



# Moving from Paper to Data Reporting: MCA's XBRL Journey

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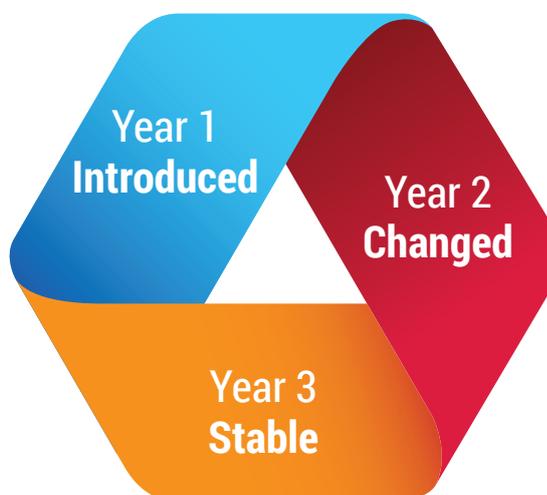
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# 1 Executive Summary

The Ministry of Corporate Affairs (MCA) mandated submission of XBRL in 2011. Of the three filing seasons so far, in the second year of implementation, the MCA taxonomy and also the filing requirements and rules have undergone significant changes and the subsequent years have been stable with no change in either taxonomy or the filing requirements. It is a known fact that introducing a new systems requires some time for the market to adapt and settle and it is more challenging when the systems itself undergo significant change before it has been well accepted. The journey of XBRL adoption by MCA brings across the experiences – initial startup, significant change and then stability.



The first year of XBRL adoption had its own uncertainties. XBRL was a new concept and by the time the stakeholders got familiar with XBRL and the mandate, in the next year, there was a phenomenal change in the mandate. Revised Schedule VI was introduced, the XBRL taxonomy architecture and modelling was changed, and there was an increase in the scope of filing and business rules to be followed for creating XBRL data. Given no change in filing requirements in subsequent year, stability and smooth compliance of mandate can be seen.

In the future years, more companies would come under the XBRL mandate. MCA has already taken up the taxonomy development for the new sectors. With new developments in XBRL standard, and experiences from other country implementations, some changes in the XBRL framework can be expected, use of formula linkbase being one such area.

The purpose of this document is to put forward the current state and analyse the changes over the period and anticipate some likely changes in the upcoming years.

## 2 Towards Next Generation Reporting

MCA oversees the legal framework for functioning of corporates in India. The corporates have to adhere to the Companies Act, 1956, 2013 and other rules and regulations as issued by the MCA. As per the regulatory framework, corporates are required to submit various sets of information related to areas like audited financial data, appointment/change of directors and auditors, report on compliance for various sections of the Act etc.

Prior to XBRL, MCA had already taken a step for towards digitization of data. With MCA 21 (as the program was called) being rolled out, data was collected in interactive PDF forms. These PDF forms had built in validations and further while submitting the PDF additional validations were done on the MCA portal. Focusing more on the approach for collecting financial data, only selected information had to be keyed in in the PDF forms (viz. Form 23AC and 23ACA.) and the entire annual report in PDF was submitted as attachment to these forms. Getting data in PDF, especially the attachment, had its own set of problems for instance blank PDFs being attached, cap on the maximum limit size of attachment, arithmetically incorrect data submitted in PDF etc. Therefore unless each and every filing was manually checked, it was difficult to ascertain that correct data is being submitted. Checking data of millions of companies, that too on periodic basis, is a humungous task and not to forget the cost and resources needed.

