

Ah...Again There is an Error in XBRL



XBRL, short form for eXtensible Business Reporting Language is XML-based, mark-up language for financial reporting which is being adopted by more and more regulatory bodies around the world as a standard for electronic filing of financial statements. The tagging of data results in digitisation of data which leads to more timely and detailed information. This not only avoids re-keying of data but also allows various stakeholders viz. regulators, investors, investment analysts and other end users of financial statements to search and analyse the data in a more quick and efficient manner. The Ministry of Corporate Affairs examined the issue of quality of XBRL filings in the first year of XBRL implementation and found several errors in XBRL filings by companies. These common errors have been described in MCA circular no. 33/2012 dated 16-10-2012 titled “Quality of XBRL filing certified by professional members”. However, second year of XBRL implementation at MCA brought two major changes in financial reporting (i) Revised Schedule VI was introduced from financial year starting on or after 1st April 2012; and (ii) XBRL Dimensions were introduced in Indian GAAP Taxonomy for presentation of tabular data. The change in format for presentation of accounts and taxonomy architecture which significantly increased the level of complexity in XBRL has given rise to new potential errors in XBRL filings which were not present in first year’s filings at MCA 21.



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XBRL involves considerable judgment in taxonomy development and in selection of appropriate taxonomy element and other properties in XBRL conversion. This judgment gives rise to many potential errors in XBRL filings. Even after two years of MCA mandate, many professionals have a misconception that passing validation test meant that XBRL financial statements fairly represent the Company’s financial statements in traditional format; whereas the

validation tool checks the taxonomy and business rules requirements only. It doesn't check the completeness, accuracy and consistency of XBRL tagged data with source documents which are essential ingredients for evaluation of quality of XBRL formatted information. The quality of XBRL filing needs to get prime importance because it is the XBRL tagged data which will be used by the regulators, investors, investment analysts and other user of financial statements for comparison and analysis purposes.

Common Errors in XBRL Filing at MCA

The Ministry of Corporate Affairs examined the issue of quality of XBRL filings in the first year of XBRL implementation and found several errors in XBRL filings by companies. These common errors have been described in MCA circular no. 33/2012 dated 16-10-2012 titled "Quality of XBRL filing certified by professional members". However, second year of XBRL implementation at MCA brought two major changes in financial reporting (i) Revised Schedule VI was introduced from financial year starting on or after 1st April 2012; and (ii) XBRL Dimensions were introduced in Indian GAAP Taxonomy for presentation of tabular data. The change in format for presentation of accounts and taxonomy architecture which significantly increased the level of complexity in XBRL has given rise to new potential errors in XBRL filings which were not present in first year's filings at MCA 21. To gain a better insight into the challenges faced by the Companies in XBRL filings during second year, we examined the XBRL financial statements of a few listed Companies filed for FY 2011-12 on a test check basis. As a part of this initiative, we downloaded Form 23AC-XBRL & Form 23ACA-XBRL of the Companies from MCA-21 and detached XBRL financial statements attached to these forms and then compared XBRL financial statements rendered by MCA Validation Tool with the financial statements in traditional format tracing the errors to the XBRL documents containing the computer code.

Completeness Errors

The Company's XBRL financial statements are required to fairly present the audited financial statements in traditional format. Therefore, all information and data that is contained in the audited financial statements need to be formatted in XBRL financial statements. The Companies are also required to report some additional information in XBRL financial statements

being filed at MCA 21 which has been described under the scope of tagging released by the Ministry of Corporate Affairs for the relevant financial year. The scope of tagging in the second year has significantly increased the detailed tagging requirement in XBRL financial statements except in two sections i.e., Director's Report and Accounting Policies.

