

## **Extensible Business Reporting Language (XBRL) -A Study From External Auditors' Perspective.**

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### **Abstract**

*XBRL reporting is a modern financial reporting language to communicate business and financial information to stakeholders. XBRL is carried out through software that helps in tagging all financial data. In India, XBRL reporting is compulsory for companies which fulfil the threshold limit fixed by the regulatory authority. The present study analyzes the level of awareness of XBRL among external auditors. The study also analyses the perception of external auditors of XBRL. The study reveals that most of the respondents are not well aware of XBRL and only experienced auditors are aware of it. None of the auditors has audited the financial statement prepared as per XBRL reporting language. The majority of the respondent replied that the XBRL form of financial reporting reduces the time and cost of auditing and that XBRL reporting provides new consulting services to audit companies. So the study reveals that auditors have a positive approach on XBRL.*

**Key words:** *Taxonomy, XBRL,language,*

Date of Submission: 20-12-2023

Date of Acceptance: 30-12-2023

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### **I. Introduction**

XBRL is one of the most important programming languages used in the current era of electronic disclosure in the accounting sector and is an open, royalty-free specification based on Extensible Markup Language (XML). It is developed through a process of collaboration between accountants and technologists from all over the world. XBRL is a business language for reporting financial information and a license from XBRL International is needed to apply XBRL to the business reporting process. Reporting financial information through XBRL increases the transparency, efficiency, and comparability of financial information.

India is now an established jurisdiction of XBRL International. To manage the operations of XBRL India, a separate company, under section 25 has been created. The Ministry of Corporate Affairs decided to mandate certain class of companies to file balance sheets and profit and loss account for the year 2010-11 onwards by using XBRL taxonomy. As per the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, the following class of companies shall file their financial statements and other documents under section 137 of the Companies Act, 2013 with the Registrar in e-form AOC-4 XBRL within 30 days of the date of AGM:

- (i) All companies listed in India and their subsidiaries, including overseas subsidiaries;
- (ii) All companies having a paid-up capital of Rs.5 Crore and above or a Turnover of Rs 100 crore or above.

All companies are required to prepare their financial statements in accordance with companies Rules, 2015 as per Ind-As. However, Non-banking financial companies, Housing finance companies, and Companies engaged in the business of the Banking and Insurance sector are exempted from filing financial statements under these rules.

### **II. Review of Literature**

Yuan George Shan and Indrit Troshani(2014), in their study, found that XBRL can facilitate auditing and reduce auditing costs. They also found that the reduction of audit fees directly relates to the firm size of the audit. Jacqueline Birt (2017), in the study, assesses the usefulness of financial reports with XBRL-tagged information compared to PDF format information for non-professional investors. Dr.M.L.Ashoka et.al (2020), in their study, found that there is a perceived impact of XBRL adoption in financial reporting, auditing, and quality of financial information. Wafa Sassi et. al.(2021), in their study "The impact of adoption of the XBRL on development of stock market", reveals that the adoption of XBRL has a negative impact on the development of stock markets, strict policies are needed for the successful adoption of the XBRL. They also found that a mechanism is needed to ensure that stakeholders understand the value of the information provided by XBRL

financial reports. Dr. B. S. Navi and Mr. Umarfaruk A Hebballi (2021), in their study found that as per accounting professionals, XBRL financial reporting format is most efficient than traditional report.

### Statement of the problem

XBRL is a computer language for the digitalized disclosure of business and financial information to its stakeholders. In XBRL financial information is represented by a label readable by a computer which is similar to a bar code. By the analysis of existing research, it is found that the major studies of extensible business reporting language are carried international perspective and only a few studies carried on the Indian context and no study had focused on the XBRL on external auditors' perspective. So the present study aims to analyse XBRL from external auditors' perspective.

### Objectives of the Study

- 1) To study the extent of awareness about XBRL among external auditors
2. To study the extent of audit of financial statement prepared in XBRL form of reporting. To study the perception of external auditors about XBRL reporting.

### III. Research Methodology

The study is both descriptive and analytical in nature based on primary and secondary data. Primary data was collected from external auditors (Chartered Accountants) in Ernakulam District of Kerala selected through convenience sampling by sending an online survey questionnaire. Secondary data was collected from journals, magazines, books and newspapers. The data collected has been tabulated and analysed by using percentages.