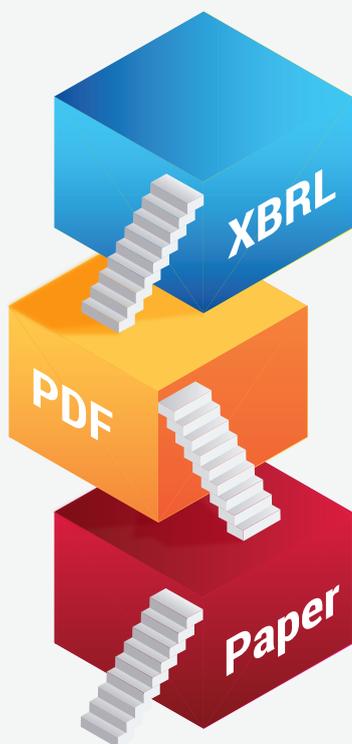
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*Need for more granular and processable data paved the way for XBRL.*

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After a few years of deployment of MCA 21, search for a better solution and improvement in existing processes began and eXtensibleBusiness Reporting Language (XBRL) was selected as the most suitable solution. There are over 9 million entities registered with MCA, and are required to submit data at regular intervals. Given the large scope of entities as well as the quantity of information, MCA decided to roll-out the XBRL implementation in phases.

The mandate for XBRL reporting was issued in 2011 and since then three filing seasons have elapsed. This white paper highlights the experience and challenges faced by the stakeholders impacted by the mandated viz. filers, service providers and software vendors, over the filing seasons so far and what can be expected in the future.



### 3 The MCA XBRL mandate

The mandate for XBRL reporting came in 2011 and companies falling under a certain criteria<sup>1</sup> were required to file their Balance Sheet and Profit and Loss in XBRL format from the FY 2010-11 onwards. The Institute of Chartered Accountants of India (ICAI) assisted in building the taxonomy to meet the MCA requirements. The scope of tagging and level of tagging (i.e. detailed and text block) was specified. Extensive business rules were also defined and validation engine was provided by MCA to check the instance documents for conformance to XBRL specs and business rules.

In the following year, there was a significant change in the underlying reporting requirement itself. New Schedule VI i.e. the disclosure requirement for Balance Sheet and Profit and Loss was enforced. At the same time, the taxonomy architecture was changed significantly. Apart from these two major changes, the XBRL mandate was expanded to operational level details i.e. viz. product and service costing related information, again limited to a certain class of companies. The companies are required to file their cost audit report and compliance report in XBRL format. Like for annual report information, for costing reports as well, business rules are defined to ensure correctness and completeness of data submitted. This is one of the first XBRL implementations across the globe for cost related information.

Compared to the changes witnessed in year two, the third year was relatively a stable. There were no significant changes in taxonomy, scope of tagging and business rules. All the three filing seasons so far, have been limited to general trading and service companies (commonly referred as commercial and industrial i.e. C&I) and in the future years, it is expected that more sectors which were exempt earlier, will be brought under the purview of mandate.

#### Highlights of the XBRL mandate of MCA

- The XBRL instance document is to be submitted as attachment to interactive PDF forms (same approach as per MCA 21 program).
- Company level extensions are not allowed while submitting data to MCA.
- Separate instance documents to be prepared for consolidated and standalone reports.
- Separate instance documents to be prepared for Balance sheet and its related data and Profit and Loss and its related data. A detailed guidance for classifying information into Balance Sheet and Profit and Loss instance is provided by MCA.
- Business rules based on taxonomy elements are defined. These rules are currently built as part of validation tool provided by MCA and not part of taxonomy.
- The XBRL document needs to be verified by accounting professional.

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Following class of companies has to file the Financial Statements in XBRL form only from the year 2010-2011:-

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

## 4 Looking at the Changes

Comparing the XBRL filing requirements of the three filing years, it is evident that there has been a significant change between the mandate of year one and year two. There was no change between year two and year three. The mandate of year two was carried forward to year three. The differences between year one and year two mandate are highlighted in this section.

### 4.1 Change in Underlying Rules and Regulations

Taxonomies reflect the reporting requirements. Companies registered under Companies Act, 1956 (the Act) are required to present their Balance Sheet and Income Statement in a format prescribed by Schedule VI of the Act. The taxonomy for reporting to MCA is based on the requirements of Schedule VI. In year two, the requirements of Schedule VI in terms of the information to be disclosed and the format were revised. To reflect the new reporting requirements and new reporting format, the taxonomy was updated for year two.

