Third Year of Indian XBRLisation

Considering the fact that there is no change in the XBRL taxonomy and the MCA Validation tool for the Financial Year 2012-13, the XBRL filings has been started well in time for the third year of MCA's mandate, in view of the General Circular No. 1/2013 dated 15th January 2013. Last year, besides the filing of annual financial statements, the Ministry of Corporate Affairs has also mandated the filings of Cost Audit Report and Cost Compliance Report in XBRL format. The scope of the mandate has not been increased for this year and it is same as that of the previous year.

With the successful completion of the two years of Ministry's mandate, eXtensible Business Reporting Language (XBRL) is, now, not a new concept. We all are aware that instead of treating financial information as a block of text, XBRL provides a machine-readable tag to identify each unique individual item of data in the financial statements. By XBRLising the financial information, the data becomes "intelligent" and is capable of generating various types of analytical reports for the regulators, analysts, investors and other agencies which are involved in the analyses of financial statements. For assigning an appropriate "tag" to the data, taxonomy (dictionary of all financial and non-financial reporting requirements) is required.

CA. Vivek Baid and CA. Sonia Taneja

(The authors are members of the Institute. They can be reached at cavivekbaid@gmail.com)

Background of XBRL Implementation in India

Filing of the annual financial statements in XBRL format started from the financial year 2010-11 onwards using C&I taxonomy vide MCA's General Circular No. 09/2011 dated 31st March 2011 for the following class of companies:

i) All companies listed in India and their Indian subsidiaries;

All companies having a paid up capital of ₹5 crore and above;

All companies having a turnover of ₹100 crore and above.

Banking companies, power companies, insurance companies and Non-Banking Financial Companies (NBFCs) were kept outside the purview of XBRL filings owing to their sector specific requirements.

Later on 6th July 2012, MCA vide its General Circular No. 16/2012 has come out with the applicability of XBRL mandate for the accounting year beginning on or after 1st April 2011. The scope of the mandate, though, has not been increased but companies who were required to file in the year 2010-11 were also mandated to file their annual financial statements in the year 2011-12.

As per the data reported by the Ministry of Corporate Affairs, around 29,039 and 25,786 companies have filed their annual financial statements using XBRL format.

Ministry's Views on XBRL Filings

"The Ministry has decided to analyse the data uploaded on MCA 21 portal by companies about unpaid and unclaimed amounts of money lying with such companies," Corporate Affairs Minister Shri Sachin Pilot had said in a written reply to the Lok Sabha.[Source: Economic Times dtd. 26th April 2013].

The Ministry of Corporate Affairs is scrutinising the financial information filed with them. The XBRL Regulatory Tool was employed for conducting technical scrutiny on XBRL filings made by companies. Three or more alerts were generated for 738 companies, which have been referred to RD/ROC for examination. [Source: MCA Monthly Newsletter May 2012].

The Ministry has also brought a General Circular 33/2012 dated 16th October 2012 in which the

Ministry has mentioned several instances of incorrect and misleading XBRL filings. It had been further mentioned that such XBRL filings are inaccurate and do not adequately represent true and fair view of the state of affairs of the company as per Section 211 of the Companies Act, 1956. Such XBRL filings apart from being misleading, also dilute the effectiveness of XBRL for stakeholders' usage relating to the companies. Such lapses defeat the very purpose of introducing XBRL filings which are meant to elicit more detailed and refined information as to the affairs of companies. Please note that XBRL filings are being minutely scrutinised to see if similar mistakes also appear in a larger sample.

It may clearly be concluded that the Ministry is concerned with the usage of data filed with them and accordingly, impressing upon the quality of XBRL filings.

How Can Quality be Improved?

1. *Study of taxonomy and business rules is a must*

   One of the myths which have recently been heard is that XBRL is just a software enabled technique and nothing technical. Here, it must be clarified that, yes, XBRL software is required for XBRL conversion and filing but it is the knowledge of taxonomy and business rules which is a prerequisite for starting with XBRL conversion.

   Just like in TDS return filing, software is required for preparation and filing of TDS returns but without knowing the provisions of TDS, it is not possible to file the return accurately.

   Thus, professionals should refer to the taxonomy, business rules, filing manual and FAQs for XBRL conversions, as issued by the Ministry of Corporate Affairs (MCA), before starting the XBRL conversion for being properly conversant with the process of XBRL. Certain basics about the C&I taxonomy and business rules are being explained below which will definitely be of great help for the professionals engaged in XBRL conversions and filings. Let's have a look.

