

Govt. to cover exempt sectors in second phase of XBRL roll-out

Banks, non-banking financial companies (NBFCs), insurers and power utilities will be brought under the ambit of eXtensible Business Reporting Language (XBRL), a digital format for filing financial statements, in the second phase of its roll-out in India.

The sectors were exempted from filing their balance sheets and profit and loss accounts in XBRL in the first phase, which saw more than 23,000 firms switch to the format.

The ministry of corporate affairs (MCA) wants the around 850,000 firms in India to adopt the format as data representation in it is more precise and it does not leave firms much scope to manipulate numbers.

"The results of the first phase of XBRL filing has been very encouraging and we are now extending this to cover more companies and sectors," said Veerappa Moily, minister for corporate affairs.

Bringing more categories within the XBRL fold will not only establish parity across sectors but will also standardize data to global levels, said Nesar Ahmed, president, Institute of Company Secretaries of India. The format will also restrict manipulation of financial statements, he said. MCA is preparing business rules and the taxonomy firms will need to transit to XBRL filing, said Avinash Srivastava, joint secretary, ministry of corporate affairs.

Taxonomy is a glossary of financial terms used to describe elements; its extension means adding more sector- and company-specific terms. So far, the ministry has used a fixed taxonomy of 3,200 elements.

In the first phase, companies with a paid-up capital of Rs.5 crore and above, or earning a revenue of at least Rs.100 crore, were required to file statements for the year ended 31 March 2011 in the XBRL format. MCA had estimated about 30,000 firms would be covered in that phase. The second phase will apply for financial statements for the year ending 31 March.

The regulators, including the Reserve Bank of India and the Securities and Exchange Board of India, have also started implementing XBRL.

As a result, companies will gain after switching to XBRL as they can use the same database for filing with different regulators.

While the taxonomy for banks and NBFCs has been released, the taxonomy for power and insurance firms is yet to be prepared, said Vinod Kashyap, director of NextGen Knowledge Solutions Pvt. Ltd, which provides training to chartered and cost accountants on XBRL.

"The draft taxonomy for these sectors should also be released soon so that finance professionals can review and submit their comments and suggestions," he said.

XBRL India, which manages the Indian chapter of XBRL International and is assisting the Union government, recently invited proposals from eight vendors for developing taxonomy for the insurance and power sectors.

XBRL International is a not-for-profit body promoting the adoption of XBRL.

"Since any good taxonomy takes four-six months to develop, there are chances that implementing XBRL filing for insurance and power sectors will take longer than that for banking," said Kashyap.

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