This resulted in new disclosures being added and modification of existing relationship. For example, there were changes in discourse relating to share capital, borrowings, fixed assets and profit and loss appropriation.

#### Example of new disclosure requirement

Disclosure of shareholders holding more than 5% of capital was a requirement of revised Schedule VI. To cater to this new requirement, additional elements were included in Year Two taxonomy.

*Example 1: Change in underlying requirement from year one to two.*

### 4.2 Inclusion of New Reports

In year two, the scope of filing under XBRL increased. In addition to financial information, companies (refer footnote # 1) had to submit the cost related information for every product or service group. Thus the two reports i.e. the Cost audit report and the Compliance report which are prepared as per Companies (Cost Accounting Records) Rules 2011, also had to be submitted in XBRL. This is one of the first XBRL implementations across the globe for cost related information.

### 4.3 Change in Taxonomy Architecture and Design

Taxonomy architecture and design refers to the data modelling techniques used in the taxonomy, the file and folder structure, approach for modularization, and other technical artefacts. In year two, the taxonomy architecture was changed significantly and the main areas of change from year one to year two were –

- Use of dimensions for data modelling
- Restricting use of tuples for data modelling
- Modularisation of files based on ELRs
- Change in naming convention for elements
- Inclusion of reference linkbase
- Removal of documentation label for elements

Of all the above, the most significant change in taxonomy architecture was with respect to data modelling i.e. migration from tuples to dimension. Year one taxonomy had used tuples and no dimensions at all. Year two taxonomy had used dimensions for modeling of complex data structures and use of tuples was restricted. Both, explicit and typed dimensions were used in year two taxonomy.

Explicit dimension were used model disclosures which were defined as simple list in year one taxonomy.

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### **Example: Disclosure of tangible assets**

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- Year One Taxonomy – Separate primary elements created for combination of each asset class and reconciliation items (Opening/closing balance, additions, deletions adjustments etc.).
- Year Two Taxonomy – Asset classes were defined as dimensions with primary elements being line items of reconciliations.

*Example 2: Change in data modelling from concept to dimension.*

Typed dimensions were majorly used as a replacement of tuples. Disclosures defined as tuples in year one were remodeled as typed dimensions in year two taxonomy.

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### **Example: Disclosure of details of subsidiaries**

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- Year One Taxonomy – This disclosure was defined as tuple which means each subsidiary will be reported as one tuple node
- Year Two Taxonomy – The same disclosure was made into typed dimension whereby users were expected to create typed members for each subsidiary to be disclosed.

*Example 3: Change in data modelling from tuple to typed dimension.*

The other architecture related changes, though not as significant as data modelling change, are worth noting. With respect to modularization, every extended link role (ELR) was defined in a separate file in year two taxonomy as opposed one all ELRs in one file for a linkbase in year one taxonomy.

The year two taxonomy incorporated reference linkbase. Naming convention style of elements had also undergone change in year two taxonomy.

Key statistics for commercial and industries taxonomy		
Parameters	Year one	Year two
Elements <sup>2</sup>	3165	3140
Tuples	24	0
Extended Links (presentation)	57	45
Explicit Dimension	0	37
Typed Dimension	0	25

Table 1: Select statistics for C&I taxonomy year one and two

## 4.4 Business Rules and Validation Tool

Business rules are validations checks run on instance documents to ensure that the document conforms to business logic and requirement. Business rules are driven by the underlying requirement and taxonomy architecture. Since both underlying requirement and taxonomy had changed business rules were bound to change.

The business logic majorly remained the same for year one and year two rules. The change was in respect to elements name, ELR and dimension specific rules.

There was new list of business rules introduced for cost and compliance disclosures which as highlighted earlier, was the new requirement in itself.

### Examples of new rules included

- In disclosures of tangible assets it was required that total of all classes of tangible assets should be equal to value of tangible assets.
- All mandatory primarily elements are reported for a chosen domain /typed member.