Example

Some examples of completeness errors noticed in XBRL filings at MCA are:

(i) Detailed tagging of note on Employees Benefit not done

- *Indian GAAP Taxonomy contains ELR "[201200] Notes - Employee benefits" to capture the detail tagging of all information reported in Employee Benefit Note. The companies generally report the information relating to "Employee benefits" under the following heading: Reconciliation of changes in present value of defined benefit obligation [Abstract]*
- *Reconciliation of changes in fair value of plan assets [Abstract]*
- *Recognised assets and liabilities of defined benefit plans [Abstract]*
- *Recognised expense of defined benefit plans [Abstract]*
- *Actuarial assumption [Abstract]*

The above heading further includes element which covers elements at details level reported by the companies in the notes to the financial statements. Here is the screen shot of tags covered in "Recognised expense of defined benefit plans [Abstract]"

Recognised expense of defined benefit plans [Abstract]
Current service cost, defined benefit plan
Interest cost, defined benefit plan
Expected return on plan assets, defined benefit plan
Expected return on recognised assets for reimbursement right, defined benefit plan
Actuarial gains (losses) recognised in profit or loss, defined benefit plan
Past service cost recognised in profit or loss, defined benefit plan
Effect of curtailment and settlement recognised in profit or loss, defined benefit plan
Effects of limit in AS 15 paragraph 59b

Total post-employment benefit expense, defined benefit plans

By tagging the data relevant to “Recognised expense of defined benefit plan” using the elements described above, most of the information/data contained in the note can be captured in XBRL using detailed tagging of information. However, the review of XBRL filings at MCA reveals that many companies have not tagged all data under “Employee benefit” note or just used “Disclosure of employee benefits explanatory [Text Block]” to report the complete Employee Benefit Note as block text instead of doing detailed tagging of information/data contained in the said note. One can argue that by tagging “Employee benefit” as block text, all information contained in the said note has been reported in XBRL financial statements but that doesn’t meet with the reporting requirements of scope of tagging defined by MCA. Moreover, computer based analysis of such information can’t be carried out and therefore, it defeats the purpose of XBRL.

- (ii) Tagging of textual information between the notes not done
- (iii) Parenthetical information not tagged in XBRL financial statements
- (iv) Detailed Tagging of Notes to Accounts not done wherever required e.g. Details of Raw Materials Consumed, Description of Goods Purchased, Details of Manufactured or Traded Goods, Details of raw materials, spare parts and components consumed, Details of (Increase)/Decrease in Inventories, Details of Current Tax, Earnings per Share (EPS), Commitments and contingent liabilities information and data. This information/data is essential for a detailed analysis of financial statements of the reporting entity. The lack of such information/data in XBRL financial statements will reduce their utility for investors and investment analysts.
- (v) Directors Remuneration and Other Information for all Directors not tagged
- (vi) All items of “Cash Flow Statement” not tagged
- (vii) Segment information not tagged in detail
- (viii) Information and data on leases not tagged in detail
- (ix) Useful information/data in notes not tagged e.g. Terms and rights attached to equity shares, Nature of security, terms of repayment and defaults made for secured borrowing for Long term and Short term borrowings.

(x) Detailed tagging of products/items in notes not done.

(xi) Transactions with related party not tagged

The information/data in Notes to Accounts provides additional information which helps in having a better understanding of financial statements. The absence of the said information/data in Notes to Accounts in financial statements can not only make the task of understanding the financial information difficult but user could also reach erroneous conclusions. Moreover, it may also result in non-compliance of Revised Schedule VI to the Companies Act, 1956 and Indian Accounting Standards.

Solution

A careful tracing of all financial information/data from source documents to rendered XBRL financial statements can detect many such errors. However, this can’t detect all completeness errors because there is some information/data which is required to be formatted in XBRL financial statements but the same is not reported in traditional financial statements. The Practitioners need to carefully read the scope of tagging under XBRL mandate to be aware of additional information/data which is required to be tagged in XBRL financial statements. A good understanding of Indian GAAP Taxonomy is also required to be aware of various elements available for tagging of information.

Mapping Errors

Mapping is the process of selecting the most specific element or dimensional combination of elements in Taxonomy for each line item in the financial statement. Mapping errors can result in misleading information and the user of data could reach an erroneous conclusion. Introduction of Dimensions in taxonomy has given rise to many new potential errors in XBRL filings.

Example

Tagging of Intangible Assets in note on “Fixed Assets” requires segregation between “Internally generated intangible assets” and “Intangible assets other than internally generated” with the use of appropriate members. One of the common errors found in review of XBRL financial statements relates to selection of wrong member in case of Intangible Assets. Most of the filers have erroneously selected “Internally Generated intangible assets member” for compliance of business rule purpose. On the scrutiny of financial statements it was found that the correct

member that should have been used in such cases was “Intangible assets other than internally generated”. Another example of mapping error is tagging of “Leasehold Improvements” in tangible assets note which requires to be segregated between “Owned assets” or “Assets held under lease”. The selection of wrong member in such cases gives misleading information.