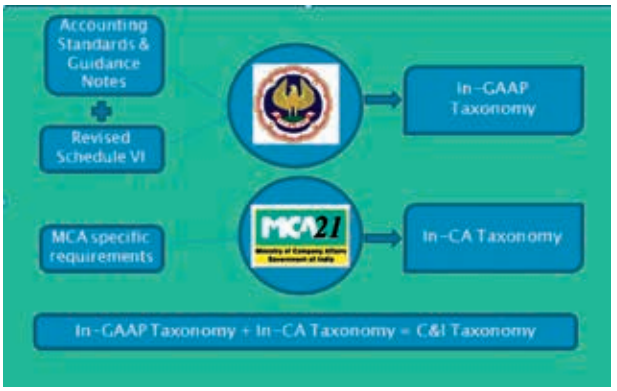
C&I Taxonomy

C&I Taxonomy stands for the Commercial & Industrial Taxonomy. This taxonomy, being general purpose taxonomy, is based on the format of the financial statements and the Accounting Standards. It also includes MCA specific regulatory elements and a few common reporting elements to the extent that they are not contrary to the accounting framework. Common reporting elements are also included in the taxonomy to make it more comprehensive, considering the fact that the taxonomy is not extendible for MCA filings i.e., filer cannot create an element in the taxonomy as per their specific requirements.

With the introduction of the new presentation format of Financial Statements under the Companies Act, 1956 *viz.* Revised Schedule VI, the C&I taxonomy which was based on the erstwhile Schedule VI has undergone a major change and the revised C&I taxonomy 2012 was developed to keep it aligned with the new presentation format. In view of the taxonomy being prepared afresh, architecture of the taxonomy was also considered for a change to the latest IFRS Taxonomy Architecture 2011 as against earlier architecture *viz.* IFRS Taxonomy Architecture 2006.

The C&I taxonomy comprises following two types of elements.

- The "in-GAAP" elements—These refer to the requirements of the Revised Schedule VI to the Companies Act, 1956, Accounting Standards and the Guidance Notes;
- The "in-CA" elements-These refer to the regulatory requirements of the Ministry of Corporate Affairs (MCA).



For viewing the C&I taxonomy in a tree structure and finding any appropriate element in the taxonomy using a sophisticated search engine, a professional may also visit the link "http://bigfoot.corefiling.com/yeti/resources/yeti-gwt/Yeti.jsp" and select the Indian GAAP (MCA) Taxonomy 2012.

Business Rules

Business Rules are built as validation checks in the

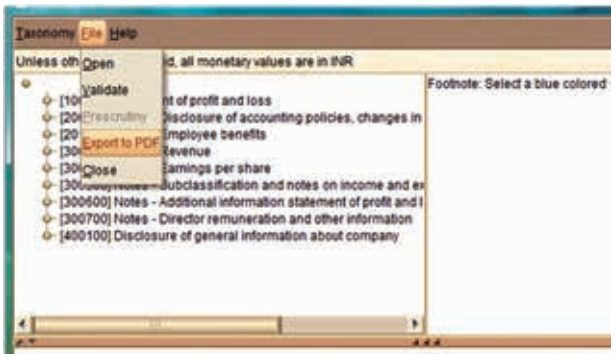
"Validation Tool" released by the MCA. The Business Rules are mainly categorised as follows:

1. Specific Rules: All the elements are listed in the sheet and any rule if applicable on any element is mentioned against the element. For instance, "Reserves and Surplus" appearing on the face of a Balance Sheet is a mandatory element. Thus a filer has to enter a value against this element.
   The following broad rules are made in this category:
   a) This is a mandatory field—It means the value against the element has to be tagged. In case the company does not have such elements in its Financial Statements, it needs to fill "0" (in case of monetary element) or N.A. (in case of text element) against those elements.
   b) Should be greater than or equal to zero—It does not mean that the element is mandatory to be entered. It means that in case the value is entered, it cannot be a negative value.
   c) The detailed table is mandatory in case "Yes" is selected for any corresponding element—It means that in case any element for eg. "Whether CARO is applicable" is tagged as "Yes", the CARO Report has to be tagged in detail in the tabular format. Similar is the case with "Related Party Transactions", etc.
2. Generic Rules: These are the general business rules to be complied with while creating the instance documents (XBRL financial statements). These are not element specific. Eg., there is one generic rule which states that "It should be mandatory to enter at least one child element if parent element is entered and *vice-a-versa*". It implies that this rule has to be followed throughout the complete tagging process.
3. Applicable ELR (Extended Link Role): This sheet explains the applicability of all ELRs to the applicable instance documents *viz.* ELR [200100] Notes - Share capital is applicable to the instance document of "Balance Sheet" only and ELR [100200] Statement of profit and loss is applicable to the instance document of "Profit and Loss" only. In case of certain ELRs, applicable instance document is not mentioned. Thus, such ELRs may be tagged in both the instance documents *viz*. Balance Sheet and Profit & Loss.
4. Mandatory line items: This sheet enlists the line items which are mandatory only in case the applicable dimension table is used. Eg., in case filer uses "Details Of Noncurrent Investments Table", the following line items under this table would become mandatory for the members:
   a. Type of Noncurrent Investments
   b. Class of Noncurrent Investments
   c. Noncurrent Investments
   d. Name of Body Corporate In Whom Investment Has Been Made
5. Exempt Parent and Child members-Dimensions: There is a generic business rule which states that "parent member of an axis shall be mandatory to enter in case value has been entered in any of its child members and *vice versa*". This sheet enlists the exemption from the stated generic business rule. And on similar footings, there is one sheet "Parent child exempt-calculation" for the line items/elements which are not covered under dimensions.