### Examples of deleted rules:

- As per revised Schedule VI, only one format for Income statement was prescribed. Hence the rule, if type of Income Statement was 'Main' then 'gross profit' and 'cost of goods services' should not be reported, was removed.

Example 4: Changes in business rules

MCA provides desktop based XBRL validator tool. This application checks for compliance with XBRL specifications and business rules. There was new version of this tool released in year two to validate new business rules and specifications pertaining to Dimensions 1.0.

It may, however, be noted that mere successful validation of an XBRL document by the MCA Validation Tool does not mean that the provisions under section 211 of the Companies Act, 1956 have fully been complied with. It is important to ensure that this 'validated' XBRL document also provides a true and fair view of the state of affairs of the company as per financial statements adopted in the AGM.

MCA XBRL Validation Tool also provides the 'human-readable' pdf version of the XBRL document for ease in authentication and certification of the XBRL document being filed by the company to MCA.

#### **4.5 Scope and Level of Tagging**

Scope determines which all portions of the taxonomy has to be filled in order to be minimum compliant with XBRL mandate, while level of tagging refers to the extent of details required to be provided in XBRL instance document. There are two levels of tagging –

- Block Text Tagging – In this type of tagging entire information can be captured as a single fact against one element from the taxonomy.
- Detailed Tagging – In this type of tagging each granular fact to the most possible detailed level has to be given.

The scope of tagging for year one and year two has remained the same<sup>3</sup>. The change was with respect to level of tagging. For year one all 'Notes to accounts' was declared to be block text tagging, in year two all 'Notes to accounts' sections/ ELR were supposed to be tagged in detail. Out of 45 extended link roles (of presentation linkbase) for year two 43 extended link roles had to be tagged in detail.

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#### **Example: Tagging of Accounting policies**

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- Year one taxonomy – The note for Employee benefits was to be block tagged
- Year two taxonomy – Details about each defined benefit plan, reconciliation for changes in present value, termination benefits and contribution plans have to be tagged separately in XBRL instance document.

*Example 4: Change in level of tagging*

## 5 Impact on Stakeholders

Introduction of new systems is bound to have impact on all the stakeholders. This section focuses on the impact due to changes in the filing requirements in the subsequent years. The stakeholders considered here includes the filers, software vendors and service providers, primarily the parties involved in creating or supporting the activities required to meet the XBRL mandate.

The change in mandate has been significant from Year one to two, and there has been no change in mandate from year two to three, the key impact analysis presented below is focusing on the transition from year one to two.

Criteria	Impact	Stakeholders impacted
Introduction of new regulation, increase in scope, additional business rules	<ul style="list-style-type: none"> <li>• High training needs.</li> <li>• Increase in cost and efforts – for creating as well as reviewing XBRL instance document.</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting entities</li> </ul>
Change in taxonomy architecture	<ul style="list-style-type: none"> <li>• Very little comparability with previously filed data.</li> <li>• Limited reuse of previously filed data for the purpose of creating current year filing.</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting entities</li> <li>• Service providers</li> <li>• Software vendors</li> </ul>
Use of advanced XBRL specifications i.e. Dimensions 1.0	<ul style="list-style-type: none"> <li>• Need for upgrading the software applications which had not catered to the advanced XBRL specifications.</li> </ul>	<ul style="list-style-type: none"> <li>• Software vendors</li> </ul>

## 6 Support Given by MCA

For MCA, managing the market sentiments can be considered as the most challenging task. MCA has always extended support to the stakeholders and maybe that's one of the reasons for successful implementation and acceptance by the market. The following activities have been undertaken by MCA–

**Training and webinars:** Extensive training sessions across various locations in India covering the taxonomy, filing and validation process have been conducted.

**List of eligible software vendors:** With the mandate for XBRL, there have been many vendors who have started new and are offering services. To ensure the only vendors producing valid XBRL output and valid as per MCA mandate, remain in the market, MCA publishes list of software vendors. Every vendor is expected to submit its output, get it validated if it is to be included in the vendor list.

