect business data, including governments, regulators, economic agencies, stock exchanges, financial information companies and the like, and those who produce or use it, including accountants, auditors, company managers, financial analysts, investors and creditors. Among those who can take advantage of XBRL include accountancy software vendors, the financial services industry, investor relations companies and the infor-

mation technology industry.

The use of XBRL does not imply an enforced standardisation of financial reporting. On the contrary, the language is a flexible one, which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organisation level.

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 also the data can be checked by software for accuracy.

### **XBRL and Accounting Standards**

XBRL is not about establishing new accounting standards but enhancing the usability of the ones that we have through the digital language of business. XBRL

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will not require additional disclosure from companies to outside audiences. 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.

The International Accounting Standards Board (IASB), a founding member of XBRL International is developing a taxonomy, which reflects International Financial Reporting Standards (IFRS). National XBRL jurisdictions will extend this taxonomy to reflect their particular local implementation of IFRS. Taxonomies will thus be available to enable

those reporting under IFRS in different countries to use XBRL, enhancing efficiency and comparability as adoption of IFRS expands around the world. XBRL is simply a language for transmitting information. It must accurately reflect data reported under different standards – it does not change them.

### **XBRL and Securities and Exchange Commission**

XBRL is fast moving from the vision phase to a practiced global standard, and it's no longer a question of if but when it will be mandated by agencies including the Securities and Exchange Commission (SEC).

SEC Chairman William H. Donaldson urged all companies reporting to the agency to adopt the XML-based format at the 11th XBRL International Conference, held May in Boston. "Tagged data will improve the quality of information and the speed of its availability to investors and the marketplace," said Donaldson.

The goal of using XML-tagged financial reporting data is to provide "greater context for data through standard definitions, enabling investors and other marketplace participants to analyse data from different sources and to support automatic exchange of financial information across various software platforms, including web services."

"It's actually not only a dictionary, but it takes your accounting ledger and provides not only the link bases of where you got the data from, but how you derived that data; from a standards

perspective on financials, it's the most advanced standard right now," said Richard Heroux, program manager of the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

The Sarbanes-Oxley Act (SOX) of 2002, which mandates a clearer set of rules by which companies make financial disclosures compliance from January 1, 2005, has also added support to the XBRL initiative. The accounting software vendors have made XBRL-enabled software in view of SOX.

#### XBRL gets global support

XBRL debuted on March 5, 2002, when Microsoft became the first corporation to publish its financial statements on the Internet using the XBRL framework. The Morgan Stanley Dean Witter has become the first company to file an XBRL coded document with the SEC in 2002. The United States Federal Deposit Insurance Corporation (FDIC) mandated XBRL based Call Report System in 2004. The United Kingdom's Inland Revenue and the Australian Prudential Regulatory Authority are the early adopters of XBRL. The Tokyo Stock Exchange accepts filings by companies in XBRL format. The Financial Accounting Standards Board also supporting the SEC's program to assess the potential benefits of XBRL. KPMG International, the Big Four accounting firm recommends that its clients

adopt the XBRL format, saying it benefits not just regulators but the reporting companies as well. The others of Big Four - Ernst & Young LLP, Pricewaterhouse Coopers

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LLP and Deloitte & Touche LLP also submitted comments to the SEC in support of XBRL. The European Commission has awarded a one million Euro grant to increase awareness and for adoption of XBRL throughout Europe. The United States Federal Financial Institution Examination Council (FFIEC) is launching a project of Call Report Database that will enable federal banking regulators and the public to access a common pool of information about the banks under their supervision. Good progress is already being made in established jurisdictions of XBRL International in Australia, Canada, Germany, Ireland, Japan, The Netherlands, New Zealand, Spain, UK and USA. There are five provisional jurisdictions also in Belgium, Denmark, France, Korea and Sweden.

#### XBRL in India

In May 2005, Satyam Computer Services Limited has become India's first 'direct participant' member at the XBRL International consortium. As a 'direct participant' Member of the consortium, Satyam will work together with other consortium members to promote the adoption of XBRL. By being the first member from India, Satyam will lead in forming an India jurisdiction and thereby derive a competitive advantage. As a member of the XBRL, Satyam will study the various aspects of overcoming barrier to change in the business reporting sector, ensure accurate market expectations about future growth and add value to XBRL in the practical arena of business. Satyam will also define the strategic role of XBRL, in the industry, and move beyond theory towards practice. In addition to this, Satyam will approach accounting bodies and academic institutes to evaluate adoption of this standard and to contribute towards developing it.

#### Conclusion

XBRL has proven its capabilities by the success of streamlining the integration of business reports and automate the corresponding financial and business analysis. Over the next few years as the taxonomies around XBRL expand, we expect a new range of developments in financial reporting are to be expected. India just joined the XBRL consortium and a long road ahead. □