#### ANALYSIS AND INTERPRETATION

**Table 1 Age-wise Distribution of Respondents**

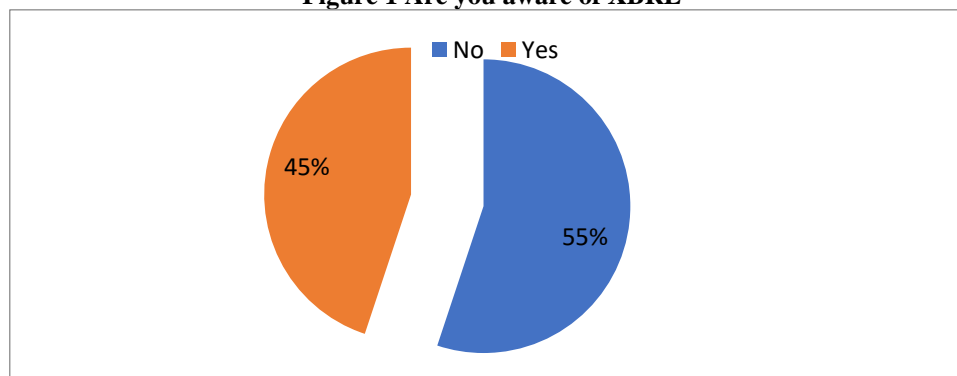
Age in Years (Category)	Percent	Cumulative Percent
Between 1 to 5 Years	46.9	46.9
Between 5 to 10 Years	34.7	81.6
More than 15 Years	18.4	100.0
Total	100.0	

The analysis reveals that the majority of the respondents (46.9 per cent) have years of experience between one to five years whereas 34.7 per cent have 5 to 10 years of experience, and only 18.4 per cent do have more than 15 years of experience (Table No.1). It shows that most of the accounts are very young or they have entered into the field very lately. In the following discussion, we attempt to connect each aspect of the study with respect to the Years of experience of auditors -wise distribution of the respondents.

From the collected data, we can see that none of the auditors in the any category of years of experience audited the financial statements prepared in the XBRL form of reporting. This may be due to the reason that reporting of financial statement in the XBRL format is not compulsory for all companies. So all the companies audited by the respondent are prepare their financial statement in the traditional format.

Now, we move to examine the awareness level of XBRL among the respondents. It is worthwhile to note that 55 per cent do not have any awareness about the XBRL. They might have heard about these things, but they do not appear to have been aware of the XBRL method reporting (Figure No.1).

**Figure 1 Are you aware of XBRL**



Indeed, the level of awareness has got some connection with the year of experience. It is likely that if you spend more time in a particular field, you will have an aptitude to understand newer changes happening in that field. The present study shows that as auditors spend years in the respective field, the awareness of the XBRL also gets increased. It is clear from the study that among the respondents having five to 10 years of experience 47 percent are quite aware of the new method of reporting, and among those having more than 15 years of experience 39 percent are aware of the XBRL (Table No.2)

**Table 2 Experience-wise distribution of awareness**

Years	Awareness		Total
	No	Yes	
Between 1 to 5 Years	76.9%	13.0%	46.9%
Between 5 to 10 Years	23.1%	47.8%	34.7%
More than 15 Years	0	39.1%	18.4%
Total	100.0%	100.0%	100.0%

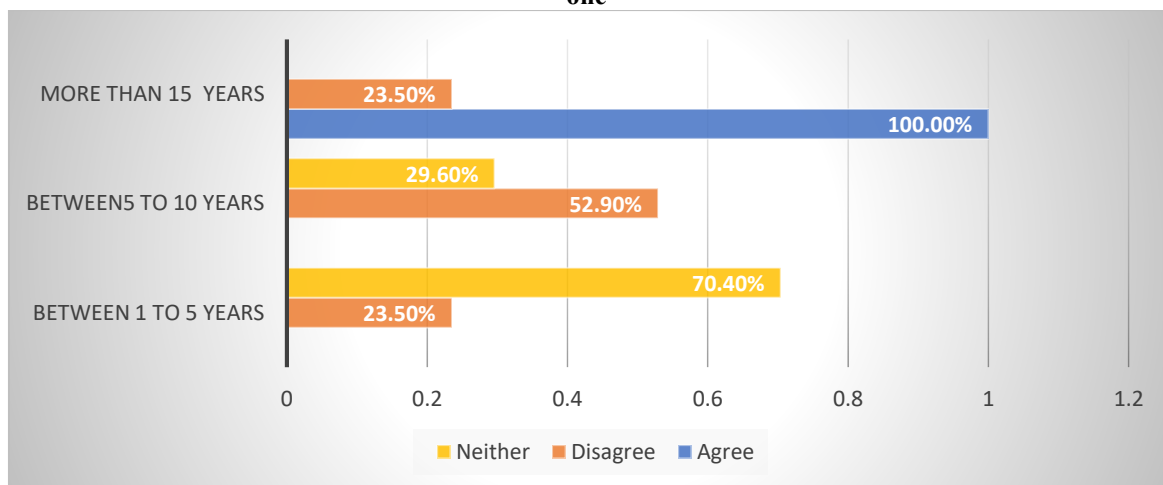
Being aware of something is distinct from understanding more about that particular thing. To get acquainted with a new method, we have to understand more about that. Understanding actually deepens one's ability to comprehend and appreciate a particular newly developed report method. It is interesting to observe that among those who can't understand the XBRL most of the respondents come under the category of having less than five years of experience. In contrast to this, among those who can understand the XBRL most of them have between 5 to 10 years of experience (Table No.3)

