

An Empirical study on awareness of Chartered Accountants regarding XBRL reporting Practices in India

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ABSTRACT

Now-a-days Companies have started the use of the internet to disclose or communicate all necessary information to inform present and potential investor and other stakeholders with regard to company information. Internet financial reporting (IFR) allows firms to communicate information to unidentifiable consumers, on the contrary, to the paper-based annual report which communicate information to the selected group. There has been rapid change in the information system by the means of internet, and obviously every sector gets affected by the change. The same changes have been adopted by the companies; they utilize the internet for the dissemination of information. XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. So, this paper aims to understand the concept of extensible Business Reporting Language (XBRL) which is an open standard, independent and international for understanding the financial and economical information in an effective and efficient manner. The mandatory requirements for filing reports in XBRL format as per the provisions of the Companies Act of 2013 and the benefits of using XBRL would be discussed in this paper.

INTRODUCTION

Internet financial reporting means use of the internet for the dissemination of corporate information to the stakeholders. Financial reporting developed in the early 21st century from the traditional design of the printed annual report to the contemporary internet financial reporting (IFR) aiming specifically to satisfy varying users' needs. Now company's websites have turned out to be an important medium for corporate reporting. Companies have utilized websites to disseminate corporate information to investors all over the world and to promote corporate identity. Company website is also used for the purpose of disseminating information about the organizations activities and financial information to stockholders, investors and other important parties.

Over the last 15 years, studies conducted by various researchers (Ettredge et al., 2002; Marston, 2003; Lodhia et al., 2004; Pervan, 2005; Mariq, 2007; Khan et al., 2008; Bogdan and Pop, 2008) have proved that there has been rapid adoption of the web for the dissemination of corporate information. The

proportion of companies using the web for financial and non-financial disclosure is increasing in all countries with active capital markets and advanced communications networks (Deller et al., 1999; Lymer, 1999; Ettredge et al., 2001; Lodia et al., 2004). According to Financial Accounting Standard Board (FASB, 2000), "Internet Financial Reporting can be classified as IFR-content and IFR-presentation. IFR – content means disclosure of a complete version of the hard copy annual report in the website, while IFR – presentation means disclosure of those equivalent of the print format of the annual report to enhancements not available in the paper paradigm (i.e. graphics, interactivity, etc.)". Internet financial reporting can be classified into three stages (Heldin, 1999; IASC, 1999; Debreceny et al., 1999). Heldin (1999) describe following three stages of internet financial reporting .Each stage of internet financial reporting has its own merits and demerits. Table 1.1 describes the merits and demerits of three stages of corporate disclosure through web.

Table1.1
Stages of internet financial reporting

Stage	Characteristics	Merits	Demerits
Stage I	Duplicates the printed financial statements in "Electronic paper" (e.g., Adobe's Acrobat)	Has familiar look of printed report	Needs Plug-In No Hyperlinks Cannot be indexed in search engines
Stage II	Uses HTML formatting, data downloading	Can hyperlink Can Index	Graphic files not automatically saved when HTML page is saved. Can get lost in hyperspace
Stage III	Uses enhancements that	Provides	May require plug-ins for some

	cannot be incorporated in printed documents	alternative ways to present complex information	enhancements May lead to information overload.
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Source: *Business Reporting on the Internet*, IASC, 1999

