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MCA's XBRL Mandate – Recent Updates

The MCA (Ministry of Corporate Affairs) has issued circulars mandating certain companies to file their financial statements from the year 2010-11 using an XBRL (eXtensible Business Reporting Language) format. These circulars mark an important step in ensuring XBRL compliance for financial statements and related information filed by Indian companies and are part of a series of XBRL initiatives by various regulators.

In the initial phase, the MCA mandate applies to:

- All companies listed in India and their Indian subsidiaries; or
- All companies having a paid up capital of INR 5 crores and above; or
- All companies having a turnover of INR 100 crores and above.

However, banking companies, insurance companies, power companies and Non Banking Financial Companies (NBFCs) are currently exempt from the filing requirements.

The scope of filing covers the entire annual financial statements, the directors' report and the auditors' report. The XBRL taxonomy (dictionary) is based on the existing Schedule VI of the Indian Companies Act, and the currently prevailing Indian Accounting Standards. Accordingly, XBRL implementation does not change any requirements relating to preparation of the financial statements, but merely reflects a change in the manner in which the financial statements will be transmitted to the regulators.

In the following sections, we provide a summary of the key guidelines.

Applicability and Timelines

- XBRL filing required for companies whose year ending is 31 March 2011 or thereafter, subject to fulfilling other criteria
- Revised filing deadline of 30 November 2011 or 60 days from the usual due date for filing financial statements, whichever is later
- Any company not filing financial statements in compliance with Schedule VI of the Companies Act is exempt. For example, companies governed by Electricity Act, Banking Regulation Act or the Insurance Act are exempt in current phase
- NBFCs are exempt despite the fact that they prepare Schedule VI financial statements, since a separate taxonomy is planned
- Non-exempt subsidiaries of exempt parents (e.g. shared service center or broking subsidiary of a bank) are covered since such companies file Schedule VI financial statements and are covered by the current taxonomy
- Power companies that prepare financial statements in accordance with Schedule VI are covered
- Scope of filing includes consolidated financial statements
- Voluntary filing encouraged for companies not currently meeting criteria.

Some Important Updates and Clarifications

- The originally issued taxonomy has been revised. Revisions to original taxonomy include addition of items relating to the fixed assets schedule, changes for alignment to Indian GAAP presentation, and deletion of the Clause 41 section of the taxonomy
- Fixed assets schedule, related party and investments details are part of detailed tagging requirements, which require every amount disclosed to be tagged separately
- Auditors' report, directors' report and accounting policies are part of block text tagging requirements, which require an entire text block to be tagged as one without the need to tag the individual elements separately
- Certain tags are mandatory even if there is no reported number (they need to be reported as zero). For example inventories and unsecured public deposits are mandatory tags
- Comparatives are required to be tagged along with the current year information
- At this stage, no extensions to the taxonomy allowed.

Validation, Certification and Filing Process

- The updated business rules and validation tool is expected soon
- Filing gateway to be opened soon
- Filing gateway to be accompanied by validation checks and human-readable output to enable filers to do final checks
- XBRL filing to be an attachment to annual ROC filing of Forms 23AC and 23 ACA
- MCA plans to notify new versions of these forms to incorporate XBRL attachments
- There are plans to open a data upload portal possibly from next year, which would do away with the need to convert financial statements into XBRL.
- Dedicated websites: http://www.mca.gov.in and http://xbrl.icai.org

What is XBRL

Currently, financial statements or other information prepared in Word, Excel or HTML formats can be read but not automatically analyzed or processed according to the user's needs. For example, the word "Revenue" appears in many places in the financial statements, but if the reader wants to have all "Revenue" references and related information collated in one place, they would need to do so manually. This is because information is not machine-readable and needs to be copy/pasted or keyed-in before it is used for analysis/decision-making purposes.

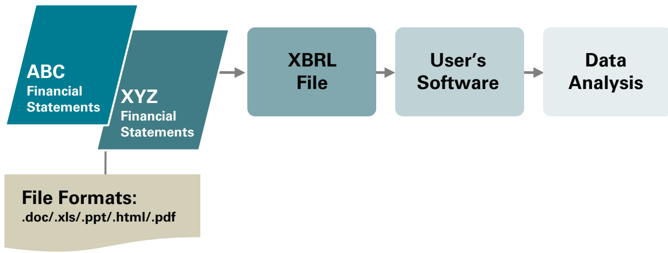
XBRL enables source data to be tagged electronically, making the data machine-readable. Thus, the user's computer can automatically extract the information without the need for copy-pasting or keying-in. XBRL enables tagging of numbers, quantitative data and textual information.

The benefits of XBRL go beyond compliance since any data collation process can be streamlined using electronic tags.

How data becomes XBRL-compliant

XBRL makes the data machine readable, with the help of two documents – taxonomy and XBRL instance document. Taxonomy defines the elements and their relationships. Using the relevant taxonomy, a company can map data and create an XBRL document.

This XBRL document thus becomes machine readable and can be automatically read and analysed by users. The following diagram depicts the process:



Implications for Indian companies

Companies need to quickly gear-up to this new reporting challenge and also to gain benefits from the broader business uses of XBRL. Some of the key challenges that companies might encounter as they adopt XBRL reporting are:

- Requirement of training staff to understand XBRL and how it needs to be implemented including matters like timely tagging and validation processes.
- The software tool to be used for the purpose of tagging.
- The first-time efforts involved in tagging and resolving errors identified by validation checks.
- Smooth and timely closure of reporting within the prescribed timelines.

How KPMG can assist

KPMG in India's dedicated Accounting Advisory Services practice provides accounting advisory services to clients across industry sectors. Our team includes professionals with experience in accounting and financial reporting principles and processes, including XBRL. Additionally, we have access to alliance partners who provide software tools to implement XBRL. KPMG, along with its alliance partners, can assist Indian companies in training internal resources on XBRL, identifying and selecting appropriate software tools, project management and overall implementation of XBRL in a manner that makes XBRL 'business as usual'.

Contact us - Accounting Advisory Services

Ram Iyer
Director, Mumbai
T: + 91 22 3090 1946
E: rgiyer@kpmg.com

Chandrashekhar Balasubramaniam
Associate Director, Pune
T: + 91 20 3050 4164
E: cbalasubramaniam@kpmg.com

Venkateswaran Narayanan
Manager, Mumbai
T: + 91 22 3090 6000
E: vnarayanan1@kpmg.com

Fatima Sami
Associate Director, Delhi
T: + 91 124 3345 324
E: fsami@kpmg.com

Shashikant Shenoy
Manager, Bangalore
T: + 91 80 3980 6091
E: sshenoy@kpmg.com

Abhijit Agarwal
Manager, Kolkata
T: + 91 33 4403 4072
E: akagarwal@kpmg.com

Vinay Gulati
Manager, Chennai
T: + 91 44 3914 5284
E: vinaygulati@kpmg.com

Sundeep Mittal
Manager, Hyderabad
T: + 91 40 3046 5078
E: smittal@kpmg.com

kpmg.com/in