Solution

A careful tracing of all line items in the financial statement data to the rendered XBRL financial statement can detect many mapping errors. It is important for the filers to understand the equation: “Tag + Member = New Concept” i.e. Use of tag with a dimension gives a new meaning. An evaluation, whether the element or dimensional combination of element used in tagging is the most specific element or dimensional combination of elements in the taxonomy or not, can be done by comparing the items required to be tagged in the source documents to the listing of elements or dimensional combination of elements in the taxonomy. All good XBRL Tools have an in-built feature for searching taxonomy element which can assist in mapping; the importance of judgment involved in the process can't be undermined. A precise understanding of the Company's financial statements and of Indian GAAP Taxonomy is required to ensure the correct mapping of line items in financial statements with taxonomy elements.

Consistency Errors

All tagged information in the XBRL financial statements should be consistent with the source information.

Example

Some examples of consistency errors noticed in XBRL filings at MCA are:

(i) Usage of incorrect negation in Roll Forwards

The most common error found in detail tagging of roll forwards/movement analysis is of incorrect usage of sign/negation attribute. In XBRL signs (brackets) for negative figures which impacts differently in XBRL reports as compared to traditional format of financial statements. It depends upon the weight assigned to an item in the calculation link-base of the taxonomy. This needs to be understood in more detail as these result in inaccurate information for the end user of a financial statement. The following example from Employee Benefit Note of Reconciliation of Opening and Closing Balances of Defined Benefit Obligation will clarify this:

Reconciliation of Opening and closing Balances of Defined Benefit Obligation	Gratuity (Un-Funded)	
	Rs. 2011-12	Rs. 2010-11
Present Value of Defined Benefit Obligation as at beginning of the year	95,892	-
Adjustments		
Interest Cost	8,151	69
Past Service Cost	-	867
Current Service Cost	155,465	95,070
Benefits Paid	(27,627)	
Actuarial (Gain) /Loss	(14,921)	(114)
Present Value of Defined Benefit Obligation as at end of the year	216,960	95,892

Screen shot of Traditional Financial Statement

Unless otherwise specified, all monetary values are in INR			
Defined benefit plan (Line)	Defined benefit plan (Member)		
	01-04-2011 to 31-03-2012	01-04-2010 to 31-03-2011	
Disclosure of defined benefit plans [Abstract]			
Disclosure of defined benefit plans [Line Item]			
Reconciliation of changes in present value of defined benefit obligation [Abstract]			
Changes in defined benefit obligation, at present value [Abstract]			
Increase (decrease) through current service cost, defined benefit obligation, at present value	1,55,465	95,070	
Increase (decrease) through interest cost, defined benefit obligation, at present value	8,151	69	
Increase (decrease) through actuarial losses (gains), defined benefit obligation, at present value	(14,921)	(114)	
Decrease through benefits paid, defined benefit obligation, at present value	(27,627)	0	
Increase (decrease) through past service cost, defined benefit obligation, at present value	0	867	
Total changes in defined benefit obligation, at present value	2,06,164	96,120	
Defined benefit obligation, at present value at end of period	2,16,960	95,892	

Screen shot of PDF Report from XBRL Output

In the above cited example the user has prepared the XBRL Report using the same sign attribute as mentioned in the traditional financial statement for “Increase (decrease) through actuarial losses (gains), defined benefit obligation, at present value” and “Decrease through benefits paid, defined benefit obligation, at present value”. By doing this physical view of the XBRL report is comparable with the traditional report. But it has impacted the report adversely. XBRL Reports include an item named as “Total changes in defined benefit obligation, at present value” which is the sum of items reported above it and total value is verified by the validation itself. So above XBRL report is validated from the validation tool without any error.