Digital Formats of Financial Statements on the Web

Companies throughout the world use different computer software for financial reporting purposes. Amongst the technologies are Microsoft Word and Microsoft Excel which were previously used to distribute and exhibit financial as well as other forms of information through Internet. The major technologies currently employed in internet financial reporting are HTML (Hypertext Markup Language) and Adobe Acrobat and XBRL. Very recently, an exclusively new technology, XBRL (extensible Business Reporting Language) has appeared to be most effective and has gained acceptance as a unique computing language with seamless fashion in developed countries of the world. XBRL is an Open Standard XML based language for electronic communication of business and financial information on the Internet. XBRL provides a common, electronic format for business reporting. It helps to communicate financial information over the web faster, easier, and more reliable. It was developed specifically to communicate information between businesses and other users of financial information, such as analysts, investors and regulators. However, XBRL is a more powerful and flexible version of XML which has been defined specifically to meet the requirements of Business & Financial information. Conversion of Financial Information into XBRL involves tagging of Individual elements or item in the financial report (Concepts) for their electronic dissemination. These concepts are defined in a Taxonomy based on a common Accounting Framework (say, Indian GAAP, IFRS or US GAAP, etc.). Thus, Taxonomy is basically a Dictionary of financial reporting terms or concepts. Since national jurisdictions have different accounting regulations an accordingly separate Taxonomies are developed for different reporting purposes such as Indian GAAP Commercial & Industrial (C&I), IFRS, Bank Regulatory reporting, etc. XBRL is an Open Standard and is thus free of all licenses and royalty.

REVIEW OF LITERATURE

Malhotra and Makkar (2012) conducted a study to know the extent of web reporting practices in the Indian corporate sector and inter-sector comparison of web reporting practices. Most of the companies provided information about the company profile, company history, company products and services, etc. and did not give any relevant information from the user's point of view.

Umoren and Asogwa (2013) conducted a study to analyze the ability of Nigerian listed companies to communicate financial information via the internet. Only few companies provided share and corporate social responsibility information. The least information provided was environmental policy and sustainability reports. Most of the websites were used in advertising the company's products/services and to enhance their corporate image.

Kuruppu (2015) examines the use of the internet as a medium for the voluntary communication of financial information by 244 publicly traded companies on the Colombo Stock Exchange (CSE) in Sri Lanka. The results indicate that IFR is still at an initial stage in Sri Lanka and there are

considerable opportunities and challenges for all Stakeholder parties.

Roohani (2007) argues in his paper about how XBRL would facilitate corporate governance and provide transparency to employees, investors and creditors, and regulators.

Premuroso and Bhattacharya (2008) examined that firm performance factors including liquidity and firm size are also associated with the early and voluntary XBRL filing decision.

Statement of the Problem:

XBRL filing helps the computers to interpret the financial statements of all the nations worldwide in a computer understandable readable form. Companies having audited financial statements in numerical format lose to their competitors in the global market since they cannot enter the international arena for fund mobilization without adhering to Global XBRL procedures. XBRL accounting statements would help Companies to stick to the global standards offering high levels of transparency and universal acceptability. XBRL would become the future of the Companies in the days ahead.

Research Gap:

Though previous studies have been done on XBRL Filing patterns worldwide, this paper gives more attention on understanding the benefits and awareness of XBRL among chartered accountants of Punjab and Chandigarh city and its applicability to Indian Companies as on date as per the current legal enactments.

OBJECTIVES OF THE STUDY

- To understand the concept of XBRL
- To study the awareness of chartered accountants about XBRL
- To study the potential benefits of XBRL

RESEARCH METHODOLOGY

The research was conducted with data collected through a structured questionnaire. The survey was conducted on 50 chartered Accountants from Punjab & Chandigarh registered with the ICAI in India. As XBRL is technology focused on the financial data, it was thought that Chartered Accountants would be the most appropriate population, as they are professionals in this field and as already mentioned, would most likely be responsible for the implementation of XBRL in practice. The development of questionnaire was based on the review of studies on awareness and perceptions of XBRL among chartered accountants, academicians, auditors, fund managers, tax practitioners and investment analysts. Questionnaire dealt with the respondents' demographic information and general awareness of XBRL, potential benefits of XBRL.

Tools of analysis

Weighted Average Score (WAS)- Weighted Average Score has been used to find out the weightage/importance given by the respondents to given statements rated on a five point scale.

All the work has been done on statistical software package SPSS.