All the Business Rules must be complied with while creating the valid instance documents in order to file with the MCA. Only valid instance documents would get validated through the Validation Tool of the MCA. After the successful validation, filer needs to pre-scrutinise the instance documents through the same validation tool wherein the data is validated online from the information available on the MCA portal *viz*. CIN, Membership number of auditor, director details, etc.

2. *Careful scrutiny of the XBRL documents*
   After the conversion of financial statements into XBRL documents, these need to be reviewed thoroughly to ensure the completeness and accuracy of the XBRL documents vis-à-vis audited financial statements.

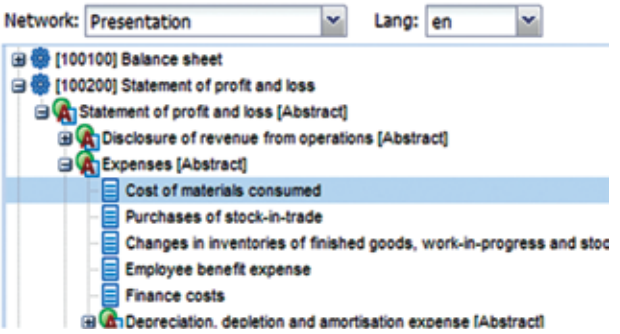
Filers may convert the XBRL documents into PDF files using the MCA Validation Tool.



Some instances requiring attention

1. Generally, the business rules mandate the filling of detailed breakup of all elements. However, in some instances, it has not been mandated like in case of the element "Cost of Materials Consumed".

As per the business rules, the element "Cost of Materials Consumed" is a mandatory element on the face of Statement of Profit & Loss.



Though the taxonomy contains the elements showing the detailed break-up of the cost of materials consumed, the MCA Validation Tool does not check whether the detailed breakup is given in the XBRL documents. The detailed breakup is given under the ELR [300600] Notes - Additional information statement of profit and loss which is as under:

Now, in such a case, filer should have the thorough understanding of the taxonomy and should be able to locate the elements and accordingly, give the detailed break-up as the same is required by the Revised Schedule VI to the Companies Act, 1956. Similar is the case with the element "Purchases of Stock In Trade".

2. Footnotes should be used in such a comprehensive manner that there may not be any difference between XBRL documents and financial statements. For example, whenever any information is aggregated for tagging purposes, the detailed breakup should be given in the footnotes. For instance, where certain elements are being clubbed and tagged into "others", footnote must show the detailed break-up of the amount appearing in the element "others".

Certification of XBRL Financial Statements

The XBRL Financial Statements were required to be certified by a practicing professional viz. CA/CS/CMA vide General Circular No: 57/2011 issued by the MCA on 28th July 2011. A practicing professional needs to ensure the correctness, completeness and accuracy of the XBRL Financials *vis-à-vis* the financial statements which had been adopted at the Annual General Meeting of the company.

The certification language has been reproduced below:

"It is hereby certified that I have verified the above particulars (including attachment(s)) from the audited financial statements of the Company and that all required attachment(s) have been completely attached to this form. It is further certified that the attached XBRL document(s) fairly present, in all material respects, the audited financial statements of the company, in accordance with the XBRL taxonomy as notified under Companies (Filing of documents and forms in extensible Business Reporting Language) Rules, 2011.

It is confirmed that the attached XBRL document(s) are the XBRL converted copy(s) of the duly signed Balance Sheet and all other documents which are required to be annexed or attached to the Balance Sheet as required under Section 220 of the Companies Act, 1956."

Practitioner may refer to the "Guidance Note on Certification of XBRL Financial Statements" issued by the Institute of Chartered Accountants of India for the better understanding of the task of certification and to ensure a correct certification.

Conclusion

Now, the focus of the Ministry of Corporate Affairs is more on the quality aspects of the XBRL Financial Statements. And the quality can only be achieved with the thorough study of the taxonomy and the corresponding Business Rules. Furthermore, while certifying XBRL documents, professionals may draw guidance from the "Guidance Note on Certification of XBRL Financial Statements" so as to ensure the correctness, completeness and accuracy of the XBRL financial statements.

A careful study of the taxonomy and business rules will, besides ensuring quality, open up a new and emerging area of service for our professionals as many developed countries like the US and UK have already adopted XBRL in one way or the other and many European countries are also working on XBRL implementation in their respective countries. ■