

IFRS and XBRL: Future of emerging business languages

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Abstract

IFRS (International Financial Reporting Standards) is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standard Board (IASB). The goal of IFRS is to provide a global framework for how public companies prepare disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry specific reporting. XBRL (Extensible Business Reporting Language) is an XML-based computer software language that is developed specifically for the automation of business information requirements, such as the preparation, sharing and analysis of financial reports, statements, and audit schedules. XBRL is royalty-free, open specification for software being developed by a non-profit consortium consisting of over 170 leading companies, associates, and government agencies around the world. In this study we have discussed about IFRS and XBRL and their advantages, disadvantages, impacts and the future of IFRS and XBRL.

Keywords: XBRL, XML, IFRS, IAS, IASB, IASC

Introduction

International Financial Reporting Standards (IFRS) is used as the basis for producing financial statements in more than 100 Countries. XBRL, a separate and unrelated Worldwide Consortium effort, is also achieving significant global adoption as a standard for the electronic communication and meditation of business reporting data, including financial reports. The International Accounting Standards Committee (IASC) foundation (and not the IASB) is responsible for developing the IFRS XBRL taxonomy. The IASC Foundation was one of the founding members of the XBRL. International Consortium and has been publishing XBRL taxonomies since 2002. The IFRS taxonomy is used as core taxonomy in a number of significant regulatory projects.

Objectives

- To understand what XBRL is.
- To understand what IFRS is.
- To know the advantages and disadvantages of IFRS and XBRL.
- To know the future of IFRS and XBRL

What is IFRS?

IFRS are a set of accounting standards developed by the International Accounting Standards Board that is becoming the global standards for the preparations of Public Company Financial Statements. Before some time, IFRS were called IAS (International Accounting Standards). Indeed, the first standards carried the name starting with "IAS", e.g. IAS 1- Presentation of Financial Statements. Exactly 41 standards started with IAS.

Taxonomies

XBRL tags are defined and organized using a categorization scheme called taxonomy. Taxonomies are the computer-readable 'dictionaries' of XBRL. Taxonomy provides definitions for XBRL tags, it provides information about the

tags, and it organizes the tags so that they have a meaningful structure. Taxonomy enables a computer with XBRL Software to:

- Understand what the tag is.
- What characteristics the tag has.
- Its relationship to other item.

For a company reporting in IFRS, the IFRS Foundation publishes tags for each IFRS disclosure. These tags are organized and contained within the IFRS taxonomy.

IFRS Taxonomy

The IFRS taxonomy is the XBRL representation of IFRSs, including International Accounting Standards (IASs), Interpretations, and the IFRS for Small and Medium- Sized Entities (SMEs), issued by the IASB. The IFRS Taxonomy contains tags for all IFRS disclosures.

Need for IFRS

Different countries employ different standards (as required by their regulatory body) while preparing their financials. Like United States have their US GAAP, Canada has its Canadian GAAP, United Kingdom has its UK GAAP and India has its own Accounting Standards. So this poses a problem in consolidating financials of a company having its subsidiary in multiple countries as well as while comparing companies across geographies. So bring the accounting standards at par more and more countries are now allowing IFRS. Presently approx. 120 countries permit or require IFRS for domestic listed companies, although approx. 90 countries have fully conformed to IFRS. United States still follow their US GAAP and it is planned to converge to IFRS BY 2015.

Benefits of IFRS

1. As corporates are going multinational even faster than ever, so it is very important that they are able to prepare their financials with the same set of standards

Every where.

2. It is easier to compare the competition working in different geographies.
3. It is easier for investors as well as practitioners to follow and understand one set of accounting standards.

Disadvantages of IFRS

IFRS also presents some disadvantages, particularly for countries that have well-established GAAP. The disadvantages of IFRS include a lack of details, significant development costs and the perception that the IFRS are a lesser standard than what is already in place in some countries. With the Globalization of markets and the rise of the multinational corporation, many companies have found it difficult to provide standard information that conforms to the GAAP in one country without violating GAAP in another. Although many countries never adopted IFRS, there are significant holders. For some countries, some of our outweigh the convey benefits. The most significant example of a country where the disadvantages of IFRS have impacted and delayed a transition to global accounting standards in the US. Other significant disadvantages of IFRS concern the cost of implementation.

