XBRL - Introduction, Requirements and Steps

Introduction to XBRL

➢ XBRL stands for e**X**tensible **B**usiness **R**eporting **L**anguage. It is a language for the electronic communication of business and financial data.

➢ Under XBRL, all individual items requiring disclosure in the financial statements are assigned unique, electronically readable tags, which are mapped to taxonomies that are being developed by the accounting standard setters or the regulators etc. which are available in public domain.

➢ XBRL makes the data readable with the help of two documents – the *taxonomy* and the *instance document*.

➢ **Taxonomies** are dictionaries that contain the terms used in the financial statements and their corresponding XBRL tags, while **Instance document** is a business report in an electronic format created according to the rules of the XBRL.

➢ In India, the taxonomy has been developed by the Ministry of Corporate Affairs (MCA), based on the requirements of:
  • Schedule VI of Companies Act;
  • The Accounting Standards; and
  • SEBI Listing requirements.

XBRL filing for MCA compliance

➢ The Ministry of Corporate Affairs, Government of India, *vide* its General Circular No. 37/2011, dated June 07, 2011 has required the following class of companies (except banking companies, insurance companies, power companies and the Non Banking Financial Companies) to file the financial statements in XBRL form only from the year 2010 – 2011:

  • All companies listed in India and their Indian subsidiaries;

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

  • All companies having a turnover of Rs 100 crore and above.

➢ Currently, as per General Circular No. 16/2012 dt. 6th July, 2012 Ministry has mandated above mentioned companies again to file their financial statements in XBRL mode for FY 2011-12 as well.

	M/s PRANJAL JOSHI & CO
CA	**CHARTERED ACCOUNTANTS**

Office No. 9, Suvan Apartments, Opp. Jog High School, HDFC Bank Building, Mayur Colony, Kothrud, Pune – 411 030. Tel – 020 – 25 43 02 76, Mob: 98500 35736, contact@capranjaljoshi.com

- ➢ Further, MCA has stated in its implementation approach of XBRL, that "It is proposed to include all companies in a phase-wise manner to file their Balance Sheet and Profit and Loss account statements in XBRL from Financial Year 2011-12 onwards." Further it has also stated that "Cost Audit Report and Compliance Report from eligible companies as per Cost Accounting Record Rules, 2011 would be captured from FY 2011-12 onwards."

Steps involved in preparation of XBRL based financial statements –

- Obtaining audited financial statements.

- These audited financial statements would preferably be in Excel and/ or Word format.

- Preparation of the source document based on the audited financial statement for XBRL conversion.

- Mapping the source document to the Target Taxonomy as mandated by MCA.

- Validating the mapped document to create instance document.

- Eliminating errors arising out of validation based on error logs.

- Approval of Instances and mapping by the Board of Directors before creating XBRL instance document.

- Creating XBRL instance document.

- Validation of the XBRL instance document by the management using the tool provided by the MCA before filing with the Office of the Registrar of Companies (ROC).\

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