From the accounting standpoint, “Total changes in defined benefit obligation, at present value” should be equal to difference of Closing balance and opening balance. In the above cited example it should be: (2,16,960-95,892=1,21,068) but it is showing as 2,06,164 in XBRL financial statement which is apparently incorrect. This incorrect figure has come in XBRL financial statement because the taxonomy includes negative weights for a few tags which reverse the sign automatically and in case we assign negative sign to those figures they work in opposite manner. In the above example both the highlighted

items are having negative weights which means that they are already negative in the taxonomy and do not require an additional negative sign. Since the user has added negative sign they have impacted the actual figures by $(14921+27627)*2=85,096$, if signs have been used correctly total will come to 121,068. The correct XBRL Report using correct signs shall be as under:

Unless otherwise specified, all monetary values are in INR.

Defined benefit plan (Axis)	Defined benefit plan (Member)	
	01/04/2011	01/04/2010
	₹	₹
	31/03/2012	31/03/2011
Disclosure of defined benefit plans [Abstract]		
Disclosure of defined benefit plans [ListItems]		
Reconciliation of changes in present value of defined benefit obligation [Abstract]		
Changes in defined benefit obligation, at present value [Abstract]		
Increase (decrease) through current service cost, defined benefit obligation, at present value	1,55,463	95,070
Increase (decrease) through interest cost, defined benefit obligation, at present value	8,151	0
Increase (decrease) through actuarial losses (gains), defined benefit obligation, at present value	14,921	114
Decrease through benefits paid, defined benefit obligation, at present value	27,427	0
Increase (decrease) through past service cost, defined benefit obligation, at present value	0	867
Total changes in defined benefit obligation, at present value	1,21,068	95,892
Defined benefit obligation, at present value at end of period	2,16,946	95,892

Screen shot of Final PDF(XBRL Report)

It shall not be out of place to mention here that Validation Tool checks the total in both the cases only. However, the usage of correct signs needs to be ensured manually by the preparer by applying the following accounting equation:

Change during the period = Closing Balance – Opening Balance

The user needs to ignore how the signs appear in XBRL financial statement as compared to traditional financial statements.

- (ii) Nature of financial statements (Amended Balance Sheet) not disclosed in XBRL financial statements
- (iii) Incorrect usage of decimal attribute of XBRL facts e.g. use of decimal attribute -5 would indicate that all amounts expressed in XBRL financial statements are rounded off to lakhs whereas all amounts in source documents are expressed in Thousands
- (iv) Incorrect date of signing of financial statements in XBRL financial statements.

Solution

A careful tracing of all line items in the financial statement data to the rendered XBRL financial statement can detect many consistency errors. A good understanding of XBRL concepts will help in making correct usage of signs in Roll Forward. Although

a specific element to define the nature of financial statements has not been prescribed in the taxonomy, a foot note can be added to explain the same.

Structural Errors

XBRL files need to be structured in accordance with (i) appropriate taxonomy including latest version (ii) correct or permitted language e.g. English (iii) pass validation and pre-scrutiny test.

The final step in preparing XBRL financial statements for submission to MCA-21 involves:-

- (i) Validation Test; and
- (ii) Pre-scrutiny Test

MCA Validation Tool checks taxonomy and business rules related errors. Pre-scrutiny Test conducts server side validation of data in XBRL financial statements. An XBRL financial statement must pass the “Validation Test” before “Pre-scrutiny Test” can be conducted.

Example

Some examples of structural errors are (i) Corporate Identity Number (CIN) of Associate entity not provided in XBRL financial statements (ii) “Basis of Presentation of Accounts” not tagged.

Solution

Validation Test on XBRL financial statements should be conducted on the latest available MCA Validation Tool. In case the validation test throws up any errors, the same should be removed before uploading at MCA-21. After the XBRL Instance passes the validation test, Pre-scrutiny Test should be conducted and if there are any errors, the same should be removed before uploading of XBRL financial statements at MCA-21.

Conclusion

The reliability of XBRL tagged data is compromised by errors in XBRL filings and can adversely affect the investor’s perception about XBRL financial statements filed at MCA. Irrespective of the method of conversion employed by the Company, whether in-house or outsourced, it is important for them to be aware of the potential errors in XBRL filings and take appropriate measures to ensure that their XBRL filings are error free. It is only when the quality of XBRL tagged data is high, the end users of financial statements will start using this data and the real benefits of XBRL in more quick and efficient analysis will be realised. ■