The Impact of IFRS

The growing influence of IFRS has affected countries throughout THE world. This includes everything from economically inspired, voluntary participation and adaptation to government- required changeovers. The system reflects a continuous need for strong communication in the evolving global economy. It has given many organizations the ability to expand and thrive where the communication issues inherent in using different reporting methods have previously hindered progress. An early impact of IFRS was that it gave companies engaged in International business a tool for better communicating external financial information. Instead of constantly attempting to decipher the reporting methods of various nations, businesses now had a single standard. This also improved the ability of companies to communicate their own status and to work more easily with businesses in other nations.

XBRL (Extensible Business Reporting Language)

XBRL is a digital 'language' that was developed to provide a common, electronic format for business and financial reporting. In XBRL, mark-up tags are used to make business information computer- readable and consumable. XBRL is a data-rich dialect of XML (Extensible Markup Language), the universally prefers language for transmitting information via the Internet. It was developed specifically to communicate information between businesses and others analysts, investors and regulators.

Advantages of XBRL

- XBRL is universally accepted information sharing language.
- XBRL improves corporate transparency and increases overall creditability of the global financial community.
- XBRL improves the quantity and speed of information exchange while reducing overheads.
- Availability of standard global taxonomies
- XBRL adapts well to a variety of uses.

Disadvantages of XBRL

- XBRL complexity can lead to transmission errors.
- Increased organizations filling costs.
- XBRL facilitates near real-time disclosure.
- XBRL taxonomies are extensible and possibly too flexible.
- Early global adoption of XBRL has resulted in chaos and increased costs.

IFRS and XBRL

The goal of the IFRS Foundation is to provide the World's integrating capital markets with a common language for financial reporting. XBRL was developed to provide a common format for business and financial reporting. Both IFRS and XBRL are intended to standardize financial reporting, in order to promote transparency and to improve the quality and comparability of business information Both IFRS and XBRL are intended to standardize financial reporting in order to promote transparency and to improve the quality and comparability of business information, therefore the two forms a perfect partnership. The IASB XBRL Team is responsible for developing and maintaining the XBRL representation of the IFRSs, known as IFRS Taxonomy. The IFRS Taxonomy is used around the world to facilitate the electronic use and exchange of financial data prepared in accordance with IFRSs.

The IASBs XBRL activities include

- **Taxonomy Development-** for companies reporting in IFRS, the foundation publishes tags for each IFRS disclosure. These tags are organized and contained within the IFRS Taxonomy.
- **Support Materials-** the foundation produces support materials to facilitate use and understanding of the IFRS Taxonomy.
- **Translations-** translations of the IFRS taxonomy into key languages are provided to support users of IFRSs and the IFRS taxonomy whose primary language is not English.
- **Global Outreach-** the foundation makes a concerted effort to promote the use of XBRL in conjunction with IFRSs, around the world. The foundation also encourages cooperation and communication with users of the IFRS Taxonomy.

The Future of IFRS and XBRL

Adoption of IFRSs around the world is growing. Since the formation of the IASB and IFRS Foundation in 2001, almost 20 countries have required or permitted the use of IFRSs. All remaining major economies have established time lines to converge with, or adopt IFRSs in the near future, and few are doing so without also considering XBRL and the IFRS Taxonomy. XBRL adoption is also growing of its own accord, with new jurisdictions and project emerging across the world. In order to support a growing number of stakeholders, new IFRS and improvements are being published. XBRL is also evolving with new functionalities and to ease implementations. Combined with the lack of alternative standards that is able to offer the same capabilities and benefits, XBRL is ideally placed to become the de facto standards for business reporting. Yet despite a steadily rising number of users and stakeholders, individual initiatives and projects, on a global scale XBRL remains in the early adoption phase. The benefits of XBRL adoption and implementation are

being realized, but gradually. Consequently, while XBRL is in the early phase of adoption, now is an opportune time to learn about XBRL and to prepare an implementation plan.

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