ANALYSIS AND INTERPRETATION OF RESULTS

Demographic Information of Respondents

This section consisted of questions focusing on the respondents’ demographic information. The respondents belonged to different job positions, experience levels, gender and age group. Table 5.1 depicts the distribution of the sample on various demographic factors.

Table 5.1 Demographic Profile of the Respondents

Demographic variables		No. of respondents
Experience	0-5 years	08 (16)
	5-10 years	24 (48)
	10-15 years	14 (28)
	Above 15 years	04 (8)
Gender	Male	37 (74)
	Female	13 (26)
Age	Up-to 30 years	13 (26)
	31-40 years	28 (56)
	41-50 years	06 (12)
	51-60 years	02(4)
	Above 60 years	01(2)

(Figures in parenthesis show percentages)

Table 5.1 shows most (76%) of the respondents had 5 to 15years experience in their roles. Table also depicts that the majority (74 %) of the respondents were male and 26 percent of the sample were females with 26 percent of the respondents from the age group of up to 30 years, 56 percent from 31-40 years, 12 percent from the age group of 41-50 years and 4 percent each were from the age groups of 51-60 years and above 60 years only 2 percent. Thus, majority of the respondents, that is, 82 percent of the sample, were from the young and middle age group. Thus, the sample is widely distributed and representative in terms of experience, gender and age.

Level of Awareness of XBRL

XBRL has many benefits. It is a beneficial addition to the information technology environment of chartered accountants, with advantages such as cost and time savings that may be anticipated. XBRL will in all probability have an impact on chartered accountants, be it as auditors or as compilers or users of information. While XBRL does not appear to hold any undue risk, auditors need to be aware of its workings and potential impact on figures on which they provide an opinion. It is therefore vital for chartered accountants to be aware of and have a working knowledge of XBRL. If these are lacking, corrective steps need to be taken. The respondents were requested to rate their awareness of XBRL before this survey.

Since a brief description of XBRL was given in the cover letter to the questionnaire, it was necessary to set the parameter “before this survey. The results are presented in table 5.2.

Table: 5.2 Awareness of XBRL

Statements	Percentages
I have never heard of it	26 %
I have heard of it, but do not know what it is about	36%
I have heard of it and am aware of it	38%

The majority of respondents (62 %) had never heard of XBRL prior to the survey or had heard of it, but did not know what it was about. The majority of chartered accountants were therefore not aware of XBRL at the time of this survey. This might be an indication that there is a low level of awareness of XBRL in market. Previous research on XBRL awareness (Troshani and doolin, 2007; CFA Institute, 2007) reported that the low level of awareness could be attributed to a variety of factors such as lack of education, ongoing changes in the accounting arena and lack of resources.

Potential Benefits of XBRL

XBRL adoption will benefit all participants in the financial information supply chain, from the company preparing the financial statements, to the investors, external auditors, internal auditors, regulators, tax practitioners, general practitioners, lenders, investment analysts, stock brokers, and even accounting and finance researchers. Various sources (Johannesburg Stock Exchange, 2010; XBRL US, 2010; Troshani and Doolin, 2007;) pointed out some of the benefits of XBRL. The most commonly reported benefits include savings in time and costs, the improvement in data quality such as accuracy and completeness of data, multiple uses for data, enhanced ability to analyze and compare data, improved screening of data, ability to exchange data between different proprietary systems better investment decisions etc. although the literature documents a number of perceived benefits to a number of different parties, as mentioned above, Richards and Tower (2004) believe that the “benefits are notoriously hard to measure and may be illusionary”. In order to analyze the potential benefits of using XBRL, a list of eight statements was prepared and used in the study. The respondents were asked whether they agreed that some of benefits of XBRL suggested in the literature were obtainable in practice. They were asked to express their level of agreement/ disagreement on a five point Likert scale ranging from ‘strongly agree’ to ‘strongly disagree’, with respect to each statement. The Weighted Average Scores (WAS) for each statement were calculated by allocating the weights 5,4,3,2,1 to the responses ‘strongly agree’, ‘agree’, ‘neutral’, ‘disagree’ and ‘strongly disagree’ in that order. Responses with respect to simple frequencies, percentage values and WAS are shown in Table 6.5. The results of the statements, as given below, should be interpreted bearing in mind that only 38 percent of the respondents who completed this question had a basic or full understanding of XBRL.