**Validation and rendering tool:** MCA provides a desktop validation and rendering tool. The purpose of validation tool is to ensure that the instance document conforms to the MCA taxonomy and also the business rules. Since there are many software vendors in the market, to ensure that the filings by all companies are consistent and valid, clearing the validation through MCA validation tool is a pre-requisite before uploading the XBRL documents on MCAportal.

In addition to validation, the MCA XBRL Validation Tool also provides the output of XBRL document in PDF format. The 'human-readable' pdf version facilitates verification and certification of the XBRL document.

**Helpdesk and FAQs:** MCA also provide help desk services for companies and software vendors. The queries with respect to MCA taxonomy, business rules, filing rules or MCA validation tool can be forwarded to the MCA via email or phone calls. The support staff accordingly gets back with the responses.

**Microsite for XBRL:** A dedicated website for information related to MCA XBRL mandate is set-up. The microsite includes all necessary details which the stakeholders need to know for preparing the XBRL files as per the mandate. Links to taxonomies, filing manual, MCA validation tool, training schedules, notifications, etc. can be found on this site.

**Relaxing the timeframe for filing:** In the initial periods while the market was adapting to the new XBRL filing regime, MCA has been supportive by relaxing the requirement for submitting the document within stipulated time. MCA has also extended the submission date from time to time after assessing the readiness of companies.

## 7 Way Forward

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MCA has now gone through three filing seasons and already stepped in the next one. The third year has been relatively stable and the market has also adapted to the XBRL reporting.

Going ahead, the scope of companies covered can be expected to increase. In the past few months, the draft taxonomies for the sectors – power, NBFC and Insurance, have been released for public comments. Once these taxonomies are finalized, and updated to include public feedback, companies falling under the above mentioned sectors most likely will come under the XBRL mandate.

Post MCA adopted XBRL, there have been new and significant developments in the XBRL standard itself and shouldn't be a surprise if these get implemented. Most of the implementations globally are now using formula linkbase to define business rules as this helps to model the rules as part of taxonomy package itself. Use of formula linkbase for modelling business rules, if implemented, will be a major change. MCA, as always, will be providing the support to filers; however it is always useful for all the stakeholders to be prepared.

Any changes to the filing mandate will of course impact the stakeholders, and hence it is expected that MCA will evaluate the changes carefully before going ahead with the implementation.

From MCA perspective, with a repository of XBRL data being created, the next considerations will be around consumption of XBRL data.



## About IRIS

**IRIS Business Services Limited** is a leading XBRL solutions company with global presence in regulatory and compliance reporting software. The firm is uniquely positioned with offerings across the spectrum of creation, management and use of structured data via XBRL in the realm of business and financial reporting.

IRIS serves a client base that includes regulators in over a dozen countries around the world, leading banks, financial market intermediaries, consulting firms, financial printers as well as large and small enterprises.

In India, IRIS has implemented XBRL solutions for the RBI, SEBI, BSE and the NSE. IRIS has developed the taxonomy for RBI (Banking & NBFC), SEBI (Mutual funds), India Jurisdiction (C&I) of ICAI, as well as for the MCA.

IRIS is a member of the XBRL India jurisdiction, as well as a direct member of XBRL International. IRIS' experienced team of XBRL analysts has converted more than 20,000 financial reports into XBRL for Indian, US and UK companies. With a multidisciplinary team of more than 300 professionals across domain and technology, IRIS is your one stop shop for all things XBRL..

Learn more about us at: [www.irisbusiness.com](http://www.irisbusiness.com)

### Authors

Authors of this paper have designed, developed and lead several XBRL taxonomy projects for banking and corporate regulators. They also conceptualize and provide support for development of solutions across the XBRL supply chain. They are actively involved with XBRL International Working Groups and other activities and also are members of Taxonomy Architecture Guidance Task Force (TAGTF) and Implementation Guidance Task Force (IGTF) of Best Practice Board (BPB) of XBRL International.

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