**Table 3 Experience Wise Distribution of the Level of Understanding XBRL**

Years of Experience	Can you understand the XBRL?	
	No	Yes
Between 1 to 5 Years	51.4%	34.3%
Between 5 to 10 Years	35.1%	45.3%
More than 15 Years	13.5%	20.4%
Total	100%	100.0%

Moving on to analyzing rating-based responses first we discuss the opinion of the statement 'whether XBRL taxonomy can be challenging one to the auditors'. All respondents from the category having more than 15 years of experience agree with the view that it is a challenging one. Nevertheless, among those who disagree, the majority has experience between five to ten years (Figure No.2)

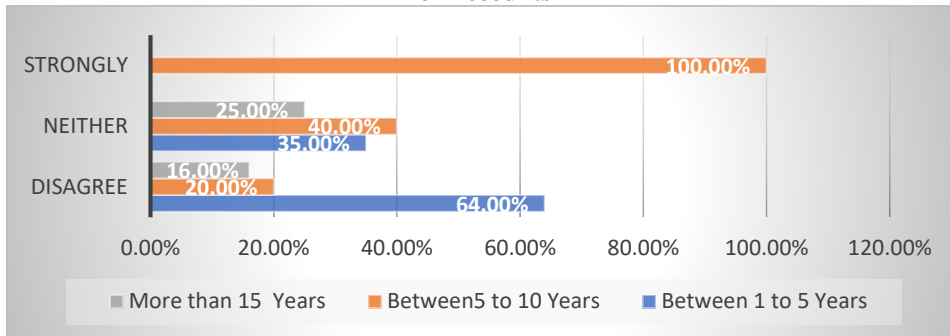
**Figure 2 Years of Experience and Opinion about 'XBRL Taxonomy and Tagging can be a challenging one'**



Will XBRL reduce employment opportunities for auditors? Among those who strongly agree with the view that XBRL will reduce employment, all respondents have 5 to 10 years of experience (Figure No.3). It

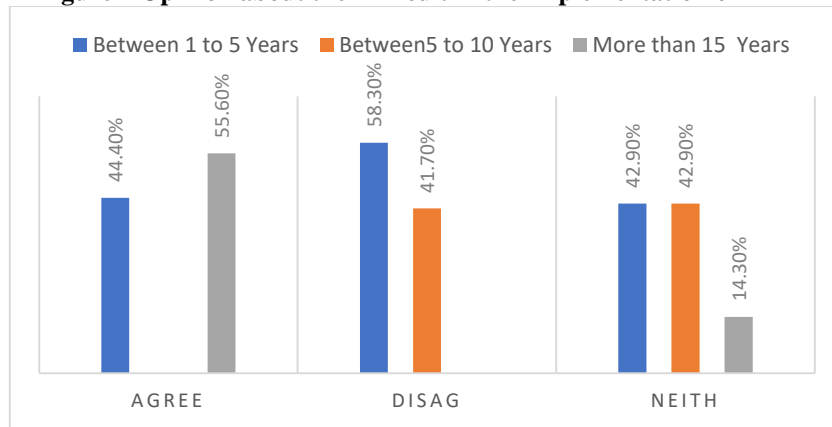
does mean that people with considerable good experience believe that this will have a negative impact on the job prospects of accounts and auditors.

**Figure 3 Years of Experience and Opinion about Whether XBRL will reduce employment opportunities of Accounts**



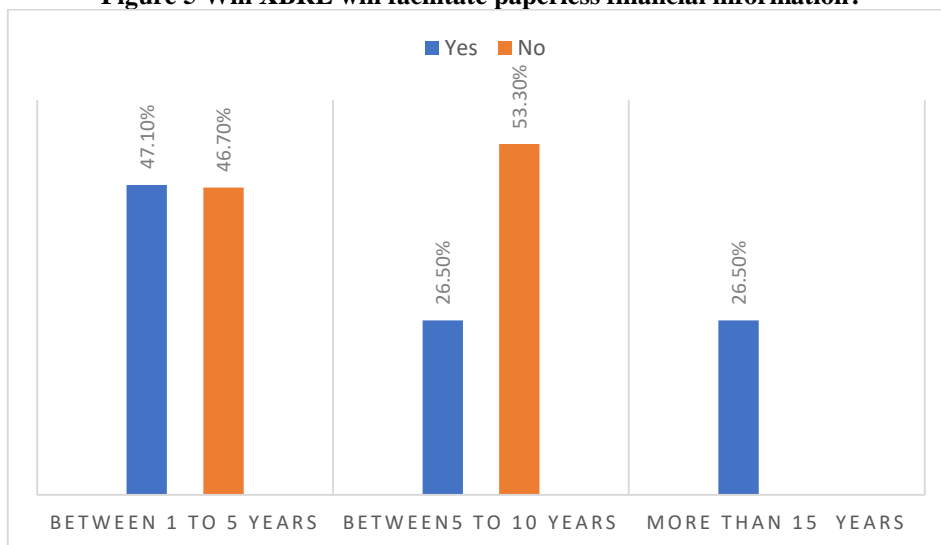
On the question of difficult in the implementation of XBRL, among those who agree with the view that its implementation will be difficult, 55 percent have more than 15 years of experience. It means that experience auditors have doubts about the successful implementation of the XBRL (Figure No.4).