Table 5.3: Potential Benefits of XBRL

Potential Benefits	SA	A	N	D	SD	WAS
XBRL can be used to produce more analytical tools	7 (36.84%)	5 (26.32%)	5 (26.32%)	2 (10.52%)	0 (0.00%)	4.93
XBRL- based reports can be re-used with no loss in data integrity	6 (31.58%)	5 (26.32 %)	6 (31.58%)	1 (5.26%)	1 (5.26%)	4.73

XBRL- enabled information can be a reliable source for the preparation of financial/non- financial reports	6 (31.58%)	4 (21.05%)	5 (26.32%)	3 (15.79%)	1 (5.26%)	4.53
XBRL can contribute to speeding Up t he reporting cycle	7 (36.84%)	5 (26.32%)	4 (21.05%)	3 (15.79%)	0 (0.00%)	4.86
XBRL fosters data comparability	7 (36.84%)	6 (31.58%)	4 (21.05%)	2 (10.52%)	0 (0.00%)	5.00
XBRL can reduce the re-keying of financial data	6 (31.58%)	5 (26.32%)	5 (26.32%)	3 (15.79%)	0 (0.00%)	4.73
Use of XBRL can provide Interoperability with other existing applications/ systems	5 (26.32%)	6 (31.58%)	5 (26.32%)	2 (10.52%)	1 (5.26%)	4.60
XBRL can help reducing processing Errors	7 (36.84%)	5 (26.32%)	5 (26.21%)	2 (10.52%)	0 (0.00%)	4.93

As shown in table above the most common perceived benefit of using XBRL was help in fosters data comparability (5.00), XBRL can be used to produce more analytical tools (4.93) and XBRL can help reducing processing Errors (WAS-4.93) . Other significant benefits reported by the respondents included XBRL can contribute to speeding Up t he reporting cycle(4.86), no re-keying of data (WAS-4.73), XBRL- based reports can be re-used with no loss in data integrity(4.73), interoperability with existing applications/systems (WAS-4.00), more analytical (WAS-4.60) and reliable source for the preparation of financial/non-financial reports (WAS-4.53) The findings of this study are corroborating the findings of Davidson et al., (2007) and Dunne et al. (2009) who also found the similar potential benefits of using XBRL.

FINDINGS OF THE STUDY

The results of the study indicated that at the time of survey, majority of chartered accountants in India were unaware of XBRL. Only 38 percent of the respondents had heard of XBRL and knew what it was about. This low level of understanding could, however, have been anticipated given the fact that at the time, XBRL technology was in the process of being implementation in India. The reasons given by the respondents

for adopting XBRL reflects the perceived benefits reported in the literature. The most common reason reported by the respondent was help in fosters data comparability, used to produce more analytical tools and XBRL can help reducing processing Errors . Other significant benefits reported by the respondents included XBRL can contribute to speeding Up the reporting cycle, no re-keying of data, XBRL- based reports can be re-used with no loss in data integrity, interoperability with existing applications/systems, more analytical and reliable source for the preparation of financial/non-financial reports.

CONCLUSION

Even though XBRL is a new technology, it will probably soon has an impact on chartered accountants. This study shows that there is a lack of knowledge among chartered accountants on this technology. In order to make full use of the ample benefits of XBRL and to be able to address the risks that might flow from adoption of XBRL, it is imperative for chartered accountants to educate themselves on this innovative technology. There is need for further education and information on XBRL, Majority of respondents said that they are willing to attend course, workshops, and conferences in the near future on XBRL.

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