**Figure 4 Opinion about the Difficult in the Implementation of XBRL**



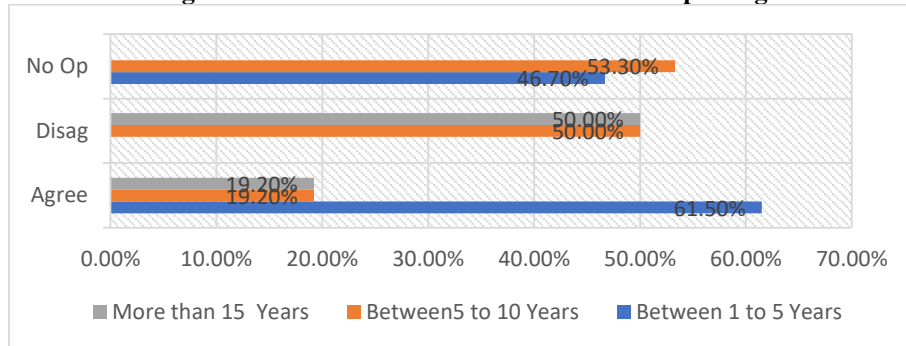
Next question is about XBRL facilitating paperless financial information. Respondents having more than 15 years of experience fully say that it will facilitate paperless financial information (Figure No.5)

**Figure 5 Will XBRL will facilitate paperless financial information?**



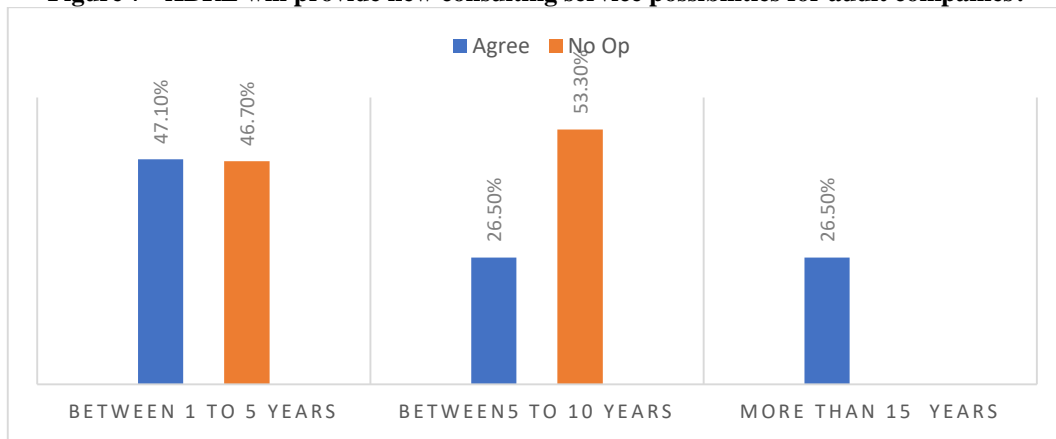
The crucial question is whether XBRL will reduce the cost and time of reporting. Here, again, among those who agree with the opinion that XBRL considerably reduces the cost and time of reporting in the procedure account and auditing, most of them belong to the age category between one to five years. This means that youngsters share the opinion that XBRL is likely to reduce the costs and time of reporting.

**Figure 6 XBRL will reduce cost and time of reporting**



It is generally believed that XBRL will offer the possibilities of consulting service for audit companies. Youngsters and experienced auditors share this opinion whereas others do share a mixed opinion in this regard.

**Figure 7 "XBRL will provide new consulting service possibilities for audit companies?"**



#### IV. Conclusion

XBRL is a new technology for communicating business and financial information to different users. XBRL reporting is not compulsory for all companies in India. All of the respondents involved in the study opined that they never audited the financial statement prepared on XBRL form. The awareness level of auditors on XBRL is limited. This reveals that XBRL is in a nascent stage in India today. So in order to increase its use in future, regulatory authority should take necessary steps to make XBRL reporting compulsory for all companies.

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